

Pakistan

KP Rural Economic Transformation Project

Project Design Report

Main report and annexes

Mission Dates: 5 to 14 April 2021

Document Date: 08/11/2021

Project No. 2000002333

Report No. 5791-PK

Asia and the Pacific Division
Programme Management Department

Map of the Project Area



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.
..... Dotted line represents approximately the Line of Control in Jammu and Kashmir agreed upon by India and Pakistan. The final status of Jammu and Kashmir has not yet been agreed upon by the parties.

Map compiled by IFAD | 12-05-2020

Abbreviations and Acronyms

ADB	Asian Development Bank
ADP	Annual Development Programme
AWPB	Annual Work plan and budget
BISP	Benazir Income Support Programme
BISP-PSC	Benazir Income Support Programme – Poverty Score Card
BRI	Belt and Road Initiative
CBN	Cost of Basic Needs
CDWP	Central Development Working Party
C&W	Communication and Works Department
CO	Community Organization
COSOP	Country Strategic Opportunities Programme
CPEC	China-Pakistan Economic Corridor
DFI	Development Finance Institution
DFID	Department of International Development
EAD	Economic Affairs Division
ECNEC	Executive Committee of National Economic Council
ETIGB	Economic Transformation Initiative – Gilgit-Balistan
FA	Financing Agreement

FATA	Federally Administered Tribal Area
FSC	Farm Service Centre
FY	Fiscal Year
GCC	Gulf Cooperation Council Countries
GII	Gender Inequality Index
GDP	Gross Domestic Product
GLLSP	Gawdar-Lasbel Livelihood Programme
GLOF	Glacial Lake Outburst Floods
GNI	Gross National Income
HHs	Households
IFAD	International Fund for Agriculture Development
IMF	International Monetary Fund
JICA	Japan International Cooperation Agency
KM	Knowledge Management
Km	Kilometre
KPRETP	Khyber Pakhtunkhwa Rural Transformation Project
LSO	Local Support Organization
M&E	Monitoring and Evaluation
MFB	Micro-finance Bank

MFI	Micro-finance Institution
MPI	Multidimensional Poverty Index
NAVTEC	National Vocational & Technical Education Commission
NMD	Newly Merged Districts
NGO	Non-Government Organisations
NER	National Economic Registry
NPGP	National Poverty Graduation Programme
NPGI	National Poverty Graduation Initiative
P&D	Planning and Development Department
PDR	Project Design Report
PKR	Pakistan Rupees
PC-I	Planning Commission Proforma-I (government document for project design)
PCC	Project Coordination Committee
PHE	Public Health Engineering Department
PCN	Project Concept Note
PFO	Professional Farmer Organization
PMT	Proxy Mean Testing
PMU	Project Management Unit
PPAF	Pakistan Poverty Alleviation Fund

PSC	Project Steering Committee
RETP	Rural Economic Transformation Project
RSP	Rural Support Programme
SDGs	Sustainable Development Goals
SECAP	Social, Environmental and Climate Assessment in Projects
SMP	Social Mobilization Partner
SSN	Social Safety Net
SSN-TUP	Social Safety Net – Targeting the Ultra Poor (an IFAD pilot)
TA	Technical Assistance
TEVTA	Technical Education & Vocational Training Authority
UCT	Unconditional Cash Transfer
UNDP	United Nations Development Programme
USD	United States Dollars
VO	Village Organization
WB	World Bank

In line with IFAD11 mainstreaming commitments, the project has been validated as:

Gender transformational Youth sensitive Nutrition sensitive Climate finance

IFAD Adaptation Finance	\$13,548,000
IFAD Mitigation Finance	\$0
Total IFAD Climate-focused Finance	\$13,548,000

Executive Summary

Background: Pakistan is the sixth most populous (217 million) country in the world with overwhelmingly young population (64% youth). Among the 5 provinces, Khyber Pakhtunkhwa Province is the third largest ($101,741 \text{ km}^2$) inhabited by 35 million people (29% youth). The multidimensional level of poverty in the province is 49% (58% rural) against a national average of 39%. Agriculture employs 32 percent of the labour force and is largely small holder dominated (95% having subsistence orientation with mixed farming systems). The youth unemployment owes to predominance of informal economy, low level of education and skills and exceptionally low participation by females. The province is administratively divided into 7 divisions and 35 districts including 7 newly merged districts (NMD).

KP-RETP's purpose is to addresses the main drivers of rural poverty and food insecurity. The underlying causes include low productivity, wastages and low return from agriculture and unorganized smallholder farmers, poor marketing, youth and women unemployment as well as limited access to financial resources, causing in turn income losses, food insecurity and malnutrition.

Project Area and Target group: KP-RETP will be implemented in all 35 districts of KP province and will benefit around 785,000 households (4.35 million corresponding persons). RETP will target: (i) smallholder farmers actively engaged in agriculture; (ii) households falling in 0-34 PSC; (iii) households experiencing food insecurity and malnourishment; and (iv) rural women and youth.

Strategy and Approach. The project interventions are aimed at transforming the rural economy through organized farming and agribusiness developed under the framework of Professional Farmers' Organizations (PFOs) and Public-Private Producer Partnerships (4Ps) and improved service delivery. Rural women and youth will be assisted in skills development and start-up capital activities thereby accelerating a youth-mainstreamed and gender-sensitive economy. Similarly, employment promotion will complement agribusiness development in terms of new rural services development. It will also encompass special support for job market integration of the graduates (through the public – private job placement programme), as well as the specific partnership with TEVTA and relevant institutions for professional and technical/vocational education.

KP-RATP is in line with Pakistan's Vision 2025, 12th Five Year Plan, Poverty Reduction Strategy 2019, National Food Security Policy, Khyber Pakhtunkhwa Agriculture Policy, Women Empowerment Policy 2017, Youth Policy 2016, and IFAD's comparative advantage.

Nutrition and Youth. With regards to nutrition, the project will build upon the lessons learned from IFAD financed projects and through active engagement with ongoing initiatives of WFP and FAO (RBA collaboration). Special attention will be made to the food security policy (currently being developed) and adopting guidelines related to selection of nutrition sensitive value chains, creating nutrition related awareness, and promoting nutrition sensitive labelling and packing thus impacting both producers and consumers. The project will ensure women's inclusion in value chains and advance equitable opportunities in skills development. All efforts will be made in this very conservative region in order for gender to be mainstreamed by ensuring a minimum of 25% quota for female participation in all project activities and by the development of women centred value chains, and 4Ps. Youth will be also mainstreamed in all project interventions (50% of all support will go to youth).

Project Management. An independent PM U under the Planning and Development Department with a strategic oversight provided by the Project Steering Committee (PSC), which will be headed by the Additional Chief Secretary (Planning and Development).

Project costs and Financing. The project cost is estimated at USD185.82 million (PKR. 29 billion) with IFAD loan financing of USD84.19 million (33%), a financing gap of USD15.91 million (20.5%), USD40.44 million (22%) leveraged by Government of KP and USD45.27 million (24%) contributed by private sector/beneficiaries. The project investment is organized in three project components, i.e. (i) agribusiness development (USD104.5 million); (ii) capacity building for employment/jobs (USD66.2 million) and (iii) project management and policy support (USD15.1 million). Financing for youth represents USD92.9 million (50% of total project cost) while investment in women is estimated at USD46.5 million (25%).

GoKP incremental contribution is estimated at USD9.1 million on account of taxes and project management related expenditures while USD31.4 million will be leveraged mainly through ongoing ADP support to TEVTA and agriculture department (under farmer service centres support). The project beneficiaries' contribution include (i) an estimated USD37.7 million, which would finance about 36% of Component 1; and, (ii) an estimated USD7.6 million, which would finance about 11% of component 2 (mainly on account of job placement contribution). Beneficiaries will be contributing mainly in cash with various ratios depending on the type of activity.

1. Context

A. National context and rationale for IFAD involvement

a. National Context

1. **National and Provincial Context**
2. Pakistan is a lower-middle income country with a per capita income of US\$ 1,64^[1] and an estimated GDP of USD 314 billion. The services sector (61%) is the largest contributor to the economy, followed by industry (20%) and agriculture (19%). The latter absorbs 42% of labour force, generates an important source of foreign exchange earnings, and stimulates growth in other sectors. In order to sustainably increase the income of rural households, and particularly of youth and women of these areas, the Government of Pakistan (GoP) is focusing on supporting small and marginalized farmers to increase their productivity and promote diversification to high value niche crops and livestock, foster agribusiness development, improve skills and professionalization, as well as facilitate access to financial services and improve climate resilience.
3. Pakistan's economy has been severely hit by the COVID 19 pandemic and the country's GDP is estimated to experience a negative 0.38% growth in FY20 compared to a pre-COVID19 growth of more than 5.8% in 2018 and 5.6% in 2017. This is the second contraction in decades and reflects the effects of the COVID-19 containment measures that followed the monetary and fiscal tightening prior to the outbreak. Economic growth is projected to remain low, averaging 1.3 percent for FY21-22.
4. Pakistan is the sixth most populous country in the world with a population of 207 million and expected to reach 280 million by 2030, of which 63% is below the age of 30. Notably, Pakistan has the 9th largest labour force in the world with almost 4 million youth attaining working age every year. This large proportion of youth in the population, combined with economic slowdown, will exacerbate the problem of underemployment and unemployment especially in the rural areas. Indeed, Pakistan's youth unemployment is relatively higher than other South Asian countries.
5. Poverty reduction remains a persistent challenge for Pakistan. The country's multidimensional poverty index (MPI) is 0.198 with 38.3% of the population ranked as poor while 21.5% of population is in severe multidimensional poverty^[2]. A 2008 nationwide poverty survey, being updated since 2017, established a national well-being registry, ranking HHs on a scale from 0 to 100 (Poverty Score Card). Appendix 1 describes the typology of poverty bands and related score card ratings. Using the GoP's definition, the corresponding IFAD target groups in Pakistan falls within the poverty score card of 0 to 40. According to MPI corresponding poverty head count is 81.352 million. The Ehsaas^[3] programme is the biggest national poverty graduation programme in the world, providing unconditional cash transfers to the most vulnerable 5 million people. Pakistan continues to face significant human development challenges with an HDI rank of 152nd out of 189 countries.
6. **Khyber Pakhtunkhwa (KP) Province** is the third largest province of Pakistan with a land mass of 101,741 km² and population of 35.35 million (4.4 million HHs) of which 81% is rural. The province is administratively divided into 7 divisions and 35 districts including 7 newly merged districts (NMDs). The KP provincial economy is dominated by services (67% of provincial GDP) followed by manufacture (17%) and agriculture (14%)^[4]. Remittances coming mostly from unskilled workers in the Gulf Cooperation Council (GCC) countries, constitute an important source of livelihood for about 3 million HHs (75% of the total HHs). The province is the second highest producer of oil and natural gas in the country and annual oil and gas royalty receipts amounted to about USD 140 million (PKR 22.3 billion) in 2018-19. According to the Petroleum Policy 2012, 10% of the oil and gas annual royalty receipts are to be earmarked and utilized for development but only in the oil and gas production districts (mainly Kohat, Karak, and Hangu districts).
7. Despite this natural resource endowment, the KP province is comparatively more challenged compared to other provinces, with a multidimensional poverty rate of 49% against the national average of 39% (2015). Within KP, poverty is particularly acute in rural areas and NMDs, where poverty rates stood at nearly 58% and 74%, respectively. The number of HHs categorised as extremely and chronically poor (Poverty Score Card 0-16.7) in the KP province, is estimated at 1.6 million^[5]. Similarly, the unemployment rate in the province is higher (9.2%) compared to the national average (5.7%).
8. Nutritionally vulnerable groups include children of both sexes, adolescents, women of reproductive age, and especially pregnant and lactating women. While malnutrition not only translates into underweight, the other side of it are overweight and obesity which are increasing in Pakistan. Stunting (chronic malnutrition) is a major problem in Pakistan, and the percentage of stunted children under the age of five is the highest in the NMD of KP with 48 %, while it is 40% for the rest of KP. With regards to wasting (acute malnutrition), the percentage in NMD is 23% and for the rest of KP 15%. Micronutrient deficiencies in children under the age of five are causing anaemia (53% of children all over Pakistan), iron deficiency, vitamin A and D deficiency.
9. The nutritional status of adolescents (10 to 19 years) in KP provides the following picture: 15% of adolescent girls are underweight in KP and 18% in KP-NMD, while for boys it is 14% in KP and 12 in KP-NMD. One of the biggest nutritional problems all over the rural areas in Pakistan is anaemia, which affects about 41% of women of reproductive age (UNICEF National Nutrition Survey 2018).
10. Due to small landholdings and subsistence-level crop production, the personal production of cereals for household consumption is merely sufficient for four months on average. This makes households more dependent on markets for their food needs. Although food is generally available in the markets, the purchasing power of HHs is considerably low and the distance to food markets is far, thus having adverse impacts on people's access to food
11. **Agriculture and Rural Development:** In the KP province, agriculture employs 32% of labour force. While 95% of the small farmers follow a traditional mixed farming system, with a subsistence approach, most farmers sell surpluses mainly just after harvest and through the classical intermediary channels that often ensure them with access to credit and inputs. The number of farmers in the province are estimated to be over 4 million with an average size of farm between 2 to 3 acres. The total cultivated area of the province is 1.8 million ha of which half is rain-fed. Because of its unique agro-climatic conditions, the province has

enormous growth potential in the development of high value crops such as orchards, vegetables and floriculture, as well as the development of livestock/dairy sector (see Annex 1 - zone wise value chain development potential in KP validated during design mission, and Annex 2 - Data Livestock 2019).

12. Despite the existence of provincial and national market opportunity and niches, farmers' profitability and employment generation potential remain untapped. Major issues hindering exploitation of the potential in the province include: high transaction cost/lack of economies of scale (high cost of aggregation) due to fragmented production base; low productivity owing to low adoption of technology and techniques; limited access to finance limiting potential of investment; high risk associated with investment in agriculture and livestock; poor linkage of small-holders with markets and non-integration in major supply chains; high post-harvest losses due to absence of essential infrastructure; weak compliance capacities and complex quality standards regimes.
13. As a consequence of the foregoing constraints, profitability of farmers is low and deter investment in improved technologies, irrigation systems, and adoption of improved practices to better respond to the market demand. Additionally, smallholders do not have the critical mass to attract the interest of market stakeholders other than the classical intermediaries, and are not eligible for formal financial services (microfinance or banks). The private sector is underdeveloped and largely concentrated around trading, mining, and transportation services. The farm services centres (described under subcomponent 1.3) are among the very few existing services for FOs. Limited exports destined to Afghanistan and Middle Eastern countries actually originate within the province.
14. The province historically has been a food deficit area depending heavily on other provinces and seasonal supplies imported mainly from Afghanistan. Wheat and sugarcane are the main crops while maize, rice and various fruits are some of the minor crops grown. Vegetables are grown throughout the year and make important contributions to income generation and food security. Commercial production of fruits and vegetables has expanded rapidly in the last two decades but still remains lower than the overall demand and potential. KP province is one of the two gateways to Afghanistan, a net importer of almost all agriculture commodities.
15. Diversification to horticulture and the livestock/dairy sub-sectors offers the highest potential. While horticulture is an emerging sub-sector, livestock has traditionally been an integral part of smallholder's HH economy and a key element in the mixed farming system with more than 70% of HHs having ruminant livestock. Livestock alone contributes to 30% of the total agricultural income in the province and complements income of farming and landless HHs. The production and distribution system of livestock and livestock products are traditional and poorly developed, warranting attention.
16. The security situation has improved significantly since 2014 and is generally stable in most parts of the province. Security in 7 (newly merged tribal areas) out of the total 35 districts remain precarious and access and operation requires authorization from Government especially for foreigners and personnel of non-governmental organisations.

17. Relevant National Strategies and Policies

18. **Rural and agricultural sector:** Following the 18th Constitutional Amendment in 2010, the provinces were made autonomous with regards to legislative, regulatory and policy making and could choose and prioritise development pathways and budget allocations through federal divisible pools, provincial receipts and donor assistance. Loans from IFIs represent a provincial liability with the federal government serving as guarantor. Since the devolution of the agriculture and rural sectors to the provincial level, the provinces, including KP, have developed policies for agriculture, livestock and key thematic areas related to rural development.
19. In its overarching coordinating role, the National Food Security Policy in place aims to achieve the reduction in poverty, malnutrition, and food insecurity by reaching an average growth of 4% for the agriculture sector. To enhance the agriculture and livestock sectors, the federal government launched a five-year PKR. 309 billion (USD 1.93 billion) National Agriculture Emergency Programme in 2020. The programme, focused on emergency support (mainly subsidies on inputs) and is being executed with the coordination of the provinces to enhance productivity of major crops and improvement of water efficiency. This is in addition to a number of provincial projects in the area of agriculture, livestock and rural development. The Khyber Pakhtunkhwa Agriculture Policy and the Ten-Year Perspective 2015-2025 aim to enhance productivity and competitiveness, address food security, enhance the role of women and improve natural resource management, adaptation to climate change and disaster risk management.
20. **Poverty Reduction:** the Pakistan Vision 2025, the 12th Five Year Plan 2018-23 and the Poverty Reduction Strategy 2019 guide Pakistan's poverty reduction efforts. The vision 2025 aims to half poverty by 2025 and attain upper middle-income status for the country. The Federal Government's 12th Five Year Plan 2018-23, set the target of reducing Cost of Basic Needs based poverty from 24.3% to 19.0% by 2023 and reducing the multidimensional poverty headcount from 38.8% to 30.0% during the plan period. Pakistan was one of the first countries to endorse the SDGs in 2015. The Parliament in place at the time approved the SDGs as the national development agenda.
21. A major national social safety net programme called Benazir Income Support Programme (BISP) was initiated in 2008 and is currently providing unconditional cash transfers to over 5.8 million beneficiaries. A national registry Poverty Score Card^[6] based on Proxy Mean Testing identified 7.7 million poor HHs eligible for unconditional cash transfers. To update the national registry, a survey is currently at an advanced stage of implementation and the registry is likely to be updated by end 2021.
22. Realizing the need for an integrated poverty graduation approach by combining BISP safety nets with livelihoods, human capital development and financial services, the government introduced a comprehensive multidimensional poverty reduction strategy called *Ehsaas* in 2019. A national poverty graduation initiative under "Ehsaas" was launched in 2019, which aims to graduate the poorest 16 million HHs out of poverty. The government, in addition to providing funds for the initiative, collaborated with IFAD and the Asian Development Bank (ADB) through its on-going National Poverty Graduation Programme (NPGP). Through the

Ehsaas programme, the GoP invested USD 8 billion in 2020 to support the most vulnerable HHs as well as the economy to overcome the COVID 19 situation, including to expand the ambit of unconditional cash grants to include an additional 4 million households who were affected by the pandemic. The poverty alleviation strategy is further reinforced through expansion of space for private sector and investment in youth (Kamyab Jawan Programme^[7]).

23. Key National and Provincial Institutions

24. **Government:** The main interlocutor for IFAD in Pakistan has been the Economic Affairs Division (EAD) of the GoP as all assistance to the Government is coordinated by this Division at the Federal level. The Planning and Development (P&D) Department headed by the Additional Chief Secretary and Government line departments in Khyber Pakhtunkhwa are generally well placed in terms of human resources, technical and delivery capacity concerning economic transformation, agriculture, rural development, and poverty reduction. The most relevant line departments for the Rural Economic Transformation Project (RETP) include the P&D (as lead), Agriculture and Livestock, Irrigation, Communication and Works and Local Government, Elections and Rural Development.
25. **Civil Society, NGOs and Rural Support Programmes (RSPs):** The province is among the pioneers in community led development approaches where a number of NGOs/RSPs are operational in almost all the districts of the province. IFAD through the Mansehra Village Support Project (MVSP) and South FATA Development Project (SFDP) were among the pioneers in introducing community-led development approach and gender empowerment. As a result of mobilization efforts, there exist a network of more than 50,000 community organisations in the province. The province has several credible RSPs/NGO such as Sarhad Rural Support Programme, SABAON and Lasoona^[8], with experience of working on government and donors funded programmes and projects.
26. **Micro-Finance Institutions:** The micro-finance sector has experienced exponential growth since 2006 when IFAD collaborated with the Pakistan Poverty Alleviation Fund through the Microfinance Innovation and Outreach Programme (MIOP, 2006-11) and the Programme for Increasing Sustainable Microfinance (PRISM, 2008-2013). Currently, Micro-finance Banks/Micro-finance Institutions (MFIs) have 177 fixed offices and 17 mobile units in the province. The current active borrowers of the commercial banks in the province total 137,000 with a gross loan portfolio of PKR 5.046 billion. Additionally, a provincial bank, the Bank of Khyber has been facilitating increased access to financial services through various products under Agri Finance, microfinance, interest free and low-cost loans.
27. **Development Finance Institutions and Partners:** ADB and World Bank (WB) are the two largest development finance institutions in Pakistan in terms of portfolio size and have several projects in the province related to water resources development, provincial road improvement, irrigated agriculture development and governance and policy programme. Additionally, DFID, JICA, IDB, SDF and UNDP are actively involved in the province. IFAD has in the past financed/co-financed a number of projects in Pakistan including in Khyber Pakhtunkhwa (DIR Area support project / Barani area development project / South FATA and Mansehra village support programme). Co-financing options are being explored with EU
28. [\[1\]](#) Economic Indicators 2019/2020, Ministry of Finance, Government of Pakistan
29. [\[2\]](#) Multidimensional Poverty Index: developing countries -2020
http://hdr.undp.org/sites/default/files/2020_mpi_statistical_data_table_1_and_2_en.pdf
30. [\[3\]](#) National Poverty Graduation Initiative (NPGI) locally named Ehsaas (meaning sentiment/empathy in Urdu language).
31. [\[4\]](#) World Bank, Khyber Pakhtunkhwa Irrigated Agriculture Improvement Project, 2018
32. [\[5\]](#) BISP PSC data. <https://bisp.gov.pk/ProjectDetail/ZDZjYzY3ZDAzTQ2OS00NGRhLTliNmItMzMJmMzdjYTY3ZDE0>
33. [\[6\]](#) NSER is a database of information about the socioeconomic status of over 27 million households across the country. The registry was set up as a result of a Poverty Scorecard Survey. The survey covered 87% of the country's population. The registry enables BISP to identify eligible households through a Proxy Means Test (PMT) which calculates the poverty levels and determines the welfare status of a household on a scale between zero and 100.
34. [\[7\]](#) <https://kamyabjawan.gov.pk>
35. [\[8\]](#) SABAON and Lasoona are also involved as implementation partners in IFAD financed NPGP.

b. Special aspects relating to IFAD's corporate mainstreaming priorities

36. **Sustainable Agriculture and Rural Transformation.** In line with the priorities of the provincial government and IFAD, the transformation potential of agriculture for enhanced incomes and employment will be pursued by addressing the critical issues in the farm, off-farm and non-farm sectors.
37. **Women:** Women in Pakistan and particularly in KP are considered the most socially excluded group and are deprived in terms of access to basic social services and livelihood opportunities. The 2020 Global Gender Gap Index report of 2020 ranked Pakistan 151 out of the total 153 countries. This translates into a low labour force participation rate for women which stands at 13% compared to 76% for men at national level. Similarly, the employment to population ratio for females aged 15-24 years is a paltry 9.3%. The share of agriculture in total employment is 73% for women and 25% for men but very often women are not compensated properly for this work which is done in family farms. The project, which envisages at least 25% participation of women in project activities, is well-entrenched with priorities of the Government of KP and IFAD.

38. **Youth:** Pakistan is a young country with more than 60% of Pakistanis aged between 15 and 33 years^[1]. KP's youth population represents 14% of the country's total youth population. Lack of appropriate skills, relevant to job market needs, and low access to resources are the main reasons for high unemployment and under-employment among youth. The project will provide an opportunity for realizing the dividends of the "youth bulge" by addressing critical challenges related to human capital development, jobs market readiness (skills and self-employment), integration of young graduates to job market and access to finance. The Government of Pakistan has launched a special initiative for youth - the kamyab jawan programme (successful youth programme) with an initial push strategy to increase access to finance for youth. The project interventions will foster an integrated approach to employment and jobs promotion by improving skills, facilitating self-employment and job market placement for training graduates.
39. **Climate Change:** Pakistan is one of the 10 most affected countries in terms of climate change and variability, ranking 5th in the Long-Term Climate Index^[2]. The KP Province is assessed to be one of the most vulnerable provinces of Pakistan to the negative impacts of climate change. By 2050, the temperature in the province is expected to increase throughout the year by 1-1.5 °C. The rainfall projection indicates that the summer monsoon will bring much more rain in 2050 than in 1960-1995 and the winter monsoon slightly less. The other months will be drier, implying the possibility of droughts. In terms of water resources, an increase in their availability will be observed in the near future but a decrease is expected in the medium term and after 2050, which could jeopardize the current farming systems. To reduce the risks and impacts associated with changing weather and climate conditions, the project will strengthen the capacity of farmers to assess climate risks, plan and identify climate adaptation measures under Component 1. The identified climate adaptation measures, once implemented, will significantly improve resilience to climate change.
40. **Food Security and Nutrition:** Over the years, Pakistan has become a food surplus country. However, 37% of the population faces food insecurity^[3] primarily due to limited economic access by the poorest to an adequate and diverse diet^[4]. While Pakistan is 'on course' to meet the targets for maternal, infant, and young child nutrition (MIYCN), some progress has been made towards achieving the target for stunting, but 37.6% of children under 5 years of age are still affected, or approximately 10 million children, which is higher than the average for the Asia region (21.8%). According to UNICEF, wasting (0-5years) is extremely high in Pakistan, with some areas at emergency levels. There is still high prevalence of anaemia among women of reproductive age (52.1%)^[5]. Food insecurity in KP is around 35% and as high as 45% in NMDs. A decrease in malnutrition among children, thanks to improved food security, is a well-documented outcome of successful poverty graduation approaches. However, there are still gains to be made in improved nutrition for children and women of reproductive age. Based on the evidence of earlier projects and other initiatives in the region, it has been seen that increased income at household levels have had positive impact on food security and dietary diversity. Based on this, the project will supplement investments in livelihood enhancement, with nutrition information services to women and men, to ensure that decisions at household level are well informed. Considering the conservative social context in the project area, the 25% of targeted women will be provided with this information through separate trainings, especially on maternal and early childhood nutrition, while men will be trained separately on good nutritional behaviours and dietary diversity. It is also expected that enhancing smallholder production and productivity will have a positive impact on the nutrition status of targeted households.

41. [1] Pakistan Human Development Report 2017, UNDP
42. [2] Global Climate Risk Index 2020, www.germanwatch.org/en/cris
43. [3] National Nutrition Survey 2018, Ministry of Health Services, Government of Pakistan
44. [4] National Nutrition Survey 2019.
45. [5] SOFI 2020

c. Rationale for IFAD involvement

46. The multidimensional poverty rate in Khyber Pakhtunkhwa (KP) Province is 49% for a population of 35.35 million (4.4 million HHs) of which 81% lives in rural areas. Because of the poverty level and despite a real potential in economic development in agriculture, livestock, fishery, vegetable, plantation, flowers or agro-tourism, the level of income of the rural households is extremely low, affecting in particular the youth. The traditional way of doing business and marketing rural products in these remote rural areas are under the full control of money lenders. Without external support allowing the poorest farmers to be organized, to access profitable markets, to access formal finance or banking products, and to have key technical and management skills, the rural population will continue to struggle in order to survive, as it is not capable to initiate any innovations and to take any risks to change their economic status in the future, for themselves or their children.
47. Because of the rural poverty and the extremely low household's income, in almost all KP rural families, at least one young male must emigrate. Today, the remittances for the province of KP are coming mostly from unskilled workers in the Gulf Cooperation Council (GCC) countries, and constitute an important source of livelihood for about 3 million HHs (75% of the total HHs). These young males leaving their village or their country, never had the opportunity to be trained, to acquire the necessary skills to have access to decent jobs or to create their own business in their own village or areas. They leave their family, sometimes their wife and children against their will, often for years, to sacrifice their personal life for ensuring the maximum support they can to the family with often, miserable salaries.
48. KP is a very important province of Pakistan, with a very high level of diversity, complexity, and a long period of security issues

but today the overall economic and political environment is changing fast, and the rural sector could grasp many opportunities if properly supported. That is why, the GoP and the GoKP requested IFAD to support them to design and implement a provincial programme, covering all the districts, which could generate a real and sustainable rural economic transformation, with the valorization and the development of the provincial economic agri-business potential but also with the necessary support to ensure the sustainable employability or self-employability of the poorest section of this rural population.

49. IFAD is a 40 years partner of Pakistan and has successfully demonstrated during these years its capacity to address this type of challenge, to target and to support the poorest households (NPGP), to integrate women and youth in the local economy (SPPAP), to develop in a sustainable and market oriented approach professional and profitable farmer organizations (ETI-GB), to develop large provincial programme with visible impact in terms of poverty reduction, nutrition, gender empowerment (Pakistan received the 2020 IFAD APR gender award) and to positively contribute to the overall 2030 SDG objectives. The current IFAD funded programme, in particular the SPPAP (34 000 employment or self-employment created) and ETI-GB (160 professional cooperatives created as well as 4Ps developed) are models that can be easily adapted and replicated in the KP province. The GoKP has demonstrated its interest and already visited some of the IFAD Funded projects, in particular SPPAP.
50. The proposed intervention is fully aligned with the COSOP 2016-2021 strategic Objectives, in particular with the strategic objective 1 (Promoting rural poor households' economic transformation by pursuing expansion and scaling-up of successful poverty graduation approaches already successfully tested in Pakistan). The proposed project offers, therefore, an opportunity to leverage the experience and lessons learned from prior engagement in KP (MVSP and SFDP) and at the national level. In particular the farmer organisation model under the Economic Transformation Initiative in Gilgit Baltistan (ETI-GB) and employment generation under SPPAP feed the design of KP-RETP.
51. The project outcomes will also contribute to balanced regional development, as outlined in the Vision 2025, 12th Five Year Plan, Poverty Reduction Strategy 2019, National Food Security Policy, Khyber Pakhtunkhwa Agriculture Policy, Women Empowerment Policy 2017, and Youth Policy 2016. Given its mandate, successful experiences, and comparative advantage as well as replicating and scaling up evidence-based solutions, the Government of KP and the GoP requested formally IFAD to support them in the economic transformation of their provincial area for the benefit of the poorest

B. Lessons learned

52. Some key lessons, relevant to KP-RETP, can be summarized as follows:
 1. **Professional Farmer Organizations** (PFOs) have to be promoted through a business model based on market studies, integrated into a business plan, with a clear break-even point, commercial profit objective, professional management team (i.e., not necessarily managed by the shareholder farmers) and with a critical minimum mass (300 to 500 farmers). The professionalization of the farmer organizations gives them credibility at both client level and farmer / production levels where clear and immediate benefits become evident and significant. By addressing the key issues faced by farmers, this approach, tested in different APR countries through the Asian Pacific Farmer Programme funded by an IFAD grant, has already demonstrated its relevance and impact in terms of access to market and net additional income at farmer level. The new multi-purpose cooperative approach developed under NPGP (180 cooperatives) has also confirmed the relevance of this approach in the Pakistan context and the high interest of the farmers and Government for this business-oriented and sustainable approach where farmers are in the driver seat of their own development.
 2. **Employment generation** for the ultra-poor and poor is possible, with the right combination and sequencing of technical and managerial skills, enterprise development as well as start-up capital. Some specific lessons of IFAD interventions in this area (in particular, under SPPAP which has already allowed the creation of 34,000 new jobs during the last 4 years) have shown that (i) vocational training is key and must be sanctioned by an official diploma recognized on the labour market and (ii) start-up capital (of around USD 300) is essential for the poorest who do not have access to the formal financial system. This allows them to effectively develop their business and to observe within 12 – 18 months a significant jump in terms of poverty graduation / income / livelihoods. The vocational training for youth and women also serves (i) to guarantee Farmer Organizations and service providers working for them along the value chain that they will find the necessary skills locally and (ii) to promote rural off-farm employment.
 3. **Food Security and nutrition.** Evidence from the IFAD financed SSN-TUP^[1] and the on-going Southern Punjab Poverty Alleviation Project (SPPAP)^[2], suggests economic pathways to improvement in food security of HHs and reduction of skipped meals by children.
 4. **Gender integration.** Lessons from earlier engagement by IFAD and other development partners inform that an integrated household and inclusive approach in a culturally acceptable manner provides an entry point for gender mainstreaming. The MVSP and SFDP applied culturally sensitive approaches which provide a workable model.
 5. **Results based (RB) contracts and ad-hoc but high-level Technical Assistance (TA)** are essential to ensure that the final objective will be reached. In the case of SPPAP, the RB contract with the Institute of Rural Management (IRM) has resulted in 70% of the trained women and youth being employed within 6 months after the vocational training. Similarly in the case of the 4Ps in Sri Lanka, where one of the conditions in the call for interest with the private sector was that the net incremental incomes for the farmers amount to USD 100 per month or above. Market studies and professional business plans need guidance and in-depth review by a high-level TA to ensure that the investment will be relevant, suitable, and efficient. This was the case of the IFAD regional grant for the Asian Pacific Farmers' Programme (APFP) where in Laos, Cambodia or Mongolia, the TA has allowed to establish business plans with very short breakeven periods and generate confidence as well as credibility to the Farmer Organizations supported.
 6. **Implementation arrangements** based on partnerships with organisations that have previous significant experience in the requested domain and with presence in the target areas helps in general to intervene in a much more efficient way. An **Independent Project Management Unit** staffed through a competitive selection process is key to ensure smooth implementation of projects, with the sufficient flexibility to adapt to the contextual changes that can happen at country context (such as COVID 19) or provincial / district levels. The success of the Pakistan portfolio has been due to (i) the relevant

- guidance provided by the Government through the steering committee; and, (ii) dedicated PMUs managing the day-to-day implementation of the programme under specific procedures adapted to the goals and objectives of the investments.
7. A **Provincial approach for IFAD funded programmes**, as was adopted for the ETIGB, has allowed the Fund to be much more efficient in terms of policy dialogue, since the Provincial Governments in Pakistan now have full authority in terms of policy and regulations on many subjects such as agriculture, climate change or farmer organization development
 8. **Security issues.** As security challenges persist, RETP will take a flexible and phased approach: project phasing based on the fact that the insecurity situation is not permanent but moves in waves; different and mixed implementation modalities (e.g., service providers coupled with direct implementation); national consultants backed up with international consultants (debriefing, joint remote mission, technical support); ICO involvement (nationals including the CPO are allowed to go in all parts of the country, which is helpful whenever international personnel may not receive GoP authorisation); and digital technologies (virtual meetings and with internet coverage being relatively good, all key partners can be supported even when travel may not be possible).
53. [1] Study results, published in *Science*, show increases across income and consumption, assets, food security, and health
54. [2] An impact survey of SPPAP revealed that "Overall, only 13% of survey households have reported that they have faced at least one period of food insecurity in the past 2 years". This is much below the provincial average of 32.4% food insecurity.

2. Project Description

C. Project objectives, geographic area of intervention and target groups

55. The **overall goal** of the project is to contribute to poverty reduction, food and nutrition security and strengthened resilience of rural households. The **development objective** is Incomes of rural households sustainably improved through climate-resilient, high-value agriculture and off-farm/non-farm employment opportunities'.
56. **Target area:** The project will cover all 35 districts of the province and will be managed through a provincial project management unit (base at Peshawar) and five regional offices (to allow for coverage of all agro-ecological zones). To mitigate the security concerns, implementation will follow a phased approach (initially starting implementation in 10 districts and adding 3 districts per region per year) with the objective to have the entire province covered by the Mid Term Review (End of Year 3). The sub provincial offices will be established in the first six months and where possible in premises of districts administration or joining in within FAO/WFP offices. Under the lead of the GoKP, KP-RETP will also ensure complementarity and synergies with the IFAD financed National Poverty Graduation Programme (NPGP) in 10 districts of the province[1], Kohat Division Development Project (KDDP) in 3 districts[2], other donor funded projects such as the WB Khyber Pakhtunkhwa Irrigated-Agriculture Improvement Project and ADB's ongoing and pipeline investments. In addition synergies will be ensured with the ongoing operations of TEVTA. Coordination among complementary projects and programmes will be facilitated by the Project Steering Committee and relevant sections of the planning and development department at the provincial level. Coordination for complementarities and synergies will be the responsibility of Project Management Unit. IFAD country office and EAD will facilitate experience sharing among the different projects funded by IFAD and other relevant development partners. A coordination mechanism has been discussed with WFP and FAO regarding policy support to Government especially with regards to nutrition, food security and climate smart agribusiness development.
57. **Target Groups:** The KP-RETP target groups will fall under the category of smallholders (as per the definition of the Government <12.5 acres or 5 ha) and landless households (HH). Among these, the KP-RETP targeting will prioritise HH with PSC 0 – 34 range. Women and youth will be particularly targeted with specific interventions aiming at economic empowerment. The target groups (small farmers, youth and women target groups) will be pre-identified through the implementing partners. Youth and nutrition will be mainstreamed with a focus on women as secondary targeting criteria. Local organizations and in particular the village councils / community organizations, combined with the decentralized PMU team will check and validate / confirm Poverty Scorecard data (0-34) of the eligible households. For the youth and the women identification and engagement in the project (and based on the successful experience of the NADP Diamer project in gender empowerment in a similar context), the religious and community leaders and village elders/jirga will be sensitized. This will facilitate the integration of groups who usually don't have access to non-traditional activities.
58. **Youth and Nutrition strategy.** Youth and nutrition will be mainstreamed into all aspects of programme implementation and appropriate strategies will be adopted for areas with more pronounced youth and nutrition challenges. GoKP, NGOs, FAO and WFP have initiated, over the years, a number of programmes focused on youth and nutrition as well as on gender. KP-RETP will have a 50% quota objective for youth and 25% for women beneficiaries in all the project activities who will benefit from self- and wage employment opportunities. Women will be especially targeted for maternal and child nutrition information. And the nutrition trainings will be organized in parallel to the other trainings, carried out by the implementing partners. KP-RETP will build on the current initiatives through a flexible approach to youth and gender, keeping in view the regional propensities and imperatives in each district. Each target group will be engaged with its implementing partners, receive knowledge on nutrition aspects, trainings and will benefit from coordinated actions with other KP development partners and in particular WFP and FAO. The youth and the women headed households and landless and part of the PSC 0-11 (ultra-poor) will be exempted from payment of FSC or PFOs share fees and all able-bodied priority groups will be given priority access to wage earning opportunities under the employment generation programme (component 2).
59. KP-RETP will also recognize the importance of supporting value chains with the highest impact on nutrition and dietary diversification. On the implementation aspects, the partnership with FAO and WFP is on the basis of no-cost to KP-RETP. The

GoKP wishes IFAD, FAO and WFP to coordinate their field activities at all levels in terms of food security and nutrition. At the start-up phase, the districts will be formally mapped and consequently, based on FAO and WFP existing programme on these subjects and in these districts. IFAD through KP-RETP will adjust and complement these activities in order to reach the objective described in the log-frame. This exercise will be repeated annually and assessed at MTR and before completion date. Furthermore, in collaboration with WFP and FAO, KP-RETP will engage in KP policy analysis and reform to improve the situation of both nutrition and youth conditions in the province. Finally, the M&E system would monitor youth, gender and nutrition dimensions in a disaggregated manner.

60. **Project Beneficiaries:** Around **785'000 households (4.35 million persons)** will benefit directly or indirectly from KP-RETP interventions through market oriented professional farmer organizations (around 550 PFOs), public-private-producer partnerships (around 20 4Ps) and Farm Service Centres (35 FSCs). These KP-RETP supported organizations will be established based on market studies, business plans, professional management teams, matching grant investments, partnerships, promoting processing and value addition, as well as clear break-even points and realistic exit strategies. The necessary technical assistance as well as the coaching, mentoring, capacity building necessary to develop the business plan proposals, to register or to organize these institutions will be provided by KP-RETP to ensure sustainability within 4 to 5 years of existing or new institutions.
 61. Additionally, the target groups in the same districts will benefit from a specific and dedicated skills development programme, start-up capital and first professional exposure (public – private internship programme) in order to (i) ensure that the skills and services necessary for the success of the KP-RETP agri-business component 1 will be available, (ii) respond to the local, provincial and national labour market and employer needs particularly in the sectors like agro-industry, agro-tourism or tourism, mining, industry or civil works by valorizing the KP local employable forces and in particular the youth and women, and (iii) boost the employability of the newly graduated students (Master's holders in particular) by ensuring them quick professional integration through a one year public – private internship programme.
 62. The target groups will benefit from technical / vocational / managerial training with official and recognized certificates or diplomas but will also have access to transversal capacity building, particularly in financial literacy, climate risk and resilience, nutrition for enhancing the effectiveness of their enterprise and business development as well as personal lives. Investment in PFOs and 4Ps will create additional jobs from which women and youth will specifically benefit, especially those trained under component 2.
 63. **The project design** is based on:
 1. **An IFAD-GoKP joint and in-depth assessment of the KP Province in terms of rural development, agri-business and rural employment status and potential**, with a special focus on rural smallholders and a particular interest in economic / social development of the youth and women within their own locality (including migration – seasonal and permanent as well as national and international). The local, provincial, national, and international demand have also been duly explored, especially in terms of agriculture, livestock, fishery as well as for other rural high value economic potential. The diagnosis has demonstrated that (i) the KP province has indeed an impressive and diversified rural production potential, which is currently highly under-valorised, (ii) the demand for these rural products exists with profitable and very accessible conditions, (iii) smallholder farmers are not organized and operate in a full dependent/ controlled conditions of intermediaries, (iv) most of the current interventions in rural areas are technical and do not address the full business constraints to ensure profit and sustainability of these interventions.
 2. **A project proposal based on the existing interventions to fill the gaps and create models** that will later be upscaled and financed by the regular budget of the GoKP. To this extent, the proposed project will consolidate the investment made by the GoKP through the establishment of the Farm Service Centres to make them complementary to the agribusiness development component and fully autonomous and sustainable post-project. In the same vein, RETP-KP will integrate Technical Education and Vocational Training Authority (TEVTA) in the Employment Promotion component in order to review some of the educational curricula, better respond to the provincial skills demand of the employers and as well propose formal skills certification programmes fully compatible with the rural target groups, in particular for youth and women.
 3. **The upscaling approach of two successful on going IFAD-funded projects in Pakistan**, (i) the USD 120 million Economic Transformation Gilgit Baltistan project (**ETI-GB**) that has successfully adapted the Sri Lanka National Agribusiness Development Programme model (NADEP) in the mountain areas through market oriented PFOs (vegetable, dried fruits, etc.) and 4Ps (dairy transformation in particular) and (ii) the USD 125 million South Punjab Poverty Alleviation Project (**SPPAP**) that has successfully generated 34,000 new sustainable and profitable jobs in rural areas during the last 4 – 5 years and from which the approach, methodology, tools and lessons learnt will be extracted. The ongoing SPPAP and ETI-GB implementing partners will also be invited to contribute / participate in the KP-RETP design and potentially in the implementation.
 4. **An approach to jobs creation** for youth through the promotion of self-employment, enterprise and skills development, all based on a labour demand assessment from key value chain actors (promotors – large scale agribusiness companies, MSMEs SMEs, FIs, public and private service providers, PFO and FSCs). Wage employment will be promoted through a mix of skills development alongside building strong linkages with identified promotors. The aim is to support start-ups along the value chains and wage jobs in the production, post-harvest-processing and services segments of value chains. This is an integrated investment approach with a focus on agribusiness development, enhancing entrepreneurship skills, apprenticeship for on-the-job mentoring/coaching; and job placements to increase employability.
 64. [\[1\]](#) Batagram, D.I. Khan, Kohistan Kolai Palas, Kohistan Upper, Kohistan Lower, North Waziristan, South Waziristan, Shangla, Tank and Tor Garh.
 65. [\[2\]](#) Kohat, Karak and Hangu districts covered to varying extent
- D. Components/outcomes and activities**
66. The proposed project will have **three components**:

1. **Agribusiness Development** (Professional Farmers Organizations, 4P Development, Farm Service Centres, Support to MOA),
 2. **Skills Development and Employment Promotion** (Skills Development, start-up capital; Public –Private internship programme, support to TEVTA),
 3. **Project Management and Policy Support.**
67. Component 1 will create the necessary potential and conducive institutional set up within the repositioned agribusinesses approach (PFOs, 4Ps and FSCs) to absorb a significant part of the target groups supported by component 2 (vocational training, start-up capital, public-private internship programme) by developing relevant and new skills or services necessary to the business development of the PFOs, FSCs or 4Ps. The other category of the component 2 target groups will allow the project to better respond to the large local and national labour demand as well as to fight better against current migration of the unskilled. This will also help strengthen the impact delivered through component 1 seeking to deliver stronger institutions and players for the agribusiness sector to thrive. Experienced implementing partner (IPs) (competitive selection process by sub provincial office (so 1 IP for 5 districts) will implement component 1 and component 2. Each IP will have to implement the Nutrition and Youth mainstreaming themes in all its activities. Component 3 will provide support, monitoring for the smooth implementation of the KP-RETP programme and ensure synergies between components 1 and 2, as well as (ii) advocate and support the GoKP in its agenda for policy reform to improve the rural poor's livelihoods and to facilitate and ensure the sustainability of KP-RETP activities initiated through the Agro-business development and Employment creation components. This will allow the project to deliver results beyond the expected outcomes from this investment.
68. **Component 1: Agribusiness Development - (USD 104.5 million)**
69. This Component shall consist of four mutually reinforcing sub-components as follows: (i) Professional Farmer Organizations (PFOs) Development, (ii) Agro Value Chain 4Ps Development, (iii) Farm Services Centres, and (iv) Institutional Support.
70. **Sub-Component 1.1: Professional Farmer Organizations Development: (USD 53.3 million).** Based on (i) the successful experience developed in Pakistan (ETI-GB), Sri-Lanka (NADEP/SAP) and Asian Pacific Farmers' Programme (APFP Laos, Cambodia and Mongolia in particular), (ii) the growing demand in local and national markets (220 million people with growing middle income class) for both fresh and processed products, (iii) the significant number of farmers (almost 4 million small farm households) in KP and (iv) the comparative advantage of the KP province in terms of rural production (cash and staple crops, livestock, cold-water fishery), the project will develop / adapt the models for the establishment of 550 PFOs during the first 5 years of KP-RETP interventions. These PFOs will be composed each, of 300 to 500 small farmers, on average, and will develop multi-purpose / multi-seasonal agri-business activities aligned with the current local farming system. In general, one village or cluster of village (between 1,000 to 2,000 families) will have one PFO. Twenty-five percent of the membership will be women.
71. Before establishing a PFO, a call for interest describing in detail the objectives, approach, roles, responsibilities, and contribution requested will be disseminated by the PMU, MOA and/or Service Providers at district level. Based on the demand and the theoretical potential, a first visit and a preliminary selection report will be done by the Implementing Partner (IP) at district level. The IP will meet with the existing or potential new PFO, discuss and assess their current status and report to the PMU on the situation, along with its recommendations. Once the request is accepted, the IP with its pool of staff (market, business, finance, legal and / or technical officers) will conduct the market studies based on the local farming system and main production capacity, and prepare the full 5-year business plan (BP) with a clear breakeven point (expected at 3 years maximum), skill identification and cost estimate of the professional management team (farmers will be shareholders of the PFOs but management will be handled by professionals not originated from the village, and recruited on the basis of test / past experience). The final PFO BP proposal will be reviewed by the PMU before a contract is signed with the same IP that prepared the BP, and the Farmers.
72. The IPs will be responsible for mobilization of members (farmers), legal incorporation/registration, development of business plan and will facilitate recruitment of professional staff and implementation of the BP. As shareholders of the PFOs, the farmers will attend the general assembly twice a year, will vote the budget and approve the POW as well as the new investments / markets. The PFO Manager and his/her team will be in charge of the management of the PFOs. The IPs will provide coaching, declining support in all the business and technical FO aspects, ensure good governance practices and audit each PFO monthly for the first 2 years. Formal joint staff assessment will be also carried out every semester.
73. The overall expected investment per PFO will range between USD 70,000 and USD 100 000, with a contribution of around 30% by producers/shareholders in cash or in kind, immediate or progressive. All business plan will include investment for climate adaptation and mitigation practices. The project will finance the PFOs (investment and working capital) which will in turn provide 'in kind' loans to the members (given the lack of access to formal banking or micro-finance loans) for the necessary inputs / services supply, so as to enable members to produce the expected quality and quantity of commodities. The PFO will be responsible for aggregating the products, grading, processing, packaging and ensuring the sale as per the business plan and contract established. Certification will be developed where needed to guarantee the best added value for the farmers. The PFOs' net profit will be limited to the operational cost recovery and some provision in order to transfer most of the profit at farmer level. The average estimated net incremental income generated per farmer is expected in the range of USD 1000 – 2,000 per year. Leveraging the access to finance programme of provincial government, by channelling project assistance through banking sector credit history will be built for both the PFOs and their members in order to integrate them gradually in the formal financial sector and enable them to manage all their financial operations through the formal banking system.
74. While the climate risk is high, the project does not include activities of size or scale that would have significant negative social and environmental impacts rather; there will be positive impacts on the livelihoods and economic wellbeing of the community. Nevertheless, any identified investments by PFOs and 4Ps will be subject to environment and climate screening. Business plans for PFOs will include costed adaptation and mitigation measures as provided in ESMP to avoid or minimize any social and environmental impacts (see PIM).

75. All value chains that support dietary diversity, nutrition and incomes will be eligible (e.g. livestock, crops, vegetables, fruits, etc.), with a prioritization of those with high nutrition impact, subject to the condition that the business plan demonstrates market demand, the profitability at individual and organizational levels, and sustainability. Based on demand, line departments may provide technical support to the PFOs. In line with the diagnosis undertaken by GoK PKP, typical elements to be promoted may include climate smart technologies, digital channels for transactions, high efficiency irrigation technologies, planning and harvesting, value addition etc., as well as transversal trainings related, financial literacy, climate change or gender. These groups will also be entry points for nutrition education. In partnership with WFP and through other contracted service providers, nutrition education will be delivered through two fronts: (i) to the women membership, especially on maternal and child nutrition and (ii) to the male membership on good nutritional habits and dietary diversification. While curriculum will be overlapping, the two groups will be trained separately considering the requirements of the social context.
76. This sub-component will directly reach and provide decent revenue and employment for 200 000 HHs and allow around 1.6 million people to benefit from the additional significant net-income generated. More specifically, the sub-component shall integrate grading, processing, storage, and consolidation thus creating additional job opportunities especially for youth. Details are provided in the PIM.
77. **Sub-Component 1.2: Agro Value Chain 4Ps Development (USD 9.7 million).** Also based on the experience developed in Pakistan (ETI-GB) and Sri-Lanka (NADEP), the project will develop 20 “4Ps”, with a minimum of 1,000 producers per 4P (same ratio as for Sri Lanka). The project will make a call for proposals open to local, national, and multinational private firms/companies already in the business and with financial capacity as well as demonstrated market share.
78. The call for proposals will clearly request to demonstrate that the proposed partnership will generate a net incremental income at farmer level of minimum USD 150 equivalent per month. The project will allocate a maximum amount of USD 500 000 to each 4P business plan, which will be dedicated only for the investment related to smallholder or small farmers, to enable them to better respond to the demand (mainly production in quantity / quality / regularity) of the private sector. A five year contract will be established between the private sector, the project and the farmers, which will describe the terms and conditions of the partnership.
79. The private company will generally have to ensure the extension and technical support, the collection of the product as well as the transformation / marketing. Producers will be capacitated to meet the demand characteristics and requirements of the private company for which project investments will be identified and provided. The 4Ps model could / will also be developed as a link to the PFOs under contract farming modality. All payments will be gradually digitalized through formal banking sector institutions. The process of evaluation and approval of proposals will be done by an evaluation committee established by the PMU and consisting of at least 3 experts from private sector i.e. technical, financial and marketing based on an approved criteria. The criteria against which the proposals will be reviewed shall include assurance of the market potential, benefits and income to the target group, nutrition/dietary diversity, gender considerations, sustainability of the proposed activities, climate resilience and impact, etc. To reduce the risks and impacts associated with climate change, the project will create capacity among farmers to assess climate risks, plan and identify climate adaptation measures (including insurance) and adopt technologies that mitigate the same. The identified climate adaptation measures, once implemented, will help farmers to cope with extreme climatic events, notably drought and water shortages. This subcomponent should reach around 20 000 additional households.
80. **Sub-Component 1.3: Farm Service Centres (USD 33.7 million).** The objective of this sub component is for the farmers (FPO, 4Ps, others) to have an easy access to qualitative and affordable input supply and key services in each district of the province and not to depend on middle men for that. Building on the 2014 GoKP investments in the development of the Farm Service Centres (FSCs), the KP-RETP will contribute to making these institutions more responsive to the needs of the farmers in terms of input supply (fertilizers, seeds, pesticides, etc.) and services (mechanized labour, technical advice, support, marketing) in order to complement and fully operationalize subcomponents 1 (PFOs) and 2 (4Ps). The KP-RETP objective will be to establish one fully functional, autonomous and sustainable New Farm Service Centre (NFSC) per district, with PFOs and individual farmers as shareholders. This NFSC will be managed as a private company offering services to the PFO mainly supply of good quality seed, agrochemicals, improved technology, packaging material and may also assist in matchmaking with end-buyers/suppliers.
81. The Farm Services Centres in the Khyber Pakhtunkhwa province were established under the KHYBER PAKHTUNKHWA Farm Services Centres Act 2014. Today, 99 FSCs have been established overall in the KP province with a total of 2.16 million members. The total endowment fund by the GoKP has amounted to PKR 159 million, the overall registration and share fees are about of PKR 130 million and the overall net official income is of PKR 128 million for the province. Despite these encouraging figures, today, only 5% of the farmers on average benefit from the FSC.
82. The main issues observed are: (i) the management of the FSC by the District office of the Ministry of Agriculture, with staff already very busy with the MOA own mandate (time allocation to FSC is limited to the minimum), (ii) no inputs provided on “in kind” basis campaign loans (farmers have to pay all inputs in cash), (iii) extremely limited working capital by FSC compared to the needs (today 5 000 to 30 000 members per district for one FSC), (iv) limited or no adapted equipment (materials, machines, infrastructures) in relation to the specificities of the district and (v) limited marketing capacity / experience / exposure of FSC staff. The PK-RETP project will build on the existing FSC and create a revised / new model (NFSC) in order to address the current observed structural issues (Detail of implementation described in the PIM).
83. **Sub-Component 1.4: Institutional Support (Agriculture Extension / research (Department of Agriculture): (USD 4.7 million).** The main objective of the sub-component is to provide demand driven institutional services to PFOs/4Ps/FSCs, to meet the market demand and buyers' requirements. The PMU will enter into multiple results-based MoUs with the relevant public/Government departments (academic, research and extension services) for different activities with clear responsibilities and deliverables. The scope of work will emerge from the aggregated needs of PFOs/4Ps/FSCs and will be translated into work plans, timelines and cost estimates. The engagement plan will be developed by the PMU and approved by PSC as and when the need arises on a rolling out basis. Performance assessments will be done on an annual basis and presented for review to PSC. Below

is a not exhaustive list of potential institutional services but reflect typical needs assessed during project design;

1. **Directorate of Agriculture Extension:(DAE):** Based on the need assessed, the PMU will engage for provision of support regarding training and advisory services (using existing App);
 2. **Directorate of Agriculture Research (DAR):** additional collaboration will be in the areas of reforms related to seed/planting material import and multiplication and other related policy domains.
 3. **Additional/Other Partnerships:** Several other MoUs may be executed as per need with different institutions. The terms of partnership will include the investment in capacities of the institutions, delivery of the services and overheads.
84. A Business Mobilization Partner(s) will be selected through a competitive process to support the implementation of the component in conjunction with several institutions engaged through performance-based MoUs. Synergies will be built with IFAD's regional grant implemented by Precision Development (e-advisory), the Asian Pacific Farmer Organisation Programme and the South-South and Triangular Cooperation (SSTC).
- 85. Component 2: Skills development and Employment Promotion (USD 66.2 million)**
86. This Component shall consist of two mutually reinforcing sub-components as follows: (i) Skills Development and (ii) Employment Promotion. The first subcomponent 2.1 will ensure that all the skills necessary for a smooth implementation of Component 1 on the agribusinesses development approach (PFOs, 4Ps, NFSC (both staff and members)) are available locally, and adapted to the needs and success of these new institutions or private initiatives. The second subcomponent 2.2 will complement Component 1 in terms of new rural services development and rural employment promotion by offering the possibility for skilled youth or women to develop their own private business and services. This will allow them to better serve but also benefit from the opportunities created under Component 1 and/or to respond to the existing market or business gaps observed in their respective rural areas. The special support for economic insertion of the recent student graduates (through the public – private internship programme), as well as the specific partnership with TEVTA, will be inserted in subcomponent 2.2.
 87. **Sub-Component 2.1: Skills Development (USD 18.1 million).** This subcomponent will focus on the technical, financial, managerial, or business skills needed to ensure the management, development, success, profitability, and sustainability. A total of 60,000 trainees will benefit from the reorganised approach of TEVTA. In addition, linked to component 1, i.e.: (i) the 550 Professional Farmers Organizations supported and their members, (ii) the 20 Public-private-producer partnerships and (iii) the 35 New Farm Service Centres, a dedicated training activity will be organised.
 88. The overall objective will be to improve or to develop the skills of individuals (approx. 5,000 per year – 145 per districts per year), staff or members, based on the active and effective roles of the individuals in the institutions supported and the personal needs expressed / assessed (backed by the business plan and capacity building plan of the institutions supported). Special focus will be given to the youth and women with a minimum quota of 30% each. The training needs will emerge from the business plans of PFOs/4Ps/FSCs and the capacity building investment will be incorporated in the same.
 89. The overall implementation of Component 1 and consequently subcomponent 2.1 will be progressive (phasing approach). Each implementing partner in charge of Component 1 (agri-business development) will also be responsible for the implementation of subcomponent 2.1 (skill development for agribusiness entities). The implementing partner will either directly train the beneficiaries or (for very specific areas) will engage service providers at provincial or national level. The implementing partner will be responsible for the quality and efficiency of the training and will consequently manage the contractual relationship with the 'skill development' service providers subject to No Objection from the PMU.
 90. The IPs will census the individual skills needed based on (i) the requests of the institutions (when already operational), (ii) the IPs' own needs assessment for PFOs, 4Ps or NFSCs to reach optimum performance and (iii) the guidance of the approved BP. Based on an approximate target of 25 000 trainees, the maximum (all-inclusive) cost of training per individual will be USD 160 for the duration of the project. The IP(s) will be responsible for ensuring progress reporting of component 1 and sub-component related to agribusiness skills development under component 2. Monitoring and evaluation will be the responsibility of M&E staff as well as complemented through periodic external evaluations.
 91. **Sub-Component 2.2: Employment promotion (USD 12.7 million).** The overall objective of this subcomponent 2.2 will be (i) to create jobs (including self-employment) for the ultra-poor and poor households having limited access to land, with a specific focus on youth (50%) and women (25%), and (ii) to facilitate the employability and the active integration in the economy of newly graduated students. Pakistan produces around 450 000 new graduates each year – 70 000 annually in KP province. The project will provide start up grants to enable graduates to initiate self-employment and entrepreneurship. Service provider(s) will be selected to implement this subcomponent. Details of the implementation is provided in the section below and in the PIM.
 92. **Technical Support Services – (USD 5 million).** The implementation will be delegated to several training/service providers in charge of the selection of the candidates, organization of pre-training, training as well as post-training support, including coaching, mentoring, and guidance to the beneficiaries to ensure that the income and employment objective is reached.
 93. The SPs will be recruited on a competitive basis . Each SP will have a 3-year framework contract renewable based on performance and will be assessed / confirmed every year. The SPs will handle aspects related to both employment / self-employment and post-graduate economic integration. In areas where the service providers will not be able to obtain the NOC to intervene, the PMU through its regional office will directly intervene using its own field consultants and GoKP line departments, as GoKP public services are authorized to intervene in these areas.
 94. This subcomponent 2.2 will be developed based on the SPPAP effective and successful model / methodology of rural employment and self-employment. The SPs will develop the skills of the target group to become employable or to create their

own employment / business and consequently improve their livelihoods in a significant and sustainable manner (the objective being a minimum monthly net income of 15 000 PKR). Based on the SPPAP experience, around 70% of the beneficiaries of this subcomponent would develop their own self-employment / business.

95. The beneficiaries will be pre-identified through the updated BISP Poverty Score Card (data available) after the necessary initial screening/consultation organized through the village/Tehsil councils or functional existing community organisations. The applications of beneficiaries will be validated by the PMU after due diligence related to the poverty score card and endorsement by the village/tehsil council. Based on the SPs' assessment of the employment market and the demand expressed locally by the potential beneficiaries, the SPs will organize various consultations in order to match the market offer and the beneficiaries' demand.
96. The type of skills to be acquired will vary and could cover different sectors depending on the gender, the location of the district and its business / labour comparative advantage / demand. Gender and youth will be identified as per SPPAP methodology. Vocational and Entrepreneurial trainings will aim at developing sustainable and profitable businesses (mechanics, tailoring, shoe or handicraft production, beauty shop, mobile or solar panel repair, brewery, masonry, hostelry, cloth design, heavy machinery operation, electricity, steel fixing, plumbing, etc.) – see list of the 49 activities proposed in PIM.
97. The duration and location of the training will be adapted based on the target group (particularly for women) and the topic. Generally, the duration envisaged is 2 / 3 months per training, sanctioned by an official and recognized diploma or certificate. The overall cost (training + stipend + support for CV and search of employment) would be around USD 300 per trainee and would allow her or him to exceed to average earnings of USD 125 per month (which corresponds to the estimated amount needed in rural areas to sustain a family).
98. The service providers in charge of this subcomponent will be responsible for the quality of the training provided and the results obtained (in terms of sustainable employment ratio and level of income). A special partnership will be developed with TEVTA to handle most of the technical training. TEVTA will be supported to assess and adapt their trainings (if necessary) to the most recent market requirements and / or to add some training modules to their existing curricula. TEVTA will also be supported to develop partnerships with a network of entrepreneurs willing to offer internships or to participate in vocational cooperative education programmes (with trainees alternating between theory and practice).
99. The trainees will be progressively identified and supported based on the phasing approach of KP-RETP. Around 30% of the trainees will respond to the local, provincial, national, or even international employment market (e.g. GCC countries). The other 70% who have demonstrated interest, willingness and capacity will be supported to become self-entrepreneurs with an additional package (start-up capital and management coaching/mentoring) averaging USD 300 per person, expected to yield an average income of USD 180 to 200 per month. The start-up capital may be provided in kind (necessary equipment / tools) and/or in cash (working capital). Each beneficiary will be requested to open a bank account using either of the commercial/MFI or branchless banking option. KP-RETP will link with the provincial banks to facilitate / negotiate the financial inclusion of these poor households (with PSC scores of 0 – 34) who are not normally eligible for loans, through (i) brokering attractive loan conditions with support from GoKP and (ii) valorising the KP-RETP support as collateral.
100. **Job placement of graduated students (USD 30.2 million):** Each student will have the possibility to do 2 internships of 6 months each. The recruiting enterprise will be allowed to keep the same student for a second period of 6 months only if it provides a formal offer of employment to the student. In case of non-compliance, the enterprise will no longer be eligible to participate in the programme. Each enterprise will have a maximum of 2 students at the same time. Around 145 interns per district and per year will be eligible to this programme. Priority will be given to those coming from the poorest families. 50% of this economic integration programme will be dedicated to women. Annual assessments of this activity will be conducted and the approach will be adjusted if needed. The total investment amount of this sub component includes the contribution of the private sector to benefit from the placement programme (detail below).
101. Twice a year, the SPs (component 2.2) will have to generate calls for proposal in their operating districts so as to tally the private and public sector enterprises interested in integrating post graduate students as professional interns for a period of 6 months. At the same time, the SPs will regularly take a census of the district youth, male and female, interested in participating in this post-graduate economic integration programme. A web site will be created under the KP-RETP to match the demand and the offer (on line permanent enrolment, negotiation, and contract). Every quarter and in each operational district, one-to-two-day workshops will be organized by the PMU / SPs to (i) facilitate an in-situ selection process through meetings between the post-graduate candidates and the public or private enterprises and (ii) promote exchanges on the various experiences and needs of both students and public or private entities (thematic / debates).
102. As much as possible, experience in both the private and the public sector will be encouraged to allow students to better understand the organization and constraints of both sides. After due diligence done by the SP, an internship contract will be signed between all the parties. The remuneration of the intern will be set at 15 000 PKR per month, of which 12 000 PKR will be granted by the programme and 3 000 PKR by the recruiting enterprise. On the 25th of each month, the enterprise will transfer the 3000 PKR to KP-RETP (this will also serve as proof of attendance by the intern) and on the 30th of each month, KP-RETP will transfer the total salary of 15 000 PKR to the intern. The SPs will be responsible for the monitoring and reporting to the PMU. It is expected that 30% of the interns will remain employed in the enterprises after completing their internship period, 50% will find a job after their second internship (in a different enterprise) based on the experience acquired and 20% will set up their own business or still be looking for a job after 6 months.
103. **Institutional strengthening support (USD 5.1 million).** The project support will be extended to Department of Industries, Commerce and Technical Education and Department Zakar-Usher, Social Welfare, Special Education and Women Empowerment and TEVTA through several service providers, training institutions, universities and individual as technical assistance for improving curricula, training delivery, training facilities, testing and certification aspects. The support will also

strengthen the facilities for emerging sectors and putting in place state of the art skills development facilities around key economic zones. The policy support will particularly focus, during the initial project years, on developing an extended competency based testing framework covering agribusiness and women empowerment; developing framework for skills development fund to cover start up capital for self-employment, and developing capacity for job market assessments and development of job market outlook on a continual basis. The project will also provide technical assistance to facilitate curricula, testing and certification of skills training by TEVTA under the overall umbrella of the National Vocational and Technical Education Commission (NAVTEC).

104. Component 3: Project Management, Policy and Institutional Support (USD 15.1 million)

105. The project will be placed under the Planning and Development Department. An autonomous Project Management Unit will be established at Peshawar and 4 additional regional offices will be set up to better manage the distance / geographic coverage / diversity of the project area. The PMU will report at least once a year to the Project Steering Committee (PSC). The cost allocation includes the running cost and equipment of the PMU, as well as a USD 1.5 million provision for the policy support, equipment, and MOUs with the relevant line departments.
106. Nutrition and Food Security Policy and Action Plan: Building on existing studies carried out on the current nutrition and food security situation in the province, KP-RETP will engage 6 person-months of national technical assistance in collaboration with WFP and FAO to assist the GoKP in the development of a comprehensive nutrition and food security policy and action plan. This will foster sound policy formulation and changes beyond the project immediate results.
107. KP-RETP will assist in integrating ICT4D specifically on digital business plan development for PFOs (AgriPlan developed by IFAD or similar other options - to formulate, edit, evaluate, approve, and monitor business plans for producers' organisations), e-commerce, digital money and e-advisory, etc. Digital systems may also be used to develop credit history and scoring of farmers under the PFOs. Institutional support will be provided in these respects on a cost-recovery basis and in a sustainable manner.
108. A **Project Steering Committee**, headed by the Additional Chief Secretary Planning and Development Department, will provide policy level guidance, oversight, and coordination. The PSC will consist of representatives from the relevant line departments, representative of PFOs, 4Ps, private sector, and civil society. The Committee will coordinate, build synergies, grant approval of Annual Work Plans and Budgets (AWPB), conduct regular progress reviews, and take corrective actions where warranted.

E. Theory of Change

109. The theory of change is organised as follows: (i) Challenges to smallholders, challenges of women and young people, (ii) Fundamental premise/pathways, (iii) Activities for each of the target groups and (iv) Outcomes envisaged.
110. The theory of change is based on three mutually reinforcing pathways:
 1. Agribusiness development pathway- First, the project is based on a fundamental premise that a market-driven approach is needed to help smallholder farmers sustainably increase their income and improve their livelihood and nutrition. This is operationalized by facilitating (i) the emergence of professional profitable and sustainable farmers organizations responding to the market and (ii) the brokering of mutually beneficial (win-win) 4Ps between smallholder farmers and private companies in response to clear market opportunities and by strategically combining public and private sector funds and advice to address smallholders' needs in terms of access to market, technology, organization and scale, good agricultural practices, and affordable credit, as well as creating a favourable policy and regulatory environment for the agribusiness and financial sectors to expand outreach towards rural clients and become overall more competitive. Farmer Organizations with an average of 400 HHs will facilitate also the joint discussion and analysis of the nutrition issue, define agreed objectives and include as part of the capacity building plan of the PFO and its members educational and activities directly linked to nutrition for the benefit of the entire HHs and in particular for the children and youth.
 2. Skills for employment and entrepreneurship pathway- Second, poorer households (PSC 0-34), and especially women and youth who do not have access to land, can easily be economically and sustainably integrated in their environments through an already tested and successful combination of technical / managerial training and start-up capital. This combination allows them either (i) to access a decent and remunerative employment or (ii) to develop, alone or in association, their own business or (iii) to become economically active participants of the agribusiness chains. The youth / women trained will be able to get jobs and income generating opportunities created through Component 1 and consequently, to sustain their family in a decent way. They will also be in a position to provide additional and often missing services to the community as well as to complement / reinforce the local service offers needed by the professional farmer organizations or developed 4Ps.
 3. Nutrition and food security pathway. Lack of nutritional security impacts resilience of poor rural households. Anaemia especially among women of reproductive age is a major health problem in Pakistan, especially in the rural areas. Anaemia, and other micronutrient deficiencies, can result in maternal mortality, weakness, diminished physical and mental capacity, and increased morbidity having a bearing on productivity. The relationship between anaemia and reduced productivity has also been well documented. The project's investments will be nutrition-sensitive. The project will promote commodities/crops and its related products that have high nutritional value. Furthermore, recognizing that improved productivity and incomes do not automatically lead to better nutrition outcomes, the project will pursue behaviour change, awareness/education campaigns primarily through farmer's organisations. Improved nutritional status of households, will not only increase productivity, but also their resilience.

F. Alignment, ownership and partnerships

111. The proposed project is well aligned with IFAD's Strategic Framework and COSOP for Pakistan and is highly relevant to the IFAD 11 business model and corporate priorities notably gender, youth, climate change, and nutrition. IFAD's Strategic Framework

2016-25 calls for enabling inclusive and sustainable rural transformation through ‘investing in rural people’ to enable them to overcome poverty and achieve food security through remunerative, sustainable and resilient livelihoods. The COSOP strategic objectives include promoting rural poor households’ economic transformation; policy and institutional strengthening for community-led development; and building resilience for sustainable nutrition and food security.

112. Both the Federal and Provincial Governments grant a high priority to socio-economic development of the province particularly NMDs. The newly merged districts (former FATA) are among the most underdeveloped regions of Pakistan and thus may require greater attention and priority under the KP-RETP.
113. KP-RETP is being designed to contribute to the attainment of (i) the SDGs (SDG 1- No Poverty, SDG 2- Zero Hunger, SDG 5- Gender Equality, SDG 6 - Decent Work, and SDG 13 – Climate Action); (ii) Vision 2025 and 12th Five-year Plan targets in terms of poverty reduction, food security, and nutrition; and (iii) Khyber Pakhtunkhwa Agriculture Policy in terms of agriculture development and rural transformation. Furthermore, the project will address the attainment of the balanced regional development objective of the 12th Five-year Plan and will also contribute to priorities for water sector development and climate resilient rural development. Finally, the project is closely aligned to the Government’s high priority poverty reduction policy as enunciated in the *Ehsaas* initiative.
114. **Partnership:** The project will seek synergies and promote complementarities with the Ehsaas programme of the Federal government (particularly with IFAD-funded National Poverty Graduation Programme already present in 10 of the 35 KP districts), as well as with all other donor- or GoKP-funded programmes in the province. Special partnerships will be established with the FAO and WFP to reinforce respective interventions, especially on climate resilience aspects, advance technologies, nutrition (sensitization, training, direct support, coordination of the intervention and joint intervention in particular on nutrition district diagnostic and policy at provincial level), and gender. The coordination of the interventions will be facilitated by the component 3 under the lead of the Planning and Development department. New partnerships and co-financing are currently under exploration (in particularly with the European Union and other bilateral) to co-finance and strengthen this action in line with the approach described above.

G. Costs, benefits and financing

a. Project costs

115. **Project Cost.** The estimated investment requirement for the project is **USD185.8 million** over 7 years, which will impact directly 785,000 HHs. The investment cost is approximately USD172.2 (93%) while USD13.6 million (7%) is the estimated recurrent cost. Investment cost includes Vehicles, Equipment and Material; Technical Assistance, Training and Studies; and Grants to Beneficiaries. Recurring expenditure is composed of salaries and operating expenses. The project investment is organized into three components; i.e. (i) Agribusiness Development (USD104.5 million); (ii) Skills Development and Employment Promotion (USD66.2 million); and, (iii) Project Management, Policy and Institutional Support (USD15.1 million).
116. Of the total government contribution of USD40.4 million, about USD9.1 million is estimated on account of taxes and incremental project management cost. The remaining amount shall be leveraged through existing/new projects under provincial Annual Development Plan (ADP). Co-financing options are under discussion with the EU.

Components Project Cost Summary	(US\$ Million)		
	Local	Foreign	Total
A. Agribusiness Development			
1. Professional farmers' organisations	52.7	-	52.7
2. Public-private-producers partnerships (4Ps)	9.6	-	9.6
3. Reorganising farm services centres	33.6	-	33.6
4. Institutional support services	4.4	-	4.4
5. Agribusiness mobilization partner(s)	3.4	-	3.4
Subtotal	103.6	-	103.6
B. Skills Development and Employment Promotion			
1. Vocational and entrepreneurship skills training	17.9	-	17.9
2. Start-up capital for self-employment	12.5	-	12.5
3. Job market integration/induction	29.8	-	29.8
4. Technical support services	3.8	-	3.8
5. Institutional strengthening	0.9	-	0.9
Subtotal	64.9	-	64.9
C. Project Management			
1. Technical assistance	0.2	-	0.2
2. Office establishment	1.3	-	1.3
3. Salaries and allowances	7.1	-	7.1
4. Operational cost	3.5	-	3.5
Subtotal	12.0	-	12.0
Total BASELINE COSTS	180.5	-	180.5
Physical Contingencies	0.0	-	0.0
Price Contingencies	5.3	-	5.3
Total PROJECT COSTS	185.8	-	185.8

Expenditure Accounts Project Cost Summary	(US\$ Million)		
	Local	Foreign	Total
I. Investment Costs			
A. Vehicles	1.1	-	1.1
B. Equipment and Materials	0.1	-	0.1
C. Technical Assistance, Trainings and Studies	60.3	-	60.3
D. Grants to Beneficiaries	108.4	-	108.4
Total Investment Costs	169.9	-	169.9
II. Recurrent Costs			
A. Salaries and Allowances	7.1	-	7.1
B. Operating Costs	3.5	-	3.5
Total Recurrent Costs	10.6	-	10.6
Total BASELINE COSTS	180.5	-	180.5
Physical Contingencies	0.0	-	0.0
Price Contingencies	5.3	-	5.3
Total PROJECT COSTS	185.8	-	185.8

Project Components by Year -- Totals Including Contingencies	Totals Including Contingencies (US\$ Million)							
	2022	2023	2024	2025	2026	2027	2028	Total
A. Agribusiness Development								
1. Professional farmers' organisations	9.6	14.5	9.7	9.8	9.8	-	-	53.3
2. Public-private-producers partnerships (4Ps)	1.9	1.9	1.9	2.0	2.0	-	-	9.7
3. Reorganising farm services centers	11.5	11.6	10.7	-	-	-	-	33.7
4. Institutional support services	0.6	0.6	0.6	0.6	0.6	0.6	0.6	4.5
5. Agribusiness mobilization partner(s)	0.7	0.7	0.7	0.7	0.6	-	-	3.3
Subtotal	24.3	29.3	23.6	13.0	13.1	0.6	0.6	104.5
B. Skills Development and Employment Promotion								
1. Vocational and entrepreneurship skills training	3.0	3.0	3.0	3.0	3.1	3.1	-	18.1
2. Start-up capital for self-employment	2.1	2.1	2.1	2.1	2.1	2.1	-	12.7
3. Job market integration/induction	1.2	7.2	7.2	7.3	7.3	-	-	30.2
4. Technical support services	0.6	0.7	0.7	0.7	0.7	0.8	-	4.2
5. Institutional strengthening	0.2	0.2	0.2	0.2	0.2	-	-	1.0
Subtotal	7.1	13.2	13.2	13.3	13.4	6.0	-	66.2
C. Project Management								
1. Technical assistance	0.1	-	0.0	0.0	0.0	0.0	0.1	0.2
2. Office establishment	1.3	-	-	-	-	-	-	1.3
3. Salaries and allowances	1.0	1.1	1.2	1.3	1.4	1.5	1.6	9.2
4. Operational cost	0.5	0.6	0.6	0.6	0.7	0.7	0.8	4.5
Subtotal	2.9	1.7	1.8	2.0	2.1	2.2	2.4	15.1
Total PROJECT COSTS	34.3	44.1	38.6	28.3	28.6	8.9	3.1	185.8

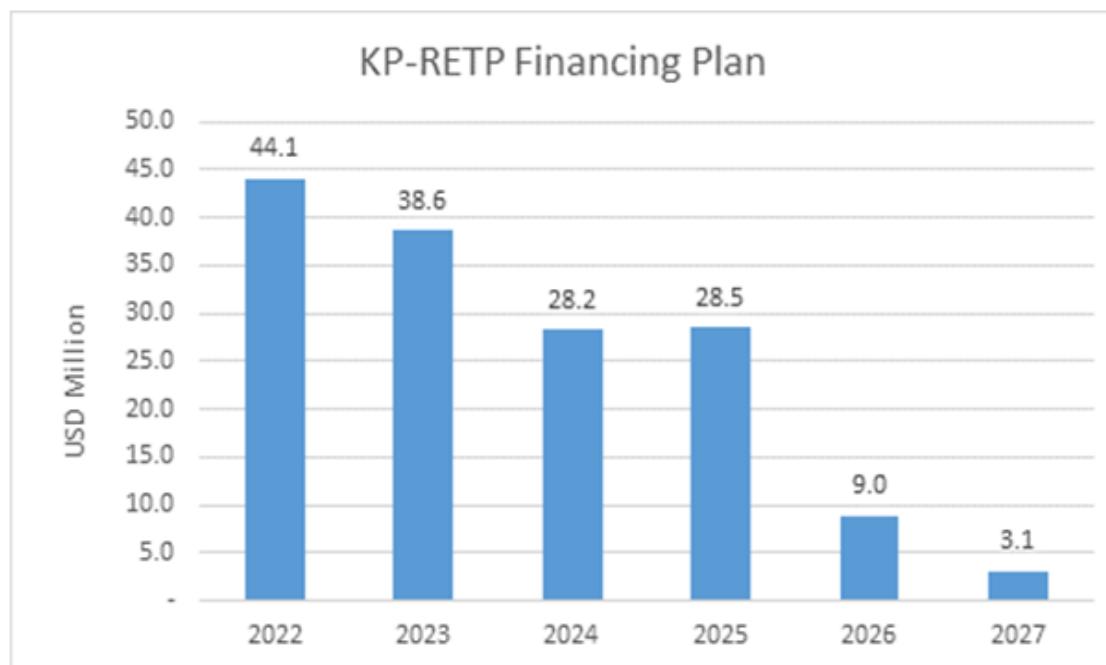
b. Project financing/co-financing strategy and plan

117. **Project costs and Financing.** Total project costs are estimated at USD185.82 million. The IFAD financing will consist of a USD84.19 million loan from IFAD 11, and a financing gap of USD15.91 million to be funded under subsequent allocations and applicable terms. Government's contribution amount to USD40.4 million while Beneficiaries' contribution amounts to USD45.3 million.

118. Financing for youth represent USD92.9 million (50% of total project cost) while the investment on gender mainstreaming is estimated at USD46.5 million (25%).

119. GoKP incremental contribution is estimated at USD9.1 million on account of taxes and project management related expenditures while USD31.4 million will be leveraged mainly through ongoing ADP support to TEVTA and agriculture department (under farmer service centres support). The project beneficiaries' contribution include; (i) an estimated USD37.7 million, which would finance about 36% of Component 1; and, (ii) an estimated USD7.6 million, which would finance about 11% of component 2 (mainly on account of job placement contribution). Beneficiaries will be contributing mainly in cash with various ratios depending on the type of activity.

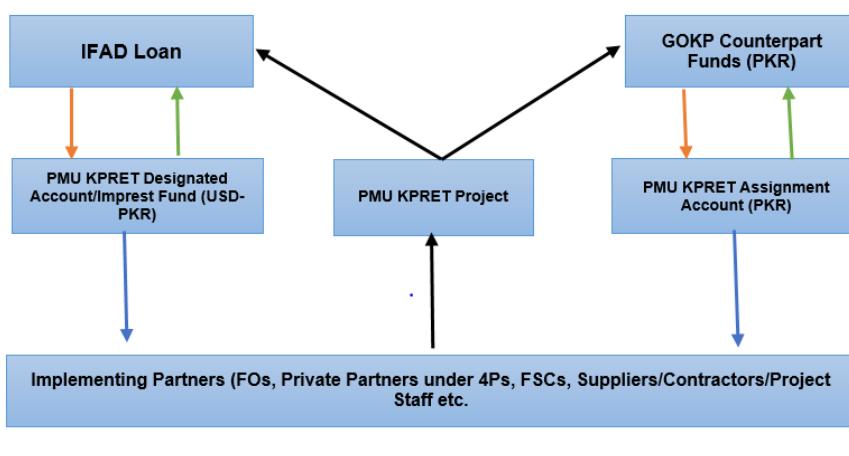
120. The investment is over 7 years of project life. It is planned that around 60% investment will be already made by mid-term. The financial phasing is given in the following figure.



c. Disbursement

121. The project will have segregated, but integrated, systems of funds flow, budgeting and accounting to ensure a clear, verifiable audit trail for all project transactions. Total project cost is estimated at USD 185.8 million which includes the IFAD Loan (USD 100.1 million), Government's contribution (USD 40.4 million and Beneficiaries' contribution (USD 45.3 million).
122. PMU shall establish a Designated/Revolving Fund Account in the National Bank of Pakistan (NBP), Peshawar to receive and use IFAD's Loan. As per Federal Government's instructions, the NBP is the designated bank for handling all transactions of revolving fund accounts. The State Bank of Pakistan (SBP)—which maintains the accounts of foreign aid for Pakistan, shall receive funds from IFAD in USD, convert it at the prevalent exchange rate into local currency, debit the national account for loan, and credit the project's Designated Account accordingly. The project account shall show debits, credits and balance in PKR along with USD equivalent. The funds shall go through the SBP to the NBP-Peshawar following the same procedure through the SBP.
123. Report-based disbursement will be the mechanism used for withdrawing funds from IFAD financings. Interim Financial Reports (IFRs) package will be used as a basis of submission of withdrawal applications to IFAD. The IFRs package will be included in the Letter to Borrower and the PIM. Project will be using the Revolving Fund modality under the report-based disbursements during the implementation period. The first advance should be equal to or less than the forecast amount of IFAD financed expenditures approved in the Annual Work Plan and Budget (AWPB) for the period of six months. Further advances to the Designated Account will be made for the next reporting period based on the AWPB or expenditures forecast provided that at least 70% of the immediately preceding advance and 100% of all prior advances have been fully justified.
124. Each quarter the PMU should submit the IFRs package (using the templates included in the LTB and the PIM) to report on the financial performance and to justify the specified percentages of the withdrawn advances as indicated in the LTB. By justifying the required percentage of the withdrawn advances, the PMU will be eligible to withdraw further advances based on next period cash forecast. IFRs package will mainly form the templates of the Withdrawal Application (WA) which will be submitted in ICP. The package should be sent to IFAD Finance Officer for clearance. Once the package is cleared by IFAD Finance Officer and the WA is submitted in ICP, the Financial Controller's Division (FCD) will proceed with finalizing the WA in IFAD system. IFAD Finance Officer could select a sample of the expenditures included in the IFRs and request the supporting documents for further check.
125. The government's share in financing comprises counterpart funding for payment of applicable taxes and project management costs (USD 9.1 million) and ongoing development projects (worth USD 31.3 million) that will be leveraged by the project. PMU shall open an Assignment Account to receive and use government counterpart funds (cash) for taxes and project management. The annual requirement of counterpart funds shall be reflected in the project's AWPB and provincial budget. The accounting system shall record government financing separately.

126. The flowchart depicts the flow of funds (excluding beneficiaries' contribution):



- IFAD: Initial Advance and Replenishment/GoKP Counterpart Funding
- IFAD Withdrawal Applications/GoKP Funds release requests
- Invoices/Supporting documents/Statement of Expenditure (SOE)
- Payments

127. Beneficiaries shall contribute USD 45.3 million (the ratio of share between IFAD and beneficiaries: 30% under PFOs, 50% under the 4Ps arrangement, and 50% for FSC). Access conditions (bank account/separate ledger, hiring of professional staff—including FM official, other requirements as appropriate) shall be included in contracts/MOUs with these IPs which must be met by the beneficiaries to draw on IFAD's share in the financing of related activities. PFO/FSCs/Private Partners shall maintain record of beneficiaries' contribution and keep the PMU updated. PMU shall ensure that the project accounting system reflects updated information on the beneficiaries' contribution at all times.

d. Summary of benefits and economic analysis

128. The KP-RETP provides the necessary incentive to all stakeholders as evident from its financial and economic rate of returns. The net cash flows resulting from the project provides incentive for beneficiaries (producers and participating private sector) in the shape of improved income and profitability. For the Government of Khyber Phakhtunkhwa province, there are significant economic gains in terms of socio-economic development of rural households. The intervention will leverage private sector investment and will catalyse horizontal and vertical expansion of economic activities in the rural areas.
129. **The benefits:** The project benefits are anticipated in the two project components including; i) agribusiness development; and (ii) employment and jobs promotion while the third component i.e. project management, institutional and policy support will facilitate the two.
130. **Benefits of agribusiness development.** The project interventions related to aggregation of the production based on three simultaneous pathways. These include (i) mobilizing small farmers into professional farmer organisations; (ii) integrating small farmers into public-private-producers partnership; and, (iii) strengthening the delivery of inputs and services to the PFOs and farmers participating under 4Ps. The project logic is to reduce transaction cost (production, handling and marketing), accessibility to quality inputs, reduce cost of capital and eventually improving quality compliance. The net effect is in the form of increased income stream resulting from increased production and higher prices realised. The farm services centers having shares of PFOs (its members) will generate additional income and will provide inputs and services to both members and non-members.
131. **Benefits of employment and jobs promotion:** The project component will position rural youth to avail jobs and self-employment for remunerative engagement. Investment in skills (vocational and entrepreneurship) for job market will increase wage/salary rates while self-employment (combining training and start up) will create economic activities in the rural areas. In addition, job placement facilitation will provide the entry point for youth training graduates.
132. The estimated incremental increase in income resulting from agribusiness development is US\$400 per household ranging between USD200 and USD1 000 per household. The project support will enable to enhance monthly income to an average of US\$130 per month. The estimated incremental increase is on average USD300 – 400 per year.
133. **Financial analysis.** The KP-RETP investment is viable as evident from its overall Financial Internal Rate of Return (FIRR) of 22.3%. The Net Present Value (NPV) of the proposed project over 20 years' period is noted to be USD119.2 million. The discounted benefit cost (B:C) ratio is noted to be 1.56.
134. **Economic analysis.** The overall economic internal rate of return (EIRR) of the project is estimated at 26.7%. The economic net present value (NPV) of the project net benefit stream, discounted at 9.76%, was calculated to be USD118.0 million while benefit-cost ratio is noted to be 1.34.
135. The PDR identifies two major risks i.e. (i) security; and, (ii) financial management capacity. In addition climate-risks may also have impact. These risks may cause underperformance with regards to achievement of full scale benefits, delay in realization of benefits and reduced effectiveness. Under various risk scenarios, the analysis reveals acceptable values of both NPV and EIRR, and thus the proposed investment is feasible under these adverse scenarios with the project viability more sensitive to extended time lag.
136. The results of the financial and economic analysis suggest that the proposed project including the additional financing is financially and economically viable, will result in the increased income and represent significant incentive for the participating beneficiaries thus recommended for investment.

Scenarios	$\Delta\%$	Link with the risk matrix	IRR	NPV (USD M)
Normal Scenario	Normal	No Adverse Risks	26.7%	118.0
Project benefits	-10%	Poor Security Situation affecting project benefits adversely	23.6%	95.1
Project benefits	-20%		20.5%	72.1
Project costs	10%	Weak financial capacity result in cost overrun and delayed implementation	23.9%	106.9
Project costs	20%		21.5%	95.7
Time lag in benefits (Year)	1		16.1%	49.9
Time lag in benefits (Year)	2		21.1%	93.1
Success Rates	-10%	Security and climate change risk affecting success rate negatively	23.6%	95.1
Success Rates	-20%		22.8%	93.7

The PDR identifies 3 major risks (i) security; (ii) financial management capacity, and (iii) climate-risks. These risks may cause underperformance concerning achievement of full scale benefits, delay in realization of benefits and reduced effectiveness.

e. Exit Strategy and Sustainability

137. The theory of change is based on the premise that a market-driven approach will best help smallholders to sustainably increase their income and improve their livelihoods. Further, when this approach is mainstreamed into the delivery of technical and vocational trainings, it generates employable workforce which readily meets unmet labour demand. The project creates and

exploits the symbiotic relations between the demand and supply forces and focuses on institutional/capacity development to ensure safe exit and the sustainability of project outcomes as briefly described below:

- The smallholders—organized into Professional Farms Organization (PFOs) as legal entities will generate demand for inputs/services (including microfinancing)—based on clearly thought-out business plans, whereas the existing Farm Services Centres—transformed into commercial entities, will become the suppliers these inputs/services. Registered PFOs will have more bargaining power and a greater capacity for market penetration. Public-Private-Producer Partnerships (4Ps)—created for agribusiness value chains development, will be linked with these PFOs and the FSCs, shall work collaboratively to enable smallholders/PFOs to optimize yield and quality of their produce per acceptable standards. This will—in turn, give smallholders a fair price for their effort.
- Institutional capacity at KP TEVTA to conduct labour market assessment and design market-responsive courses shall be enhanced. The project would train about 25,000 people for new jobs at new entities i.e. PFOs, 4Ps, and FSCs that would continue requiring these people beyond the project's life. All technical and vocational trainings shall be based on labour supply gaps and where viable—complemented with start-up capital to enable trainees to have sustainable self-employment. Further, trainees shall be linked with government's low-cost microcredit programs i.e. Kamyab Jawan Program to facilitate further business development/expansion as appropriate. Fresh graduates shall be facilitated to get internships with potential employers under contracts which would require the latter to offer regular jobs upon the completion of the internships. Most fresh graduates don't get jobs because their degrees don't prepare them for the job market. The internship opportunity would address this gap. The government is committed to replicating this internships-led-sustainable-job-creation model once it shows impact.
- All MOUs/contracts with partner organizations shall establish requirements of market study, proper business planning—with clear breakeven point and profitability of the institutions supported, rigorous oversight and reporting. In case of technical/vocational trainings, the requirement of facilitating trainees in finding jobs shall be included in contractual arrangements with the service providers. Most project interventions—by design are co-financed by beneficiaries (FPOs, 4Ps, NFSs, internships for job placement etc.). As a result, all partner organizations will contribute to the sustainability of project outcomes.

3. Risks

H. Project risks and mitigation measures

138. **Inherent Risks:** KP-RETP faces certain inherent risks that can be categorized as "Moderate":

139. **Macro-Economic Stability:** Pakistan is going through a difficult macro-economic situation over the last year or so due to adverse balance of trade and current account deficit leading to a bail-out package of US\$ 7.2 billion from IMF. Existing projections point to continuing economic challenges in the medium term. The Government has initiated various steps to control government expenditure and widen the tax net for improved revenues. Relevant to the project are also the weak coordination between federal and provincial institutions especially in the area of policy coherences and integrated development of regulatory framework – notably related to Farmer Organizations policy. The collaboration of other donors and agencies, as well IFAD Regional Grant Asian Pacific Farmer Organization will contribute to address this through its ongoing assistance to the federal government for developing a revisited Professional Farmer Organization regulatory framework.

140. **Country Fiduciary Risk:** The country's inherent fiduciary risk rating continues to be *Substantial*. Pakistan is the 124 least corrupt nation out of 180 countries, according to the 2020 Corruption Perceptions Index reported by Transparency International. Pakistan's score against the World Bank's Transparency, Accountability, and Corruption Index for the public sector has been 3 out of 6 since 2015. The World Bank's Public Expenditure and Financial Accountability (PEFA) funded Project is currently being implemented to help provinces address these challenges and in particular the performance gaps observed in the PFM system

141. **Security Situation in KP Province :** KP has experienced security related challenges over the last few years that result in restricted movement of international staff for supervision and implementation support. Nevertheless, the situation has significantly improved the last years and 28 out of the total of 35 districts in the KP province are not anymore concerned by these travel restrictions. This risk on the remaining 7 districts are not permanent and the GoKP is now handling this situation within shorter period. This remaining risk can however be addressed as there is sufficient qualified national expertise available to supervise the project in any such eventuality.

142. **Operational Risks:** The following table lists the operational risks and mitigation measures that can be adopted to address them:

Risks	Risk Level	Mitigation Measures
Management Capacity Issues and High Staff Turnover: The province has staff capacity issues in effective project management and project's often experience high staff turnover affecting project performance	Medium	Engagement of a capable service provider for component 1 and VEOTO for component 2 would largely compensate for any staff capacity issues on government side. In the Financing Agreement, staff selection and any future transfers would be made contingent upon IFAD concurrence
Financial Management Capacity is weak and competent personnel difficult to find in project area	Medium	A PMU in Peshawar would grant access to more competent personnel and the procurement of a proper accounting software (e.g. Tompro) would greatly increase the quality of financial management
Procurements have faced the issue of efficiency, timeliness and conflict of interest	Medium	Provision will be made in the PMU budget to hire competent and dedicated Procurement Staff
Start-up Delays: Past IFAD projects have experienced considerable start-up delays	Medium	Technical Assistance would be engaged by IFAD to assist in the quick formulation of the PC-I parallel to the finalization of Project Design as well as for the recruitment of the KP-RETP PMU.
Hijacking of Project Benefits/Corruption	Low	Project design contains specific targeting criteria for the FPOs, 4Ps, FSC as well as for component 2 and will be subject to regular field verification related to the selection criteria ensuring benefits for the poorest.

143. **Fiduciary risk assessment.** The country's risk rating continues to be “**Substantial**” though with its CPI score of 31, Pakistan is at the edge of slipping to “High” risk countries. Pakistan’s Corruption Perception Index (CPI) ranking is 124 out of 180 countries in 2020—dropping four spots compared to last year. This reflects that corruption has become more pervasive in all branches of the government namely the executive, legislature, and judiciary.

144. Pakistan’s Open Budget Index (OBI)—which gauges transparency in public sector governance, has also gone down substantially from 44 in 2018 to 28 in 2019 on a scale of 0-100—reflecting very limited public access to information. Pakistan’s public participation score at 4 out of 100 shows that citizens are not provided any meaningful opportunities to influence how the government is mobilizing and using public money. Pakistan’s parliamentary oversight of budget remains weak (score of 36 out of 100) though audit oversight by the Auditor General Office (score of 61 out of 100) is rated adequate.

145. PEFA for KP (2017) highlighted issues such as weak linkages between policy and budgeting, inefficient use of development funds, data integrity issues, unpredictability in availability of funds from the federal government, manual and IT based accounting system running in parallel, weak internal audit, and delayed in submission of audit reports to the legislature. The World Bank is trying to address these PFM bottlenecks at federal and provincial levels under a PFM Accountability for Service Delivery Program (closing in November 2021). The program has made significant impact in terms of delegation of financial powers to Principal Accounting Officer (PAOs), establishment of Chief Finance and Accounts officers (CFAOs) and Chief Internal Auditors (CIAs) at federal ministries, introduction of Audit Management Information System (AMIS) at the office of the Auditor General of Pakistan, E-Procurement at Pakistan Public Procurement Regulatory Authority (PPRA). In provinces also, the World Bank is offering incentive grants for adoption of similar initiatives but the pace of uptake is rather slow. On the whole, the provincial PFM environment has not changed to any significant degree since the last PEFA reporting of 2017.

146. Lessons learnt from previous projects in the country include (1) ensuring adequate & timely recruitment for staff; (2) complete draft of PIM draft, before the project start disbursing, that includes clear guidelines that adapt with the project design and activities; (3) procure an accounting software that meets the project needs at start-up phase; (4) hire an internal auditor given the geographical spread and decentralization of the projects in Pakistan; (5) early coordination with the Auditor General of Pakistan for timely delivery of the audit reports and timely settlement of audit findings.

147. For KPRET, main project categories will include civil works, vehicles, equipment and material, technical assistance, training and studies, grants to beneficiaries, salaries and allowances and operating cost for which they will be grouped into five categories in the financing agreement. It is estimated that the investment costs will form 93% from total project cost whereas the recurrent cost will form 7% from total project cost. Project will be using the reports based disbursement mechanism to withdraw funds through submitting Interim Financial Reports (IFRs) using the revolving modality. Project to request an advance based on the projected expenditures for the first six months of the first AWPB. Following advances to be withdrawn based on forecast of the following six months or based on the next period in the AWPB after justifying 70% of previous advance and 100% of all prior advances. Separate bank accounts will be open for each financing source under the project.

148. The following table shows a summary of the Financial Management issues, risks and proposed mitigation actions:

Control Risks	Summary of Issues	FM Inherent Risk	Mitigation Actions	FM Residual Risk
1. Organization and Staffing	<ul style="list-style-type: none"> -Hiring process is subject to political interference. In competent & delays in recruitment. -Market for private enterprises that may want to become part of 4P arrangements is thin and there is risk of qualified partners not being available/selected. 	Moderate	<p>1-Core staff of the PMU—Project Director, Finance Manager/FM Specialist, FM Specialist, M&E Specialist should be engaged within eight (8) weeks of the date of signing of the Financing Agreement. IFAD's representative should take part in the process of recruitment as an observer.</p> <p>2-Well structured finance unit within the PMU that includes competent and qualified staff who are capable of carrying out project financial management as per the fund requirements.</p> <p>3-Competent management—especially FM official should be hired in each PFO as one of the access condition for IFAD funds.</p>	Low
2. Budgeting	<p>Component 2 (Economic Graduation and Employment) is the largest component of the project. It is envisaged to be funded by the government through ongoing projects. TEVTA is the major partner but it has very limited development budget which can be a constraint. Second, it is not clear at this stage how the ongoing schemes shall be identified and leveraged to achieve project outcomes.</p>	Substantial	<p>1-PMU should get the approval of AWPB & Procurement Plan through the PSC (by 30 April each year).</p> <p>2-AWPB/Procurement Plans should be prepared in consultation with implementing partners and these IPs should be supported by PMU/RPMUs to ensure proper estimation of funding requirements in the AWPB</p> <p>3-Roles and responsibilities of line departments with reference to such contribution should be clearly stated in the notification/MOUs.</p>	Moderate
i. Funds flow and Disbursement Arrangements	<p>Delays in the opening of account, ambiguities around the counterpart funding can result in implementation difficulties for the project.</p> <p>PFOs—which are implementing partners under component 1, need significant handholding to be able to manage FM function properly.</p>	Moderate	<p>1-Designated Accounts for the project will be opened within eight (8) weeks of the date of signing of the Financing Agreement;</p> <p>2- Access conditions for release of funds to FOs/IPs shall be clearly established in MOUs/contractual agreements'. These conditions should be identified in the PIM as well.</p> <p>3-Counterpart Fund requirements shall be clearly established. A formal MOU/Notification needs to be made by the provincial government</p> <p>4-Checklists and timelines shall be established for release of payments against different types of claims and shall be strictly adhered to.</p>	Low

ii. Internal Controls	Instances of non-compliance with applicable internal controls have been reported by the Auditor General of Pakistan in recent audit reports and therefore specific controls—established under Accounting Policies and Procedures Manual need to be emphasized for compliance.	Substantial	1-Financial management procedures as part of the PIM need to be approved by the PSC and shared with IFAD within eight (8) weeks of the date of the signing of Financing Agreement; 2-No funds should be released to any PFO unless it meets all access conditions. 3-Post-qualification due-diligence should be carried out of all private partners.	Moderate
iii. Accounting and Financial Reporting	In several cases, IFAD projects not using appropriate accounting software ran into financial reporting difficulties. The FM system also does not act as an effective decision support system for the project. Project must procure an accounting software the fully comply with IFAD's accounting and financial reporting requirements.	High	1-An appropriate Accounting Software i.e. TOMPRO needs to be procured, installed and the finance team trained in its use. Financial reports should be auto-generated from the procured accounting software. 2-PMU shall submit to IFAD; Quarterly Interim Financial Reports within 45-day of period end, annual unaudited financial statements within 4-month of year end and annual audited Financial Statements within 6-month of year end.	Moderate
iv. External Audit	Delays in submission of audit reports, weak-follow up with audit office resulting in backlog of audit findings, non-resolution of audit findings causing the amounts involved in those audit findings to convert into ineligible expenditure	Substantial	1-PMU needs to engage with Director General Audit (KP), through P&DD for timely completion of audit. 2-Audit observations should be settled within six (6) months after the Audit Report has been shared with the P&DD to avoid backlog of unresolved audit findings. 3-Follow up meetings with the Auditors should be requested to settle any unsettled audit findings from previous years.	Moderate
Overall Rating		Substantial		Moderate

149. Project FM inherent risk is rated Substantial due to (a) estimated delays in the opening of Designated Account; (b) delays in the hiring of competent staff for PMU caused mostly by political interference in the process; (c) delays in the approval of AWP/B; (d) lack of clarity about leveraging provincial government's ongoing development projects (77% of government financing) under the KP RET Project; (e) risks associated with the use of a sub-optimal accounting software; (f) endemic internal control weakness across the provincial government in general and donor funded projects in particular as highlighted in the Auditor General's audit reports; (g) weak M&E processes within P&D and absence of internal audit arrangements in Pⅅ (h) implementation through partner organizations especially PFOs/FSCs/Private Partners under 4Ps arrangements etc. is fraught with risk as they would require significant handholding and continuous guidance and oversight to manage their responsibilities effectively; (i) delays in submission of audit reports to IFAD and non-resolution of audit findings promptly leading to the risk of audit findings. Mitigation actions proposed would lower the overall risk to an acceptable level.

I. Environment and Social category

150. **Adherence to IFAD policies and SECAP.** The KP-RETP project is fully aligned with IFAD's Strategic Framework 2016-2025, in pursuit of the mutually reinforcing strategic objectives, especially by way of promoting investment in productive capacities and encouraging better and deeper market participation (and benefits) through the vehicle of 4Ps. The principles of engagement (targeting; empowerment; gender equality; innovation, learning and scaling up; and partnerships) are, furthermore, fully embedded in the project through the 4Ps and institutional strengthening approaches, as well as the operating modalities.

151. The project design also adheres to IFAD policies and strategies for mainstreaming youth and nutrition while keeping focus on promoting gender equity and inclusiveness, improved natural resource management, enhancing capacities of smallholder farmers and off-farm entrepreneurs for enhanced capacities for compliance to climate change and social safeguards, as well as

scaling up (see Appendices 5 SECAP and 11 Eligibility Criteria check list for mainstreaming themes).

152. The potential negative environmental and social effects of the project are limited and site-specific, and therefore the **environmental and social category is classified as B**. The design of the project focuses on the establishment of Professional Farmers Organisations (PFO); Public Private-Producer Partnerships (4P); strengthening of farm services centres (FSC); and capacity building and trainings in employable trades including agriculture for employment generation of youth women and men. The project does not include activities of size or scale that would have significant negative social and environmental impacts, rather most of the project investments aim to enhance the climate resilience of farmers and production and improve the environment through sustainable use, management and preservation of natural resources. The project does not involve any infrastructure and no economic and physical displacement of people is anticipated. To reduce any risks and impacts associated with changing climate conditions, the project will ensure that beneficiaries are made fully aware of potential environmental effects and will strengthen the capacity of farmers to assess climate risks, plan and identify climate adaptation measures. Any identified investments as part a business plan of Professional Farmers Organisations, 4Ps and FSC under agribusiness development component will be subject to environment and climate screening. These Business plans will also include costed adaptation and mitigation measures to avoid or minimize any social and environmental impacts.
153. The SECAP review note and Environmental and Social Management Framework (ESMF) contain detailed information on risks and mitigation measures in line with SECAP, which will apply to all activities in the project.
154. The ESMF provides a guide for the integration of environmental and social considerations into the planning and implementation of the project activities. It further provides a basis for environmental assessments of all sub-projects to be carried out under this proposed financing. The ESMF will be used by the project to ensure that all environmental and social safeguards are adequately addressed and that where required, relevant capacity building and training needs are established for effective implementation of the project.
155. The ESMP focuses on the nature and extent of environmental impacts that may result from the project activities. It will also serve as a framework for screening environmental issues for the concerned project activities and will establish a unified process for addressing environmental and social safeguards issues on sub-projects from preparation, through review and approval, to implementation.

J. Climate Risk classification

156. Pakistan potentially faces significant climate change challenges. The Khyber Pakhtunkhwa Province is assessed to be one of Pakistan's vulnerable provinces to the negative impacts of climate change. Climate change concerns include increased variability of monsoons, impact of receding glaciers on the river systems, decreased capacity of existing water reservoirs, and extreme events including floods and droughts. Potential climate change induced impacts include severe water stress; food insecurity due to decreasing agricultural and livestock production; degradation of ecosystems and biodiversity loss. **The climate risk classification is deemed to be High.**

4. Implementation

K. Organizational Framework

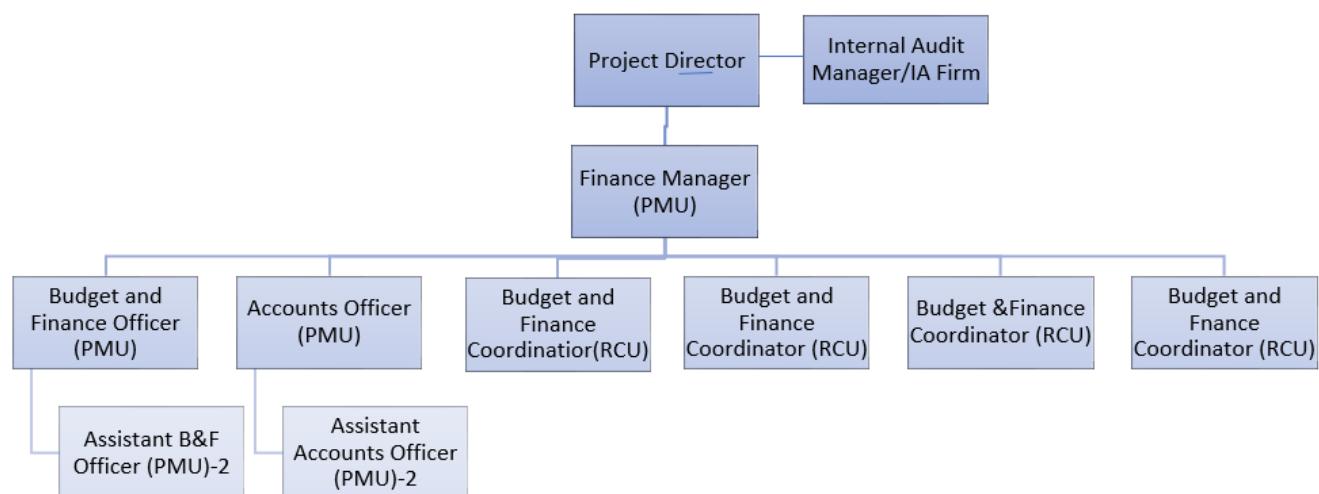
a. Project management and coordination

157. The **Economic Affairs Division**, Government of Pakistan, will be the overall coordinating agency at the federal level for IFAD financing.
158. A **Project Steering Committee** headed by the Additional Chief Secretary of P&D Department, will provide the policy level guidance, oversight, and coordination. The PSC will grant approval of AWPB, conduct regular progress reviews, and take corrective actions where warranted.
159. The RETP-KP being a multi-sectoral project, the **Planning and Development Department** will be the execution agency. A **Project Management Unit** and **Divisional Implementation Units** under the P&D Department will be established in Peshawar and in the Divisional HQ of the project area, respectively. The PMU will report to the Project Steering Committee.
160. The **key implementing partners** will be the Vocational and Management training institutes, Agro-business firms, Agro-business organizations, and line departments (particularly Agriculture, Livestock and Cooperatives, Environment, Social Welfare, Election and Local Government and Industries). In addition, the project will closely engage with the Farm Services Centres, Farmer Organisations, and cooperatives.
161. The PMU, headed by a Project Director, will be responsible for planning, coordination, financial management, procurement, and M&E of the project activities. Professional technical staff will be hired for the respective components of the project.
162. A Finance Manager will be responsible for the management of project budgets and finances. Separate bank accounts will be maintained for IFAD and Government funds as per the applicable regulations and guidelines. Annual audits of project accounts will be carried out by the Auditor General of Pakistan within three months of the end of each financial year, and the audit report will be submitted to IFAD within six months of the close of each financial year.

b. Financial Management, Procurement and Governance

163. The FM inherent risk for existing project is rated "Substantial" based on the current financial management arrangements executed by each PMU. This is also explained by (i) delays in staffing' (ii) delays in AWPB submission to IFAD; (iii) weak internal controls over use of funds; (iv) FM capacity gaps within partner organizations (PFOs, FSC, Service Providers, Private Partners under 4Ps); (v) use of inefficient accounting software; and (vi) Delays in submission of audit reports to IFAD and weak follow up with the audit office to minimize backlog of unresolved audit findings. The KP RET Project shall have robust financial management arrangements to effectively manage project funds. Key aspects of project financial management arrangements are briefly described below.

164. **Organizing and Staffing.** PMU shall have adequately structured FM section headed by a qualified and experienced FM Manager. The FM Manager shall have necessary support staff to manage workflow optimally both at PMU and RCOs levels. Centralized FM arrangements are being proposed at PMU in line with applicable government instructions for donor-funded projects though a position of B&F Coordinator is provided for each RCO to facilitate the IPs in compliance with applicable requirements to make payment process more efficient. The position of FM Manager shall be recruited subject to No Objection from IFAD. It shall be filled through a competitive process on terms and conditions acceptable to IFAD. The TORs of FM positions are provided in the PIM. An internal audit firm/Internal Audit Manager shall also be engaged to strengthen FM arrangements as explained later. Detailed organizational chart is included in the PIM. The chart shows proposed structure of FM Section for the project.



165. **Work Plans and Budgets.** PMU shall prepare Annual Work Plan & Budgets (AWPBs) in line with the PDR and the Financing Agreement. PMU shall engage with relevant line departments, Implementing Partners, and target beneficiaries to make the process transparent and responsive to ground realities. PMU shall obtain IFAD's No Objection to its AWPB by the end of April or the financial year starting in July. The AWPB shall be reflected in the provincial government's Annual Development Plan (ADP)—showing separate allocations for the IFAD Loan and government's counterpart contribution. PMU shall actively engage with P&DD to ensure that sufficient counterpart funding for the project. FM team shall prepare budget vs actual expenditure statements for PD—highlighting deviations and suggesting remedial actions where required. Where required, PMU can modify the AWPB in the light of such analysis subject to IFAD's No Objection.

166. **Flow of Funds.** In order to ensure proper monitoring of the funds transferred to implementing partners IPs (PFOs, Private Partners under 4Ps and FSCs), an MOU should be signed between the implementing partner and PMU that includes clear provision for the maintenance of dedicated account, accounting, financial and technical reporting, and recovery of advances. This is important to ensure transparency and accountability in the flow of funds down to end beneficiaries.

167. IPs should send financial reports that include SOEs, transaction lists and bank statement and reconciliations on monthly basis. In case of advances, PMU should not send further advances to the IP/s if 90% of the previous advance and 100% of all prior advances are justified. Where possible and applicable, payments to IPs should be based on actual expenditures on monthly or quarterly basis instead of advances. Interim field visits should be conducted by the finance staff of the PMU to ensure that the financial management arrangement applied by IPs do not jeopardize the use of fund. During these visits, a sample check of the project expenditures supporting documents and bank statements should be conducted. These field visits should be documented and filed at PMU, the reports should include work done during the visit, sample check, findings and agreed actions.

168. **Financial accounting.** Project accounting shall be done based on acceptable international accounting standards such as IPSAS Cash Basis. The accounting system shall permit allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds. PMU shall (a) maintain full set of accounts subject to IFAD's requirements; (b) conduct monthly reconciliation of accounts with provincial Accountant General; (c) maintain updated Fixed Asset Register on prescribed format and conduct periodic physical inspection of assets; and (d) be alert to, and take appropriate mitigation against fraud risk in its work subject to IFAD's Anti-corruption policy. An invoice register shall also be maintained to track payments against invoices. Contractual agreements with implementing partners shall establish responsibility for proper accounting, documentation, financial reporting, and anti-corruption actions in line with IFAD policies.

169. **Accounting Software.** PMU shall procure a properly designed accounting software to record, process and organize its financial

data and produce financial statements for IFAD and other stakeholders. The accounting system should reflect all sources and uses of funds separately. Since TOMPRO is the only accounting software that fully meets IFAD's requirements, PMU should invoke the provision of Para 23 (d) of the KP PPRA Rules (Single Source Selection/Direct Contracting) to procure it. *The procurement of accounting software should be one of the pre-condition for the release of initial advance to PMU.*

- 170. Financial Reporting.** The project will submit (a) detailed unaudited financial statements for each financial year within four (4) months of the end of each financial year (by the end of October); audited Financial Statement within six month of the close of a financial year (by 31 December); and (c) Interim Unaudited Financial Report (IUFR) each quarter indicating progress against components/categories and issues that may require IFAD's action. The interim reports will also include bank reconciliation duly signed by the project and the bank. The financial statements shall be prepared based on the followed accounting standards as per the prevalent accounting system and as per IFAD financial reporting and auditing requirements.
- 171.** All IPs (PFOs/FSCs, Service Providers, and Private Partners under 4Ps) shall be required to submit Quarterly Progress Report (QPR) to PMU. Each IP shall also include with its QPR bank statement duly signed by the bank and the authorized official of the IP concerned. The QPR shall also highlight specific actions that need to be taken to keep project implementation on track. PMU shall use these reports as the basis for its random/periodic inspections to verify physical and financial progress in fields. In cases where advances have been made under contracts/MOUs, the statement of use of advances and status of recoveries shall also be included in the QPRs.
- 172. Internal Controls.** The Accounting Policies and Procedures Manual (APPM) and General Financial Rules (GFR) stipulate a robust internal control framework for government entities. Audit reports of the past three years, however, have flagged significant gaps in internal control environment in foreign aided projects managed through the Assignment Accounts and SOEs. Accordingly, PMU shall be required to implement following actions in project implementation:
1. *Monthly bank reconciliation must be performed and record thereof maintained;*
 2. *Budgetary controls must be ensured for each transaction at the PMU. Further on monthly basis, budget v/s actual report must be prepared by the FMS and shared with the PD and Project Steering Committee for continuous project oversight;*
 3. *Fixed Asset Register shall be maintained. These assets shall be tagged and physically verified periodically by the admin section of the PMUs. Accuracy and completeness of the fixed assets register shall be verified independently periodically;*
 4. *FM team shall maintain complete documentation for each category of expenditure and it shall also conduct periodic/random inspection of partner organizations' project record to ensure that project activities/expenditure are properly documented and factually reported. Specific documentation requirements/guidance for different partner organizations are provided in the PIM.*
 5. *Internal Auditor shall review project transactions, processes, procedures, and performance at least semi-annually to provide assurance regarding the fiduciary controls, risk management and monitoring mechanisms in place;*
- 173. Internal Audit.** Considering the size and nature of the project and absence of any internal auditing arrangements in P&D, the project shall require a robust internal audit system for project activities. PMU shall engage a Chartered Accountant firm/Internal Auditor for this purpose subject to No Objection from IFAD to the TORs for the hiring of an auditing firm. The auditing firm will be required to submit quarterly reports to PMU. The draft TORs of the internal audit firm are included in the PIM.
- 174. External Audit.** As per the Constitution of Pakistan, the Auditor General of Pakistan (AGP)—which is the Supreme Audit Institution (SAI) of Pakistan, shall conduct audit of the project accounts. PMU shall prepare—and submit to the AGP the Annual Financial Statements (AFS) within two (2) months of the close of a financial year for this purpose. Report of each Audit—along with the Management Letter shall be submitted to IFAD within six months of the close of financial year (by 31 December) to which the audit relates. PMU must maintain continuous liaison with the Director General Audit (DGA), KP to ensure that (a) the audit of project is included in the annual audit plan of the audit office; (b) audit is executed on time; (c) audit quality is acceptable to IFAD; and (d) audit report is shared with IFAD within the stipulated timeline i.e. by 31 December for the preceding financial years. Follow-up with the DGA, KP is also critical to ensure timely resolution of audit observations at Departmental Audit Committee (DAC)—to minimize the backlog of audit observations during the life of the project and mitigate the risk of audit observations converting into ineligible expenditure which would require to be refunded to IFAD.
- 175.** The contractual agreements with the IPs will include a provision for external audit of activities funded with IFAD funds. The service providers/private partners shall propose names of three reputable chartered accountant firms for this purpose out of which PMU shall select one against already notified criteria. The audit shall be conducted within three months of the close of financial year and audit report furnished to PMU within six months of closure of annual accounts. The maximum duration of contract with an auditing firm for this purpose shall be three year.
- 176. Before project start-up**
- 177.** The provincial government needs to procure accounting software that is acceptable to IFAD, finalize first AWPB, and notify the government's share in project financing—along with its break-up (counterpart funds, amounts for development initiatives). The government should notify a mechanism for proper leveraging of financing by the KP RET project through Annual Development Program (ADP) as more than 77% of government financing (USD 31.3 million out of total USD 40.4 million) comes through the ADP. Once the PC-1 is approved, the provincial government shall initiate the process of opening the Designated Accounts for the projects—one for the IFAD's Loan and the other for Counterpart Funds. IFAD shall organize a start-up training for the project staff which shall also provide detailed guidance on how the project staff shall comply with IFAD's Anti-Corruption Policy.
- 178. Use of country system**

System Domains	Comments
----------------	----------

Organization	PMU is being established in provincial Planning and Development Department (P&DD) which is the lead government agency for provincial development. The core staff shall be recruited from the market and government officials could also compete for these positions
Budget	The Project shall follow the instructions/timelines contained in the Budget Call Circular (BCC) of the provincial government in preparing AWPBs. The budget—irrespective of the sources of finances (IFAD Loan or Government Counterpart Fund) shall be reflected in the provincial Annual Development Plan (ADP).
Treasury	The GoKP is part of the centralized FM system. The office of Controller General of Accounts (CGA)—which is part of Ministry of Finance, federal government, has prescribed procedures for the Designated/Revolving Fund Accounts for foreign aided projects irrespective of whether these are provincial or federal projects. The project shall open designated account for the IFAD Loan according to these procedures. The IFAD Loan shall flow through the State Bank Pakistan to the Designated Account of the Project in the National Bank of Pakistan, Peshawar as per the established procedures. Ministry of Economic Affairs Division, a federal entity responsible for coordination foreign aid, shall carry out monthly reconciliation of the project account with the State Bank of Pakistan. Additionally, the project shall carry out monthly reconciliation of the project accounts with the provincial Accountant General, which is a field accounting office of the CGA responsible for provincial accounting in KP.
Accounting	The CGA has prescribed a Chart of Accounts (CoA). All federal/provincial governments—including foreign-aided projects are required to follow this COA for accounting and financial reporting. When a project receives funds through the SBP into its Designated Account at NBP, the information on the receipt of funds is recorded and reflected in the country's Integrated Financial Management System (IFMIS). When the project issues checks and these checks are cleared by the banking system, the information on payments is also recorded in the same system. Reconciliation is carried out between EAD and SBP, and between the project and NBP as narrated above—to ensure there is no abnormality in recording of receipt of funds or payments.
Reporting	The project shall use an accounting software to record all transactions—receipts and use of funds. The project shall prepare financial reports as required using its own software and submit to IFAD as per established requirements. The financial reports must be reconciled with the data available in the IFMIS. All deviations are explained in the financial statements.
Internal Audit	Under the PFM Act 2019, an office of Chief Internal Audit is required to be established for each federal ministry. In KP, the provincial government has established Internal Audit Wing (IAW) in the provincial Finance Department and 13 Internal Audit Cells (IACs) have also been created in different government departments that report to the IAW. However, P&DD does not have an IAC. Further, the internal audit mostly focus on checking financial compliance rather than a department's progress toward its overall objectives. Accordingly, an Internal Audit function is being proposed for the project to strengthen FM arrangements for the project.
External Audit	The Auditor General of Pakistan—which is the Supreme Audit Institution of Pakistan, has the constitutional mandate for external audit of all federal, provincial and district governments. The SAI develops annual audit plans—comprising compliance, financial attest, performance, and project audits. Project audits are conducted as per the timelines established in the legal covenants. Usually, EAD communicates the timelines for external audits to the Auditor General of Pakistan—which forwards this information to the relevant field audit offices (FAOs) across the county. Projects—however, are expected to maintain sustained engagement with the FAO concerned to ensure timely completion of audit and resolution of audit findings promptly since these FAOs are too pre-occupied in their normal workflows and project audit does not figure high in their priorities.

179. **Procurement:** Project procurement will be carried out in accordance with the Khyber Pakhtunkhwa Public Procurement Regulatory Authority (KP-PPRA) Rules, to the extent of their consistency with IFAD's Project Handbook & Procurement Guidelines and the Financing Agreement. An assessment of procurement functions under the KP-RETP PMU will have a dedicated highly qualified procurement team consists of a Procurement Specialist (PS) and a Contract Management Officer (CMO) reporting to the Project Director. The procurement team will be responsible for undertaking all procurement activities within the defined thresholds and shall prepare procurement document for the processes. All procurement activities shall have to be consistent with the Annual Work Plan and Budget (AWPB) provisions. IFAD's prior review and No Objection to procurement

plan is compulsory under the Financing Agreement directly supervised by IFAD and by observing the following specific principles:

- Procurement will be carried out in accordance with the Financing Agreement (FA), the Letter to the Borrower (LTB), the Project Implementation Manual (PIM). Any subsequent changes reflected during the IFAD's supervision, mid-term and support implementation missions.
- Procurement shall be conducted within the project implementation period (from the date of effectiveness to the date of completion). Procurement cannot be undertaken between the date of completion and the closing date;
- The cost of the procurement is not to exceed the availability of duly allocated funds as per Financing Agreement;
- Procurement is to be consistent with the duly approved annual work plan and budget (AWP&B) including a procurement plan; and
- The procurement principle of value for money must be sought: Best value does not necessarily mean the lowest initial price option, but rather represents the best return on investments, taking into consideration the unique and specific circumstances of each procurement activity; the balance of time, cost and quality required; and the successful overall outcome of the contract in meeting its original objectives.

180. IFAD Standard Bidding Documents (SBD) will be used for all procurement for goods, works and services financed from IFAD funds or administered by IFAD and all contracts to include:

- a provision requiring suppliers, contractors and consultants ensure compliance with IFAD's Policy on Preventing Fraud and Corruption in its Activities and Operations available at ifad.org/anticorruption_policy. The project shall ensure that this policy is clearly stated in all procurement documents (solicitation documents and contracts) and that all vendors comply with this policy to permit IFAD to inspect their accounts, records and other documents relating to the bid submission and contract performance, and to have them audited by IFAD-appointed auditors.
- The project and its partners will strictly adhere to the provisions of IFAD's Policy to Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse available at ifad.org/anticorruption_policy. The Project shall ensure that this policy is clearly stated in all procurement documents (solicitation documents and contracts) and that all vendors comply with this policy; and
- The project and its partners shall also ensure commitment to combating money laundering and terrorism financing consistent with IFAD's Anti-Money Laundering and Countering the Financing of Terrorism Policy available at <https://www.ifad.org/en/document-detail/asset/41942012>.
- The details of applicable post and prior review requirements and other risk mitigation measures would be established under Procurement Working Paper of the Project Design Report.

181. **Governance.** At the provincial level, the Khyber Pakhtunkhwa (KP) Anti-Corruption Establishment (ACE) Rules of 1999 provide the legal framework for fraud and corruption. Any citizen can complain against any official to the ACE. Khyber Pakhtunkhwa the Government Servants (Efficiency and Discipline) Rules 2011 were promulgated under the authority vested in section 26 of the Khyber Pakhtunkhwa Civil Servants Act 1973 (Khyber Pakhtunkhwa Act No. XVIII of 1973). These rules govern internal accountability arrangements.

182. The KP Right to Information Act 2013 gives the citizen right to access information from the government departments and in cases where a department does not respond, a case can be filed with the Independent Right to Information Commission for remedial action. The provincial government has also enacted KP Prevention of Conflict of Interest Act 2016 and the Whistleblower Protection and Vigilance Commission Act 2016. These laws provide a comprehensive framework to mitigate risk of conflict of interest, abuse of authority etc. However, people—especially the most vulnerable ones, are reluctant to use these laws and the provincial government has not invested sufficiently in promoting the rights based advocacy since it brings the government under a tighter scrutiny.

183. IFAD has zero tolerance towards fraudulent, corrupt, collusive or coercive actions in projects financed through its loans and grants and the provincial government is bound to take steps to prevent, mitigate, and combat such action during project implementation. In addition to promoting general awareness of IFAD's Anti-Corruption Policy among all parties that are involved in project implementation, PMU shall ensure that all contracts for procurement of goods, works, and services, include a provision requiring suppliers, contractors and consultants to (i) ensure compliance with IFAD's anticorruption policy and (ii) allow IFAD to inspect their accounts, records and other documents relating to the bid submission and contract performance, and to have them audited, if deemed necessary. Lastly, the project will promote good governance through the involvement of communities and beneficiaries in (i) the preparation of the annual work plans and budgets; (ii) the procurement process (at community level); and (iii) the monitoring and evaluation of project activities. PMU may encourage confidential reporting of improprieties to the PD or senior management in P&DD under the existing provincial laws referred to above.

184. The contracts/MOUs with third parties shall also include explicit compliance requirement with IFAD's Policy to Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse (www.ifad.org/anticorruption_policy), and IFAD's Anti-Money Laundering and Countering the Financing of Terrorism Policy (<https://www.ifad.org/en/document-detail/asset/41942012>).

L. Planning, M&E, Learning, KM and Communication

a. Planning, M&E, Learning, Knowledge Management and Communication

185. AWPBs, based on the PDR and PC-I indicative activities, costs and phasing, will be the key planning documents of the project. The AWPB will follow the government annual planning cycle (July-June). The PMU will prepare the AWPB in close collaboration with the implementing partners and submit it to the PSC well in advance to ensure approval by 30 April and to IFAD for no

objection before 31 May every year.

186. **Monitoring and evaluation.** Using the project AWPB and Log Frame as the basis, the main purpose of the M&E system will be to provide project management, the Government and IFAD with reliable and timely information on project execution performance and results, and to ensure efficient and effective project implementation. The M&E system will aim at monitoring: (i) project execution which essentially means the regular tracking of activities and output targets as identified in the AWPB and project logframe, (ii) outreach i.e. the number of people directly benefitting from project interventions disaggregated in terms of gender and age; (iii) project results ; and, (iv) benchmark risks and assumption against those identified in the Log frame. BISP PSC data will be used as a targeting tool in addition to income and dietary diversity.

187. **Monitoring of implementation progress.** The project monitoring system will focus on: (i) assessing the rates of physical execution of yearly planned activities/sub-activities against planned annual and end targets; (ii) verifying compliance by all actors (PMU/RPMU staff, Implementing Partners i.e PFOs, FSCs, 4Ps, line departments etc.) with agreed calendar and deadlines; (iii) assessing the rate of financial execution against the provisional planned budget; and, (iv) providing input to the quarterly and annual reporting

188. Standardized templates shall be developed for data collection and reporting and included in the contracts/MOUs with implementing partners. While field monitoring is largely led by IPs, in order to verify, randomly, the data submitted by the various IPs and monitor the quality of delivered outputs, the M&E team will conduct random/monthly field visits, alone or jointly with other PMU staff or Project Implementers. Such field visits shall also provide an opportunity to interact with beneficiaries, assess their satisfaction with services received or document stories from the field.

189. The PSC and IFAD's supervision missions shall also periodically assess project implementation—including the effectiveness of M&E system in tracking and resolving implementing bottlenecks at IPs, PMU, and RPMUs levels.

190. **Results measurement.**

1. *Baseline.* A baseline survey, covering the mandatory indicators (as per log frame), will be conducted in year-1 through a third party service provider to document the initial status of target beneficiaries prior to commencement of the project interventions. This information will, at mid-term and completion, become the reference against which to measure changes, and therefore appreciate project outcomes and impact, or lack thereof.
2. *Mid Term Review (MTR).* A MTR combined with mid-line assessment will be conducted by P&DD and IFAD during the fourth year of implementation to assess progress against the targets. Comparison with baseline data will allow the measurement of changes in core indicators, and thus to infer on the project's direction of travel toward the project outcomes. The MTR shall identify implementation bottlenecks and suggest remedial actions—which may also include modification in the project design as appropriate.
3. *Annual Outcome Surveys.* PMU shall also start conducting annual outcome surveys through a third party after the MTR to validate the results reported in internal M&E assessments.
4. *Completion Survey.* The project will undertake a terminal assessment towards the end of the last of year of implementation to gauge the outcomes realised, as well as to document emerging impacts covering all the core indicators contained in the project log frame. This may also feed in to the project completion report.
5. COI surveys will be carried out at baseline, mid-term and completion, the budget for which has been allocated in the cost tables.

191. **Learning and knowledge management.** Knowledge management and learning will be an integral element of project implementation, particularly in view of the scaling up agenda by Government and the project policy influence objectives. A knowledge management strategy will be prepared during the start-up phase of the project to clearly identify knowledge products, events, uses and forums to collect, collate and share the knowledge generated through project interventions. The KM strategy has four pillars i.e. (i) use the project intervention as action research; (ii) systematic assessment and analysis using experimental designs which are statistically valid and robust; (iii) deriving inferences/conclusions have strong evidence base; (iv) devise knowledge products; and, (v) disseminating knowledge products using various channels/media. The KM function will particularly focus on success factors pertaining to integration of small farmers to market chains and diversification into high value products and through investment in skills and entrepreneurship foster women's and youth's economic empowerment, while at the same time mainstreaming nutrition. Formal consultative sessions will be a regular feature for relevant government functionaries, and other stakeholders—including beneficiaries' groups to review progress, share lessons learned, improve processes, and make project visible..

192. A dedicated M&E, KM, and Communication Section with suitably qualified and experienced staff is part of the organizational arrangements at the PMU and district offices.

b. **Innovation and scaling up**

193. The project shall test the commercial viability of converting the existing Farms Services Centres (FSCs) into vehicles for providing farmers through the PFOs knowledge, technological support, and microfinance. The model permits the FSCs to charge a reasonable fee for the services that they will deliver to farmers through the PFOs. This shall ensure that the FSCs shall become self-sustainable providing services even after the close of the project. Further, farmers shall be getting inputs—financed by the PFOs, from the FSCs and they would pay back to the PFOs after harvesting. As a result, both farmers and the PFOs shall develop credit history/bankability for accessing formal credit. The project leverages inherent synergies between the PFOs and the FSCs to respond to the microfinancing needs of small farmers and to support the sustainability of both PFOs and FSCs beyond project life. The piloting of the FSCs as a private business entity—if successful, can be replicated across the province and contribute to significant increase in farmers' incomes.

194. The project seeks to morph KP TEVTA into an institution that actively works for job creation in the province. Currently, KP TEVTA's trainings are not sensitive to trends in the labour market. A Vocational and Entrepreneur Training Organization (VOETO) shall be hired to work as partner of KP TEVTA to reach out to the poorest in remote areas—especially women, girls and other marginalized groups, that would not otherwise attend any training under TEVTA umbrella because of social, cultural, geographical, or economic barriers. The VOETO shall carefully select beneficiaries, deliver appropriate trainings, and provide seed money to those participants who want to start business. For this purpose, the project shall also facilitate the VOETO in signing MOUS with the banks that are providing financing to youth/unemployed as per government policies. Under the South Punjab Poverty Alleviation Project (SPPAP), this model has delivered sustainable employment/self-employment for up to 70% of the beneficiaries who completed trainings. Initially, the project will pilot test the effectiveness of the concept. However, if it proves effective, KP TEVTA shall implement it widely from its own funds.

M. Project Target Group Engagement and Feedback, and Grievance Redress

a. Project Target Group Engagement and Feedback.

195. The project involves diverse stakeholders some of which may not be exposed to the implementation modalities used in the project. There, a participative approach is being embedded in the project design to generate ownership and support of key stakeholders. This includes (a) participatory development of AWPD; (b) continuous handholding/mentoring in how to manage processes—with due regard for gender, climate change, nutrition and other cross-cutting themes; (c) joint monitoring of progress; (d) emphasis on gender balancing in staffing at IPs to ensure outreach to vulnerable women who would not otherwise be willing to benefit from the project intervention; (f) random field inspection/survey of beneficiaries by PMU/RPMUs to assess that their inputs/concerns are being properly considered in project interventions and the voice of beneficiaries is being properly transmitted through reporting to PMU/RPMUs.

196. The M&E team shall maintain a log of field visits and document all key issues highlighted by the beneficiaries during such missions. The issues shall be taken up with the IPs and resolved promptly. IFAD supervision mission shall examine the log to be sure that beneficiaries' perspective is being mainstreamed in project implementation. Under Component 2 (economic graduation and employment (Component-2), contractual arrangements with the service provider shall require—among other things, validation of candidates' eligibility status through Community Organizations (COs) to ensure fairness in the process and minimize risk of target beneficiaries not being selected on merit. This will also provide the project opportunity to capture community's feedback on implementation issues.

b. Grievance redress.

197. As stated earlier, GoKP has elaborate arrangements for anti-corruption against fraud and corruption. Any citizen can complain against any official to the ACE. The GoKP can initiate investigation against the official subject to the GoKP Government Servants (Efficiency and Discipline) Rules 2011. The provincial government has enacted the KP Right to Information Act 2013, the KP Prevention of Conflict of Interest Act 2016, and KP Whistleblower Protection and Vigilance Commission Act 2016. These laws empower the citizens to come forward and file cases when they suspect any impropriety in the use of authority or public funds. The provincial government has also established an e-Complaints/Grievance Redress System to address common man's grievances, and simultaneously monitoring and reviewing. This interface between the citizens and the government promotes e-transparency and e-accountability^[1]. This is a good initiative but it is not extended to all provincial government departments.

198. The project shall take necessary actions to ensure that citizens/beneficiaries—aggrieved by any action of any project party, can conveniently approach the PD/P&DD to redress their grievance. While the contracts/MOUs with the IPs contain references to IFAD's policies on(a) Anti-Corruption Policy, (b) Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse, and (c) Anti-Money Laundering and Countering the Financing, this may not be a sufficient deterrence against the risk of non-compliance. Accordingly, the project's communication policy shall promote a general mass awareness among citizens about how to report to PMU/P&DD/IFAD when they find any impropriety in the use of official authority or project funds or violation of any of the IFAD's policies applicable to the situation. The project shall provide an interface to the citizens to file their complaints when they find non-compliance with applicable requirements. A log of complaints shall be maintained to check how frequently such complaints are being received and efficiency in the redress of such complaints.

199. [\[1\]e-Complaint / Grievance Redressal System \(kp.gov.pk\)](#)

N. Implementation plans

a. Supervision, Mid-term Review and Completion plans.

200. **Supervision Missions.** IFAD shall field two supervision missions in the first year of implementation to assess technical and financial progress of the project, identify and fix implementation bottlenecks, and build the capacity of P&DD, PMU, and other Implementing partners as appropriate. The frequency of such missions for future shall be ascertained based on project performance in first year. The supervision mission may recommend follow-up implementation support missions for capacity building in specific areas. The PMU is required to be fully prepared to facilitate the missions and follow up on the recommendations that come out of these missions.

- 201. Mid Term Review (MTR).** IFAD and PMU shall jointly carry out Mid Term Review (MTR) no later than the midpoint of the project implementation period. The MTR shall evaluate the level of achievement of development objectives and the project's expected impact on beneficiaries, dating from project start-up; identify constraints and issues related to all aspects of project implementation (technical, institutional, organizational, financial and administrative); and recommend remedial action or reorientation of the project as necessary. MTR recommendations may result in amendments to the FA or cancellation of all or part of the financing.
- 202. Project Completion Review and Reporting.** The project shall be required to submit a report on the overall implementation of the project in such form and substance as may be specified in the Financing Agreement. At a minimum, such report shall focus on: (i) the costs and benefits of the Project; (ii) the achievement of its objectives; (iii) the performance by the government, IFAD, and other implementing partners; and (iv) lessons learned during implementation.

Pakistan

KP Rural Economic Transformation Project

Project Design Report

Annex 1: Logframe

Mission Dates: 5 to 14 April 2021

Document Date: 08/11/2021

Project No. 2000002333

Report No. 5791-PK

Asia and the Pacific Division
Programme Management Department

KP Rural Economic Transformation Project

Logical Framework

Results Hierarchy	Indicators				Means of Verification			Assumptions	
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility		
Outreach	1 Persons receiving services promoted or supported by the project				surveys, service providers' records, MIS system, COI survey	baseline, mid term and completion, yearly	PMU	A baseline survey is conducted; Project approach and timelines are adhered to; An efficient M&E system is developed and implemented	
	Males		262500	588750					
	Females		87500	196250					
	Young		175000	392000					
	Not Young								
	Total number of persons receiving services		350000	785000					
	1.a Corresponding number of households reached				surveys, service providers' records, MIS system, COI survey	baseline, mid term and completion, yearly	PMU		
	Women-headed households		87500	196250					
	Non-women-headed households		262500	588750					
	Households		350000	785000					
	1.b Estimated corresponding total number of households members				surveys, service providers' records, MIS system, COI survey	baseline, mid term and completion, yearly	PMU		
	Household members		1440000	4350000					
Project Goal To contribute to poverty reduction, nutrition and food security of rural households in the Khyber Pakhtunkhwa Province	Beneficiary households reporting improved income from sales through PFOs				survey	baseline and completion	PMU	Security situation remains stable and allows implementation of project	
	Households		262500	588750					

Results Hierarchy	Indicators				Means of Verification	Frequency	Responsibility	Assumptions	
	Name	Baseline	Mid-Term	End Target					
Development Objective Income of rural households sustainably improved through climate-resilient, high-value agriculture and off-farm/non-farm employment opportunities	SF 2.1 Households satisfied with project-supported services				COI survey	baseline and completion	PMU	A baseline survey is conducted; Project approach and timelines are adhered to; an efficient M&E system is developed and implemented	
	Household members		1740000	3480000					
	Women-headed households		78500	157000					
	Households (%)		40	80					
	Households (number)		314000	628000					
	SF 2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers				COI survey	baseline and completion	PMU		
	Household members		1650000	3850000					
	Women-headed households		15000	30000					
	Households (%)		38	89					
	Households (number)		300000	700000					
	1.2.8 Women reporting minimum dietary diversity (MDDW)				COI survey, assessments	baseline, mid-term and completion	PMU		
	Women (%)		20	60					
	Women (number)		10000	220000					
	Households (%)		10	28					
	Households (number)		10000	220000					
	Household members		800000	1760000					
	Women-headed households		2500	55000					
	Non-women-headed households								
Outcome 1. Enhanced capacity of smallholder farmers for increased market access (Professional Farmer Organizations and Farm Service Centres)	2.2.2 Supported rural enterprises reporting an increase in profit				outcome survey, MIS system, service providers' records, COI survey	baseline, mid-term and completion	PMU	Baseline established, farmers are willing to participate in PFO and FSC	
	Number of enterprises		200	550					

Results Hierarchy	Indicators				Means of Verification	Frequency	Responsibility	Assumptions				
	Name	Baseline	Mid-Term	End Target								
Output 1.1 Support provided to Professional Farmers Organizations, Farm Service Centres and 4Ps and their members	2.1.3 Rural producers' organizations supported				MIS system, service providers' records	baseline, yearly and completion	PMU	farmers are interested to participate, updated BISP data on poverty available and targeting guidelines developed				
	Total size of POs		112000	220000								
	Rural POs supported		280	550								
	Males		84000	165000								
	Females		28000	55000								
	Young		56000	110000								
Output 1.2 Coaching of producers for increased capacity on business planning, production practices and market advice	1.1.4 Persons trained in production practices and/or technologies				MIS system, service providers' records	baseline, yearly and completion	PMU	Updated BISP data on poverty available and targeting guidelines developed, nothing is hindering the participation of any of the categories of persons				
	Total number of persons trained by the project		110000	320000								
	Total number of attendances to training sessions											
	Men trained in crop		82500	240000								
	Women trained in crop		27500	80000								
	Young people trained in crop		50000	160000								
	Total persons trained in crop		110000	320000								
	3.1.1 Groups supported to sustainably manage natural resources and climate-related risks											
	Total size of groups		55000	160000								
	Groups supported		200	400								
Output 1.3 Producer-Public-Private-Partnerships (4Ps) established	Males		40000	120000	MIS system, service providers' records	baseline, yearly and completion	PMU	Availability of farmers willing and interested in entering into 4Ps				
	Females		14000	40000								
	Young		25000	80000								
	Producers engaged in 4P collaborations											
	Males		3500	14000								
	Females		1500	6000								

Results Hierarchy	Indicators				Means of Verification	Frequency	Responsibility	Assumptions
	Name	Baseline	Mid-Term	End Target				
	total producers		5000	20000				
	Young		2500	20000				
	partnerships		5	20				
Output 1.4 Households provided with nutrition education	1.1.8 Households provided with targeted support to improve their nutrition				MIS system, service providers' records	baseline, yearly and completion	PMU	Nothing (security / customary laws) is hindering the participation of anyone (especially women) to attend the trainings. Trainings are scheduled in a time and location suitable for all beneficiaries. Persons trained do apply what communicated in the trainings. Value chains are nutrition sensitive
	Total persons participating		300000	700000				
	Males		85000	175000				
	Females		215000	525000				
	Households		300000	700000				
	Household members benefitted		1650000	3850000				
	Young		150000	300000				
Outcome 2. Improved capacity for obtaining jobs and engage in entrepreneurship	2.2.1 New jobs created				outcome surveys, MIS system, service providers' records, COI survey	baseline, mid-term and completion	PMU	Updated BISP data on poverty available and targeting guidelines available
	Job owner - men		30000	63000				
	New jobs		40000	85000				
	Job owner - women		10000	22000				
	Job owner - young		20000	45000				
Output 2.1 Vocational, technical and entrepreneurial skills trainings provided	2.1.2 Persons trained in income-generating activities or business management				MIS system, service providers' records	baseline, yearly and completion	PMU	all categories are interested and nothing is hindering their participation in the trainings
	Males		6000	12000				
	Females		9000	18000				
	Young		15000	30000				

Results Hierarchy	Indicators				Means of Verification	Frequency	Responsibility	Assumptions	
	Name	Baseline	Mid-Term	End Target					
	Persons trained in IGAs or BM (total)		30000	60000					
Output 2.2 Provision of start-up capital for establishing business and self-employment	Start up provided for self employment				MIS system, service providers' records	baseline, yearly and completion	PMU	Careful assessment of each households potential and endowments	
	Males		4000	8400					
	Females		6000	12600					
	Young		10000	21000					
	total number of persons		20000	42000					
Output 2.3 Support to individuals entering the job market for the first employment	persons receiving support				MIS system, service providers' records	baseline, yearly and completion	PMU	Careful assessment of each households potential and endowments	
	Males		7000	17500					
	Females		3000	7500					
	young		10000	25000					
	total persons		10000	25000					
Outcome 3. Capacity for policy dialogue/reform strengthened (Farmer Services Centre Act, cooperatives act, seed act amended)	Policy 3 Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment				policy documents, COI survey	baseline, mid-term and completion	PMU	Willingness of policy makers and other key stakeholders to provide enabling environment	
	Number		2	5					
Output 3.1 Policy development and reform supported	Policy 1 Policy-relevant knowledge products completed				MIS system	baseline, yearly and completion	PMU		
	Number		2	5					
	Policy 2 Functioning multi-stakeholder platforms supported				MIS system	baseline, yearly and completion	PMU		
	Number		0	1					

Pakistan

KP Rural Economic Transformation Project

Project Design Report

Annex 2: Theory of change

Mission Dates: 5 to 14 April 2021

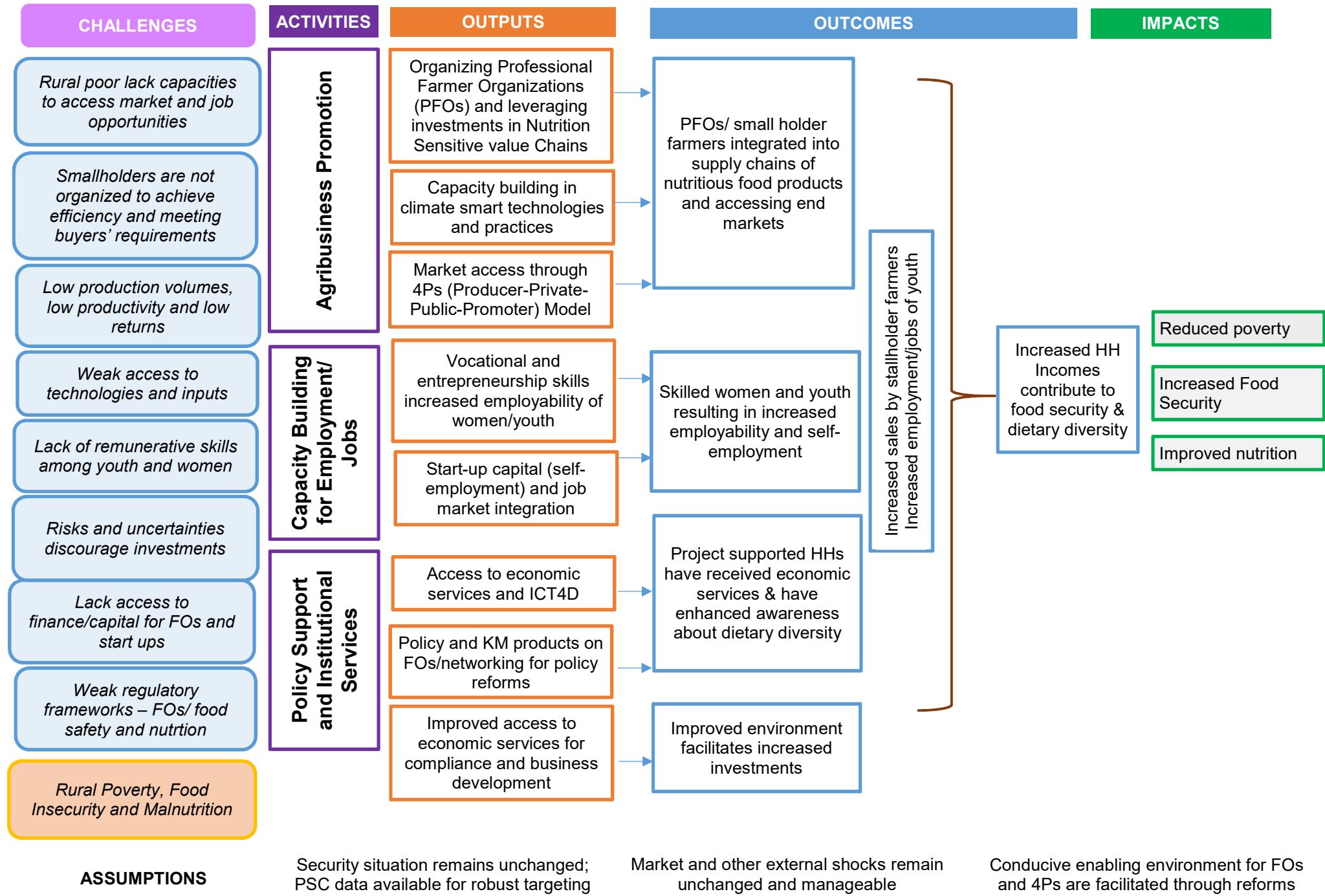
Document Date: 08/11/2021

Project No. 2000002333

Report No. 5791-PK

Asia and the Pacific Division
Programme Management Department

Annex 2: Theory of Change



Pakistan

KP Rural Economic Transformation Project

Project Design Report

Annex 3: Project cost and financing: Detailed costs tables

Mission Dates: 5 to 14 April 2021

Document Date: 08/11/2021

Project No. 2000002333

Report No. 5791-PK

Asia and the Pacific Division
Programme Management Department

Cost tables KP-REAP:

Components by Financiers	(PKR Million)				(US\$ Million)					
	IFAD	GoKP	Financing Gap	Beneficiary Contribution	Total	IFAD	GoKP	Financing Gap	Beneficiary Contribution	
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	
4. Institutional support services	492.2	197.0	11.1	-	700.3	3.13	1.25	0.07	-	4.46
5. Agribusiness mobilization partner(s)	292.4	123.1	97.5	-	513.0	1.87	0.79	0.62	-	3.29
Subtotal	8 469.8	320.1	1 614.2	5 865.3	16 269.4	54.38	2.04	10.37	37.72	104.51
B. Skills Development and Employment Promotion										
1. Vocational and entrepreneurship skills training	284.1	2 414.5	142.0	-	2 840.6	1.81	15.43	0.91	-	18.15
2. Start-up capital for self-employment	382.8	1 605.6	-	-	1 988.4	2.45	10.26	-	-	12.70
3. Job market integration/induction	1 891.2	1 442.0	212.8	1 182.0	4 727.9	12.09	9.22	1.36	7.56	30.23
4. Technical support services	326.4	195.8	130.6	-	652.8	2.08	1.25	0.83	-	4.17
5. Institutional strengthening	116.6	32.7	2.4	-	151.7	0.75	0.21	0.02	-	0.97
Subtotal	3 001.0	5 690.7	487.7	1 182.0	10 361.3	19.18	36.36	3.12	7.56	66.22
C. Project Management										
1. Technical assistance	11.7	14.7	2.3	-	28.7	0.07	0.09	0.01	-	0.18
2. Office establishment	152.1	41.8	-	-	193.9	0.99	0.27	-	-	1.26
3. Salaries and allowances	1 059.8	116.0	264.9	-	1 440.8	6.74	0.74	1.68	-	9.16
4. Operational cost	444.7	147.1	114.1	-	705.9	2.83	0.94	0.73	-	4.49
Subtotal	1 668.3	319.7	381.3	-	2 369.3	10.63	2.04	2.42	-	15.09
Total PROJECT COSTS	13 139.1	6 330.4	2 483.2	7 047.2	29 000.0	84.19	40.45	15.91	45.27	185.82

Expenditure Accounts by Financiers	(PKR Million)				(US\$ Million)					
	IFAD	GoKP	Financing Gap	Beneficiary Contribution	Total	IFAD	GoKP	Financing Gap	Beneficiary Contribution	
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	
I. Investment Costs										
A. Vehicles	138.2	37.9	-	-	176.1	0.90	0.25	-	-	1.14
B. Equipment and Materials	13.9	3.9	-	-	17.8	0.09	0.03	-	-	0.12
C. Technical Assistance, Trainings and Studies	3 414.5	4 419.9	598.6	1 182.0	9 615.0	21.82	28.24	3.83	7.56	61.45
D. Grants to Beneficiaries	8 068.0	1 605.6	1 505.6	5 865.3	17 044.5	51.81	10.26	9.68	37.72	109.47
Total Investment Costs	11 634.6	6 067.3	2 104.2	7 047.2	26 853.4	74.62	38.77	13.50	45.27	172.17
II. Recurrent Costs										
A. Salaries and Allowances	1 059.8	116.0	264.9	-	1 440.8	6.74	0.74	1.68	-	9.16
B. Operating Costs	444.7	147.1	114.1	-	705.9	2.83	0.94	0.73	-	4.49
Total Recurrent Costs	1 504.5	263.2	379.0	-	2 146.6	9.57	1.67	2.41	-	13.65
Total PROJECT COSTS	13 139.1	6 330.4	2 483.2	7 047.2	29 000.0	84.19	40.45	15.91	45.27	185.82

Islamic Republic of Pakistan Khyber Pakhtunkhwa - Rural Employment and Agribusiness Promotion Components Project Cost Summary							% Foreign Exchange	% Total Base Costs		
	(PKR Billion)			(US\$ Million)						
	Local	Foreign	Total	Local	Foreign	Total				
A. Agribusiness Development										
1. Professional farmers' organisations	8.1	-	8.1	52.7	-	52.7	-	29		
2. Public-private-producers partnerships (4Ps)	1.5	-	1.5	9.6	-	9.6	-	5		
3. Reorganising farm services centers	5.1	-	5.1	33.6	-	33.6	-	19		
4. Institutional support services	0.7	-	0.7	4.4	-	4.4	-	2		
5. Agribusiness mobilization partner(s)	0.5	-	0.5	3.4	-	3.4	-	2		
Subtotal	15.9	-	15.9	103.6	-	103.6	-	57		
B. Skills Development and Employment Promotion										
1. Vocational and entrepreneurship skills training	2.7	-	2.7	17.9	-	17.9	-	10		
2. Start-up capital for self-employment	1.9	-	1.9	12.5	-	12.5	-	7		
3. Job market integration/induction	4.6	-	4.6	29.8	-	29.8	-	17		
4. Technical support services	0.6	-	0.6	3.8	-	3.8	-	2		
5. Institutional strengthening	0.1	-	0.1	0.9	-	0.9	-	1		
Subtotal	9.9	-	9.9	64.9	-	64.9	-	36		
C. Project Management										
1. Technical assistance	0.0	-	0.0	0.2	-	0.2	-	-		
2. Office establishment	0.2	-	0.2	1.3	-	1.3	-	1		
3. Salaries and allowances	1.1	-	1.1	7.1	-	7.1	-	4		
4. Operational cost	0.5	-	0.5	3.5	-	3.5	-	2		
Subtotal	1.8	-	1.8	12.0	-	12.0	-	7		
Total BASELINE COSTS	27.6	-	27.6	180.5	-	180.5	-	100		
Physical Contingencies	0.0	-	0.0	0.0	-	0.0	-	-		
Price Contingencies	1.4	-	1.4	5.3	-	5.3	-	3		
Total PROJECT COSTS	29.0	-	29.0	185.8	-	185.8	-	103		

Islamic Republic of Pakistan Khyber Pakhtunkhwa - Rural Employment and Agribusiness Promotion Project Components by Year -- Totals Including Contingencies	Totals Including Contingencies (US\$ Million)							
	2022	2023	2024	2025	2026	2027	2028	Total
A. Agribusiness Development								
1. Professional farmers' organisations	9.6	14.5	9.7	9.8	9.8	-	-	53.3
2. Public-private-producers partnerships (4Ps)	1.9	1.9	1.9	2.0	2.0	-	-	9.7
3. Reorganising farm services centers	11.5	11.6	10.7	-	-	-	-	33.7
4. Institutional support services	0.6	0.6	0.6	0.6	0.6	0.6	0.6	4.5
5. Agribusiness mobilization partner(s)	0.7	0.7	0.7	0.7	0.6	-	-	3.3
Subtotal	24.3	29.3	23.6	13.0	13.1	0.6	0.6	104.5
B. Skills Development and Employment Promotion								
1. Vocational and entrepreneurship skills training	3.0	3.0	3.0	3.0	3.1	3.1	-	18.1
2. Start-up capital for self-employment	2.1	2.1	2.1	2.1	2.1	2.1	-	12.7
3. Job market integration/induction	1.2	7.2	7.2	7.3	7.3	-	-	30.2
4. Technical support services	0.6	0.7	0.7	0.7	0.7	0.8	-	4.2
5. Institutional strengthening	0.2	0.2	0.2	0.2	0.2	-	-	1.0
Subtotal	7.1	13.2	13.2	13.3	13.4	6.0	-	66.2
C. Project Management								
1. Technical assistance	0.1	-	0.0	0.0	0.0	0.0	0.1	0.2
2. Office establishment	1.3	-	-	-	-	-	-	1.3
3. Salaries and allowances	1.0	1.1	1.2	1.3	1.4	1.5	1.6	9.2
4. Operational cost	0.5	0.6	0.6	0.6	0.7	0.7	0.8	4.5
Subtotal	2.9	1.7	1.8	2.0	2.1	2.2	2.4	15.1
Total PROJECT COSTS	34.3	44.1	38.6	28.3	28.6	8.9	3.1	185.8

Islamic Republic of Pakistan Khyber Pakhtunkhwa - Rural Economic Transformation Project Expenditure Accounts by Years -- Totals Including Contingencies	Totals Including Contingencies (US\$ Million)							
	2022	2023	2024	2025	2026	2027	2028	Total
I. Investment Costs								
A. Vehicles	1.14	-	-	-	-	-	-	1.14
B. Equipment and Materials	0.12	-	-	-	-	-	-	0.12
C. Technical Assistance, Trainings and Studies	6.37	12.36	12.42	12.52	12.59	4.49	0.71	61.45
D. Grants to Beneficiaries	25.09	30.06	24.42	13.83	13.92	2.15	-	109.47
Total Investment Costs	32.72	42.42	36.84	26.35	26.51	6.64	0.71	172.17
II. Recurrent Costs								
A. Salaries and Allowances	1.05	1.13	1.21	1.30	1.39	1.49	1.60	9.16
B. Operating Costs	0.51	0.55	0.59	0.63	0.68	0.73	0.78	4.49
Total Recurrent Costs	1.56	1.68	1.80	1.93	2.07	2.22	2.39	13.65
Total PROJECT COSTS	34.28	44.09	38.63	28.28	28.58	8.86	3.10	185.82

Pakistan

KP Rural Economic Transformation Project Project Design Report

Annex 4: Economic and Financial Analysis

Mission Dates: 5 to 14 April 2021

Document Date: 08/11/2021

Project No. 2000002333

Report No. 5791-PK

Asia and the Pacific Division
Programme Management Department

ISLAMIC REPUBLIC OF PAKISTAN
KHYBER PAKHTUNKHWA – RURAL EMPLOYMENT AND AGRIBUSINESS
PROMOTION (REAP)

PROJECT DESIGN REPORT
ANNEX – 4: FINANCIAL AND EOCNOMIC ANALYSIS

TABLE OF CONTENTS

<u>TABLE OF CONTENTS</u>	<u>1</u>
<u>I. INTRODUCTION</u>	<u>1</u>
<u>II. THE PROJECT BENEFITS AND BENEFICIARIES</u>	<u>2</u>
A. PROJECT BENEFICIARIES	2
B. PROJECT BENEFITS	4
<u>III. FINANCIAL ANALYSIS</u>	<u>4</u>
A. THE FINANCIAL BENEFITS	4
B. THE FINANCIAL COST.....	5
C. KEY ASSUMPTIONS FOR FINANCIAL ANALYSIS.....	5
D. FINANCIAL ANALYSIS	5
<u>IV. ECONOMIC ANALYSIS.....</u>	<u>7</u>
A. METHODOLOGY AND APPROACH.....	7
B. THE ECONOMIC BENEFITS	7
C. THE ECONOMIC COST.....	7
D. KEY ASSUMPTIONS FOR ECONOMIC ANALYSIS	7
E. ECONOMIC ANALYSIS	7
<u>V. SENSITIVITY ANALYSIS.....</u>	<u>9</u>
<u>CONCLUSION.....</u>	<u>9</u>

I. INTRODUCTION

II.

1. The Khyber Pakhtunkhwa - Rural Employment and Agribusiness Promotion (KP-REAP) will be executed in entire province over a period of seven years. The overall goal of the project is to contribute to poverty reduction, food and nutrition security and strengthened resilience of rural households. The development objective is improved rural income through agribusiness and employment promotion in a sustainable and climate-resilient manner.
2. The intervention logic and theory of change is based on two mutually reinforcing pathways. The agribusiness development pathway will reorient the traditional agriculture to a market-driven industry which integrates smallholder farmers into commercially viable supply chains. The project assistance will facilitate operationalization of; (i) professional, profitable and sustainable farmers organizations responding to the market demand; (ii) 4Ps business model integrating small farmers into commercial supply chains; and, (iii) strengthening service delivery that improve market access (mainly inputs and technology). The aggregation of farmers will initiate policy advocacy for creating a favourable policy and regulatory environment. The skills for employment and entrepreneurship pathway – poorer households (PSC 0-34), and especially women and youth who do not have access to land, will be economically integrated in job market and rural economic activities through skills, start up capital and job placement support. This combination allow them to; (i) access a decent and remunerative employment; (ii) to develop, alone or in association, own business; or, (iii) integrate into job market through an apprenticeship programme. The youth / women trained will be able to get jobs and income opportunities created through Component 1. Nutrition and food security pathway. The project's investments will be nutrition-sensitive. Commodities/crops and its related products that have high nutritional value will be prioritized. Smallholder farmers, skilled persons and entrepreneurs assisted under the KP-REAP will facilitate recognizing the nutrition issue and will include awareness and activities directly linked to nutrition for the benefit of the entire HHs and in particular for the children and youth.
3. The KP-REAP will sustainably increase income of small farmers, landless and women, which in turn will improve their livelihood and dietary diversity/nutrition. Recognizing that improved productivity and incomes do not automatically lead to better nutrition outcomes, the project will pursue behaviour change, awareness/education campaigns primarily through farmer's organisations and revision/extension in training curricula.
4. KP-REAP will be implemented in all 35 districts of KP province and will target: (i) smallholder farmers actively engaged in agriculture; (ii) households falling in 0-34 PSC; (iii) households experiencing food insecurity and malnourishment; and (iv) rural women and youth.
5. The Economic and Financial Analysis (EFA) takes into account benefits from the two project components; (i) agribusiness development; and, (ii) employment and jobs promotion. The incremental financial returns for all the sub-components have been worked out keeping in view the initial situation vis-a-vis projected benefits resulting from the project interventions. The financial modelling covers a period of 20 years. The economic analysis takes into account investments and recurrent costs of the proposed project against the incremental economic benefits over a period of 20 years. The economic values of cost and corresponding benefits of the project have been used in the economic analysis.
6. The analysis takes into account increased households' income resulting from project interventions. Increased income will in turn result in more disposable income thus contributing to improved food security and dietary diversity among targeted households. The data regarding derivation of benefits for the analysis was mainly taken from the secondary sources

updated with current prices and productivity levels. Standard conversion factor (SCF)¹, for outputs and inputs have been worked out using data between 2015 and 2019.

7. The target group of KP-REAP is characterised by features such as small land holding/subsistence or semi-commercial farming, landless/unskilled wage workers and unemployed youth. The project subcomponent will facilitate in the economic transformation of these households.

III. THE PROJECT BENEFITS AND BENEFICIARIES

8. The project interventions strategy targets small farmers, landless youth and women offering an integrated package of intervention, which shall catalyze investment and job creation. The interventions will directly increase income potential of the small farmers and poor households creating multiple pathways out of poverty. The component 2 supports employment and will facilitate entrepreneurship through provision of skills and start up capital.

A. Project Beneficiaries

9. The KP-REAP target groups will fall under the category smallholders (as per the definition of the Government <12.5 acres or 5 ha) and landless households (HH). Among these, the KP-REAP targeting will prioritise HH with PSC 0 – 34 range. Women and youth will be particularly targeted with specific interventions aiming at economic empowerment. The target groups (small farmers, youth and gender target groups) will be pre-identified through the implementing partners. Youth and nutrition will be mainstreamed with a focus on women as secondary targeting criteria. The target groups (small farmers, youth, and women) will be pre-identified. Local organizations and in particular the village councils / community organizations, combined with the decentralized PMU team will check and

10. Summary of the target beneficiaries of is given in Table 1.

¹ The calculation of the Standard Conversion Factor (SCF) and conversion factors for output and inputs are given in Annex I, II and III.

Table 1: Household Beneficiaries of the KP-REAP

Components	Beneficiaries Per Intervention	Year-1	Year-2	Year-3	Year-4	Year-5	Year-6	Year-7	Total Targets	Total Beneficiaries	Affective Beneficairies	Adoption Rate
Agribusiness Development												
Professional Farmer Organisations	400	100	150	100	100	100			550	220 000		
Adjusted (adoption rate)		70	105	70	70	70				-	154 000	70%
4Ps	2 000	4	4	4	4	4			20	40 000		
Adjusted (adoption rate)		3	3	3	3	3					28 000	70%
Farm Services Centers	20 000	7	7	7	7	7			35	700 000		
Adjusted (adoption rate)		5	5	5	5	5	-				455 000	65%
Employment and Jobs Promotion												
Training for Job Market	1	3 000	3 000	3 000	3 000	3 000			18 000	18 000		
Adjusted (adoption rate)		1 800	1 800	1 800	1 800	1 800				-	10 800	60%
Self-Employment	1	7 000	7 000	7 000	7 000	7 000			42 000	42 000		
Adjusted (adoption rate)		4 900	4 900	4 900	4 900	4 900				-	29 400	70%
Job Placement	1	1 000	6 000	6 000	6 000	6 000			25 000	25 000		
Adjusted (adoption rate)		800	4 800	4 800	4 800	4 800					20 000	80%
Total Persons Benefited /b							-			1 045 000	697 200	
Total Households Benefited										522 500	348 600	69%

/b An estimated 50% of the beneficiary will be from common households.

B. Project Benefits

11. The income models have been worked out at the household and individual beneficiary level. In the case of the farming, cropping pattern (2 crops) model from a range of crops is the most prevalent farming system in the province. Livestock is an integral part of the farming system – with 90% farm household owing livestock. The project benefits are summarised below;

12. **The agribusiness development component** will increase income of small farmers and shall create value through a model at the aggregate level and farmer level.

13. **Professional Farmer Organisations (PFOs).** The benefit model is at the farming system level consolidated at the farmer organisation level. For the “subsistence and vegetable” farmers: an improvement logic, where the combined profitability of an existing production of wheat (as first crop) and vegetable (as second crop) is improved mainly through improved access to input and improved practices. The business development model will also include a replacement scheme, where, in addition to the improved profitability, the traditional cropping pattern is diversified to include high value crops (fruit, vegetables, floriculture etc.). In the model (which will vary widely from region to region) the share of crops will change and consequently, the share of high value crops will increase.

14. **Public-Private-Producers Partnership (4Ps).** The business model will integrate small farmers in its supply chains. The project investment will be in the business model which increase capacity of small farmer to comply produce requirements. The participating farmers will realise increased production and increased price while transaction costs will be reduced.

15. Small farmers participating in PFOs and 4Ps will have access to improved inputs and services through farm services centers which will contribute to reduced cost of inputs and increased productivity.

16. **Employment and jobs component.** This project component fosters skills development for job market readiness, facilitating first job entry/induction and start up capital for entrepreneurship.

17. **Vocational and entrepreneurship skills training.** The skills will enable increase in remuneration and increased work opportunity while skills and start up capital will facilitate self-employment. Generally the wage rates differ between skilled and semi-skilled workers is 30-40% higher. The first job placement will enable youth to start a career.

IV. FINANCIAL ANALYSIS In view of the diversity and to estimate the benefit from all different interventions, the incremental financial benefits of each component were worked out separately and aggregated at the project level. The phasing of the benefits and distribution of different categories of the beneficiaries is given in Table 1. In order to calculate the incremental benefits, the “Without Project (WOP)” scenario (which is income stream during the base year) is compared with the “With Project (WP)” scenario (the income streams during the project year-1 and afterwards).

A. The Financial Benefits

19. Current market prices are used in the business models for financial analysis. The income after the project intervention of small farmers is estimated to be Rs. 379 000 (US\$2500) on an annual basis, around 3-15% higher over the baseline. It has been estimated that 4Ps will enable increase to Rs. 124,000 (US\$818) per small farmer 18-24% up from baseline. Additional income from farm services centers is estimated is Rs. 8 000 (US\$50) per annum. Investment in vocational and entrepreneurship training help the beneficiaries enhance income and wage return. Annual increase is estimated at Rs. 237 000 (US\$1 550) per year.

B. The Financial Cost

20. The project cost is estimated at USD185.82 million (PKR. 29 billion) with IFAD loan financing of USD100.1 million (54%, USD40.44 million (22%) leveraged by Government of KP and USD45.27 million (24%) contributed by private sector/beneficiaries. The project investment is organized in the three project components, i.e. (i) agribusiness development (USD104.5 million); (ii) capacity building for employment/jobs (USD66.2 million) and (iii) project management and policy support (USD15.1 million). Financing for youth represent USD92.9 million (50% of total project cost) while investment in women is estimated at USD46.5 million (25%).

C. Key Assumptions for Financial Analysis

21. Following are the key assumptions used in the financial analysis of the Project;
22. **Financial Income:** The financial income are based on the average budgets prepared taking into account the market prices and the current productivity/revenue levels. The income for the trained human resources is worked out on the model of a self-employed skilled worker and an employed skilled person. In the context of the without project, situation the current daily wage for an unskilled person is taken as the average rate prevailing in the project area.

- **Effective Rates:** The average effective rate vary among different activities as given below:

Components	PFOs	4Ps	FSC	Skills-Employment	Self-Employment	Job Placement
Success Rates	70%	70%	65%	60%	70%	80%

- **Opportunity Cost of Capital:** The opportunity cost of capital used in the financial analysis is 11.17%².

D. Financial Analysis

23. The KP-KP-REAP investment is viable as evident from its overall Financial Internal Rate of Return (FIRR) of 22.3%. The Net Present Value (NPV) of the proposed project over 20 years' period is noted to be USD119.2 million. The discounted benefit cost (B:C) ratio is noted to be 1.56.

24. NPV higher than zero means that the investment is viable. The FIRR and the NPV based on financial prices of the project is given in Table 2.

² Interest Rate in Pakistan averaged 11.55 percent from 2015 until 2019 (Source: www.tradingeconomies.com/ State Bank of Pakistan

Table 2: Financial Analysis of the KP-REAP

F I N A N C I A L A N A L Y S I S	Project Years	Agribusiness Development			Employment and Jobs Promotion		Total Project Benefit (in million USD)
		PFOs	4Ps	FSC	Skills for Job	Skills for Self-Employment	
	PY1	(11.06)	(2.2)	(13.3)	(1.1)	(5.2)	(34.30)
	PY2	(14.35)	(2.2)	(11.1)	(0.8)	(3.1)	(39.57)
	PY3	(7.27)	(2.1)	(8.9)	(0.6)	(1.7)	(28.30)
	PY4	(5.02)	(1.5)	4.6	(0.4)	(0.3)	(9.95)
	PY5	(0.28)	(0.2)	6.4	(0.2)	1.2	0.89
	PY6	17.46	4.2	8.3	(0.4)	0.8	34.54
	PY7	17.13	4.0	7.8	1.1	8.4	44.11
	PY8	18.10	4.2	8.3	1.2	9.1	47.64
	PY9	18.10	4.2	8.3	1.2	9.1	49.14
	PY10	18.10	4.2	8.3	1.2	9.1	50.72
	PY11	18.10	4.2	8.3	1.2	9.1	52.37
	PY12	18.10	4.2	8.3	1.2	9.1	54.03
	PY13	18.10	4.2	8.3	1.2	9.1	55.30
	PY14	18.10	4.2	8.3	1.2	9.1	56.18
	PY15	18.10	4.2	8.3	1.2	9.1	56.62
	PY16	18.10	4.2	8.3	1.2	9.1	56.62
	PY17	18.10	4.2	8.3	1.2	9.1	56.62
	PY18	18.10	4.2	8.3	1.2	9.1	56.62
	PY19	18.10	4.2	8.3	1.2	9.1	56.62
	PY20	18.10	4.2	8.3	1.2	9.1	56.62
NPV (USD)		44.84	11.07	14.02	1.67	25.68	21.89
FIRR (@11.17%)		24.02%	26.08%	17.25%	17.13%	29.55%	20.08%
							22.3%

V. ECONOMIC ANALYSIS

A. Methodology and Approach

25. The economic analysis of the proposed project was worked out taking into account the economic cost of the proposed project and the resultant economic benefits to the target beneficiary households. The economic cost were worked out by converting the financial value using the standard conversion factor whereas economic value of benefits have been worked out using conversion factors of outputs and inputs. The standard conversion factor used in the economic analysis was derived to be 0.874 while the conversion factors for output and inputs were noted to be 1.10 and 0.95 respectively.

26. The economic analyses takes into account the total economic investment and economic recurrent cost of the project during the project period i.e. incurred between 2022 and 2042. Price contingencies and taxes are excluded from the economic analysis. For the capital items, no residual values have been considered in the economic analysis.

B. The Economic Benefits

27. The economic benefits are the same categories as that of the financial benefit but at an economic rates. The aggregation is carried out for all the project components taking into account the incremental economic benefits of the six major interventions. The recurring cost in the post project period is assumed to be 70% of the average of the economic cost of project management. The recurring costs are assumed to be primarily on account of public sector assistance, farmer organisations, households' financial liabilities on account of operation and maintenance under self-employment and agribusiness enterprises. These are essential for the continuation of the benefits. It is further assumed that the benefits stream will be at 75% of the potential benefits estimated owing mainly to reduced efficiency.

C. The Economic Cost

28. The total economic cost of the project is estimated at USD149.63 million.

D. Key Assumptions for Economic Analysis

29. Following are the key assumption used in the economic analysis.

30. **Economic benefits:** The economic value have been worked out by converting the financial value using a conversion factors for all the interventions.

- **Economic discount rate:** The shadow discount rate used for the economic analysis is 9.76%.

E. Economic Analysis

31. The overall economic internal rate of return (EIRR) of the project is estimated at 26.7%. The economic net present value (NPV) of the project net benefit stream, discounted at 9.76%, was calculated to be USD118.0 million while benefit-cost ratio is noted to be 1.34.

Table 3: Economic Analysis of the KP-REAP

Project Years	PFOs	NET INCREMENTAL BENEFITS					TOTAL INCREMENTAL BENEFITS	Economic Investment Cost	NET INCREMENTAL COSTS		Cash Flow (million USD)
		4Ps	FFS	Skills - Employment	Skills - Self-Emp	Job Placement			Economic recurrent Costs (million USD)	Total Incremental Costs	
PY1	-	-	-	-	-	-	-	24.82	1.459	26.279	26.3
PY2	1.41	- 0.16	1.65	0.19	1.73	0.03	4.84	33.93	1.459	35.388	30.5
PY3	6.18	0.09	3.22	0.39	3.46	0.27	13.60	29.03	1.434	30.464	16.9
PY4	11.19	0.91	4.94	0.58	5.18	1.02	23.81	20.10	1.434	21.532	2.3
PY5	18.06	2.35	6.84	0.78	6.91	2.07	37.00	20.09	1.429	21.523	15.5
PY6	26.85	4.49	8.92	0.97	8.64	3.44	53.31	4.29	0.997	5.289	48.0
PY7	26.85	4.49	8.92	1.16	10.37	5.00	56.79	0.00	0.403	0.403	56.4
PY8	13.16	2.20	4.37	0.57	5.08	3.11	28.49	0.00	0.862	0.862	27.6
PY9	13.16	2.20	4.37	0.57	5.08	3.81	29.19	0.00	0.862	0.862	28.3
PY10	13.16	2.20	4.37	0.57	5.08	4.55	29.92	0.00	0.862	0.862	29.1
PY11	13.16	2.20	4.37	0.57	5.08	5.28	30.66	0.00	0.862	0.862	29.8
PY12	13.16	2.20	4.37	0.57	5.08	5.85	31.22	0.00	0.862	0.862	30.4
PY13	13.16	2.20	4.37	0.57	5.08	6.23	31.61	0.00	0.862	0.862	30.7
PY14	13.16	2.20	4.37	0.57	5.08	6.43	31.81	0.00	0.862	0.862	30.9
PY15	13.16	2.20	4.37	0.57	5.08	6.43	31.81	0.00	0.862	0.862	30.9
PY16	13.16	2.20	4.37	0.57	5.08	6.43	31.81	0.00	0.862	0.862	30.9
PY17	13.16	2.20	4.37	0.57	5.08	6.43	31.81	0.00	0.862	0.862	30.9
PY18	13.16	2.20	4.37	0.57	5.08	6.43	31.81	0.00	0.862	0.862	30.9
PY19	13.16	2.20	4.37	0.57	5.08	6.43	31.81	0.00	0.862	0.862	30.9
PY20	13.16	2.20	4.37	0.57	5.08	6.43	31.81	0.00	0.862	0.862	30.9

NPV @9.76%	USD 118.0
EIRR @9.76%	26.7%

VI. SENSITIVITY ANALYSIS

32. The PDR identifies two major risks i.e. (i) security; and, (ii) financial management capacity. In addition climate-risks may also have impact. These risks may cause underperformance with regards to achievement of full scale benefits, delay in realization of benefits and reduced effectiveness. Under various risk scenarios, the analysis reveals acceptable values of both NPV and EIRR, and thus the proposed investment is feasible under these adverse scenarios with the project viability more sensitive to extended time lag.

Table 4: Sensitivity Analysis of the KP-REAP

Scenarios	$\Delta\%$	Link with the risk matrix	IRR	NPV (USD M)
Normal Scenario	Normal	No Adverse Risks	26.7%	118.0
Project benefits	-10%	Poor Security Situation affecting project benefits adversely	23.6%	95.1
Project benefits	-20%		20.5%	72.1
Project costs	10%		23.9%	106.9
Project costs	20%	Weak financial capacity result in cost overrun and delayed implementation	21.5%	95.7
Time lag in benefits (Year)	1		16.1%	49.9
Time lag in benefits (Year)	2		21.1%	93.1
Success Rates	-10%	Climate risk affecting success rate of the agriculture related activities	23.6%	95.1
Success Rates	-20%		22.8%	93.7

33. Switching values are given in the following table;

Discount Rates	Cost	Benefits	NPV	B/C R	NPW
10.00%	110.43	224.6	114.2	2.03	1.03
14.00%	99.35	164.6	65.2	1.66	0.66
18.00%	90.15	124.7	34.5	1.38	0.38
20.00%	86.11	109.7	23.6	1.27	0.27
22.00%	82.38	97.1	14.7	1.18	0.18
26.67%	74.71	74.70	(0.0)	1.00	0.00

CONCLUSION

34. Summary of the financial and economic analysis is reproduced in the following table;

Table 5: Financial Analysis of the KP-REAP

Detail	Internal Rate of Return (%)	Net Present Value (Million USD)
Financial	23.4%	119
Economic	27.0%	118

35. The project investment is feasible on account of financial and economic benefits envisaged and remains viable under different risks anticipated (as evident from the sensitivity analysis). Based on the financial and economic analysis, the proposed project is recommended for consideration.

Appendix I: Standard Conversion Factor

									(Rupees million)
Year	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	Average
Total Imports (CIF) (I)	4 009 093	4 489 112	4 630 521	4 644 152	4 658 749	5 539 720	6 694 897	7 885 941	5 884 692
Total Exports (FOB) (E)	2 110 606	2 484 099	2 583 463	2 397 513	2 166 846	2 138 186	2 555 043	3 229 420	2 497 402
Taxes on Imports (Itax)	216 898	239 459	240 998	306 220	406 180	496 772	608 324	724 977	508 495
Sales tax on Imports (Ist)	430 403	429 831	495 330	553 028	683 518	637 068	769 913	906 883	710 082
Subsidies on Imports (Isup)	97 450	97 450							
Taxes on Exports (Etax)	5 291	3 966	6 200	5 754	5 200	5 132	6 132	7 751	5 994
Subsidies on Exports (Esup)									
SCF	0.918	0.925	0.908	0.892	0.863	0.872	0.871	0.873	0.874

NOTES:

Federal Bureau of Statistics, Monthly Statistical Bulletin, Table 10.10 Imports excluded reimports

Federal Bureau of Statistics, Monthly Statistical Bulletin, Table 10.1 Exports excluded re-exports

Federal Bureau of Statistics, Monthly Statistical Bulletin, Table 8.1 Custom Revenue Receipts, Total import duty

Federal Bureau of Statistics, Monthly Statistical Bulletin, Table 2.4 Expenditure on gross national income

Federal Bureau of Statistics, Monthly Statistical Bulletin, Table 8.1: Iqra surcharges, Export duty and 0.25% Export Development Charges

Federal Bureau of Statistics, Monthly Statistical Bulletin, Table 6.1: Iqra surcharges, Refunds and Rebates

Federal Bureau of Statistics, External Trade Statistics, Table 14.4 Exports by Economic category

Federal Bureau of Statistics, External Trade Statistics, Table 14.5 Imports by Economic category

Federal Board of Revenue, Year Book 2011-12, Table 10: Collection of Sales Tax

Federal Board of Revenue, Year Book 2013-14, Table 10: Collection of Sales Tax

Federal Board of Revenue, Year Book 2015-16, Table 8: Collection of Sales Tax

Federal Board of Revenue, Year Book 2011-12, Table 12: Details of Collection of Customs Duties

Federal Board of Revenue, Year Book 2015-16, Table 11: Details of Collection of Customs Duties

Federal Board of Revenue, Year Book 2015-16, Table 3: A Comparison of Collection 2015-16 Vis-a-Vis Target FY 2015-16

Federal Board of Revenue, Year Book 2013-14, Table 10: Details of Collection of Customs Duties

Federal Board of Revenue, Year Book 2011-12, Table 13: Month-wise Collection of FED

Federal Board of Revenue, Year Book 2012-13, Table 10: FED Collection of Major Revenue Spinners

Federal Board of Revenue, Year Book 2014-15, Table 11: FED Collection from Major Commodities FY: 14-15 and FY: 13-14

Appendix II: Standard Conversion Factor for Outputs

Parity Price Basis (1)	Wheat	Milk	Vegetables
	(I)	(E)	(E)
Projected Price in Current Dollars \$/mt (2)	247	417	429
Factor	1	1	1
Quality Adjustment Factor	1	1	1
World Market Equivalent \$/mt	247	417	429
Transport and Insurance	20	45	10
cif, Karachi	267	462	439
Exchange Rate Rs/US\$	105	105	105
cif, Karachi (Rs/t)	28 053	48 502	46 050
Clearance & Port charges	1 200	1 200	1 500
Storage and handling	3 000	2 000	1 500
Value at Karachi market	32 253	45 302	43 050
Transport to/from Project Area	9 000	12 000	12 000
Processed Value	41 253	57 302	55 050
Processing Ratio %	1	0	1
Processing/Packaging Cost	1 031	1 000	3 000
Wholesale Value	43 126	56 302	51 500
Local agents' commission/margins	4 000	1 000	3 000
Value at farmgate (Ton)	47 126	55 302	48 500
Economic Value at farmgate (Rs/1000 Litres/Kg)	47 126	331 812	48 500
Local farmgate price (Rs/1000Liters/Kg)	40 000	60 000	40 000
Financial Price per Kg/Litres	40	60	40
Economic Price per Kg	47	55	48
Ratio of border to local farmgate price	1.2	0.9	1.21
(1) Parity : [I] Import, [E] Export			
(2) World Bank Commodity Prices (for 2016)			1.10

Appendix III: Standard Conversion Factors

Parity Price Basis ⁽¹⁾	Urea	DAP/Notrophos	SSP
	(I)	(I)	(I)
Projected Price in Current Dollars \$/mt ⁽²⁾	212	368	309
Factor	1	1	1
Quality Adjustment Factor	1	1	1
World Market Equivalent \$/mt	212	368	309
Transport and Insurance	43	58	55
cif, Karachi	214	370	311
Exchange Rate Rs/US\$	105	105	105
cif, Karachi (Rs/t)	22 477	38 803	32 675
Port charges	1 000	1 000	1 000
Storage and handling	1 500	1 500	1 500
Value at Karachi market	24 977	41 303	35 175
Transport to Project Area	8 000	8 000	8 000
Value at Project area	32 977	49 303	43 175
Wholesale Value	32 977	49 303	43 175
Local agents' commission/margins	660	986	864
Value at farmgate	33 637	50 289	44 039
Economic Value at farmgate (Rs/50kg Bag)	1 682	2 514	2 202
Local farmgate price (Rs/50kg Bag)	1 700	2 000	3 600
Ratio of border to local farmgate price	0.99	1.26	0.61
Financial Price per Kg	34	40	72
Economic Price per Kg	34	50	44
(1) Parity : [I] Import [E] Export			
(2) World Bank Commodity Prices for 2016		SCF - Fertilizer	0.95

Pakistan

KP Rural Economic Transformation Project

Project Design Report

Annex 5: Social Environment and Climate Assessment (SECAP) Review Note

Mission Dates: 5 to 14 April 2021

Document Date: 08/11/2021

Project No. 2000002333

Report No. 5791-PK

Asia and the Pacific Division
Programme Management Department

Khyber Pakhtunkhwa-Rural Economic Transformation Project (KP-RETP)

Social, Environmental and Climate Assessment Procedures (SECAP)

A. Summary

1. The KP Rural Economic Transformation Project (KP-RETP) is a category "B" project (see screening checklist at Appendix-1), whereas the Environmental and Social Management Plan (ESMP) is provided at Appendix-3. The SECAP exercise of the project has been conducted based on the available literature review and field visits. The justification for the preliminary environmental/social category and climate risk classification is articulated and substantiated with appropriate analysis. The review has been prepared using the latest IFAD guidelines and aims to highlight issues on Natural Resources Management (NRM) and gender, potential social and environmental impacts and risks so as to improve and mitigate environmental concerns, monitoring aspects and justification of the project environmental and social as well as climate risk categories assigned. The ESMF will be used by KP-RETP in order to ensure that all environmental and social safeguards are adequately addressed and that where required, relevant capacity building and training needs are established for effective implementation of the project.

B. Background - Major landscape characteristics (social, health, environmental and climate change)

2. Pakistan is a lower-middle income country with a per capita income of US\$ 1,641¹ and an estimated GDP of USD 314 billion. The services sector (61 per cent) is the largest contributor to the economy, followed by industry (20 per cent) and agriculture (19 per cent). The latter absorbs 42 percent of labour force, generates important source of foreign exchange earnings and stimulates growth in other sectors.
3. Pakistan is the sixth most populous country in the world with a population of 207 million (2017 census) and expected to reach 280 million by 2030. Currently, 64 percent of the population is below the age of 30. Gender and rural-urban divide figures are given in Table 1. Males make about 51 percent of the total population while females population is around 49 percent. More than 63 percent people live in rural areas.

Table 1. Population of Pakistan with details of male-female and rural-urban divide as per 2017 census.

Unit	Total population (million)					
	Total of Pakistan		Male		Female	
	No.	Percent of total	No.	Percent of total	No.	Percent of total
Pakistan	207.77		106.45	51.23	101.31	48.76
Rural	132.19	63.62	67.30	32.39	64.89	31.23
Urban	75.58	36.38	39.15	18.84	36.43	17.53

4. **Literacy in Pakistan.** The overall literacy rate improved from 58 percent in 2015-16 to 60 percent in 2018-19 where overall male and female literacy rate was 71 and 49 percent, respectively. Urban literacy rate has reached 74 percent as compared to

¹ Economic Indicators 2019/2020, Ministry of Finance, Government of Pakistan

the rural areas rate of 51 percent. Rural male population was 65 percent literate while urban males were 80 percent in 2018-19. Rural women literacy rate was 38 percent which was much lower than 67 percent of men (Economic survey of Pakistan 2018-19).

5. **Poverty in Pakistan.** Pakistan assesses poverty using CBN and MPI approaches. CBN poverty headcount was at 24.3% in 2015-16. While MPI based headcount was estimated at 38.8% during the same period. According to MPI corresponding poverty head count is 81.352 million. Since 2018, poverty is likely to have increased by about 10 million persons due to economic challenges and more recently owing to COVID-19 pandemic² and desert locust swarm. A 2008 nationwide poverty survey, being updated since 2017, established a national well-being registry, ranking HHs on a scale from 0 to 100 (Poverty Score Card). Using the GoP's definition, the corresponding IFAD target groups in Pakistan falls within the poverty score card of 0 to 40.
6. **Women:** Women in Pakistan are considered a socially excluded group and are deprived in terms of access to basic social services and livelihood opportunities. The 2020 Global Gender Gap Index report of 2020 ranked Pakistan 151 out of the total 153 countries. This translates into a low labour force participation rate for women which stands at 13% compared to 76% for men at national level. Similarly, the employment to population ratio for females aged 15-24 years is a paltry 9.3%. The share of agriculture in total employment is 73% for women and 25% for men but very often women are not compensated properly for this work which is done in family farms.
7. **Youth:** About 64 percent of Pakistan population is below the age of 30 while 29 percent ages between 15 and 29 years which makes it one of the youngest country in the world and second in south Asia after Afghanistan. Regarding literacy, 29 percent young people are illiterate and only 6 percent have more than 12 years of education. While, 39 percent are employed (32 of them males and 7 females), 57 of 100 youth (16 males and 41 females) are neither working nor seeking jobs, and only 4 percent are unemployed and actively looking for work (<http://hdr.undp.org/en/content/unleashing-potential-young-pakistan#>).

C. The Khyber Pakhtunkhwa Province

8. The Khyber Pakhtunkhwa Province is the third largest province of Pakistan with a land mass of 101,741 km² and population of 35.35 million (4.4 million HHs) of which 81% is rural. The province is administratively divided into 7 divisions and 35 districts including 7 newly merged districts (NMDs).
9. **Economy:** The KP provincial economy is dominated by services (67% of provincial GDP) followed by manufacture (17%) and agriculture (14%)^[4]. Despite the declining share of agriculture GDP, the sector employs 32% of labour force and provide direct and indirect livelihood to 80% of the rural population. Small farmers which constitute 95 percent of the total, mostly undertaking subsistence farming and follow mixed farming system consisting of agriculture and livestock and supplementary income through off farm Labour. The total cultivated area of the province is 1.8 million ha of which half is rain-fed. Because of its unique agro-climatic conditions, the province has enormous growth potential in the development of high value crops such as orchards, vegetables and floriculture, as well as the development of livestock/dairy sector.
10. With the exception of the central valley, both northern as well as southern regions of KP have fewer resources and opportunities for its people to live on and, therefore, many people have to search for job elsewhere including overseas. Many people have been looking for jobs in major cities of Pakistan like Karachi, Lahore, Islamabad, Rawalpindi, Faisalabad, Multan, Hyderabad and many others while many opt for Saudi Arabia, UAE and other Middle Eastern countries. KP has the third highest population in the country but produces the second highest number of Pakistani migrants (26

² Pakistan Economic Survey 2019-20, Ministry of Finance, Pakistan

percent) due to lack of local opportunities (Government of Pakistan, 2018). Over the past 20 years, natural disasters, especially floods, earthquakes and violent conflicts in KP and NMDs led to the internal displacement of millions of individuals in Pakistan (IOM, 2017). Since 2009, 5.2 million people were displaced due to conflicts; in 2010 floods affected 20 million individuals and the 2005 earthquake left 3.5 million people homeless (Sayeed, & Shah 2017) (<https://migration.iom.int/sites/default/files/public/reports/Pakistan%20Migration%20Snapshot%20Final.pdf>).

11. **Population of KP.** Of the total population of 35.35 million, about 50.67 percent people are male and 49.32 percent are female while a small fraction is transgender in KP. Merged areas had more male population than KP in 2017. Around 51.11 percent were males and 48.89 percent were females in merged areas. The urban division between male and female population in merged areas is more pronounced than KP. About 5 percent more males than women are living in cities of merged districts (Table 2).

Table 2. Population of KP, merged areas and combined based on 2017 census.

Unit	Total population (million)				Percent population		
	Male	Female	Transgender	Total	Male	Female	Total
Khyber Pakhtunkhwa	15.468	15.055	0.000913	30.523	50.675	49.322	
Rural	12.495	12.298	0.000223	24.794	50.397	49.602	81.229
Urban	2.972	2.757	0.00069	5.730	51.877	48.111	18.771
Merged areas	2.556	2.445	0.000027	5.002	51.109	48.891	
Rural	2.482	2.378	0.000027	4.860	51.069	48.930	97.163
Urban	0.074	0.067	0	0.142	52.469	47.531	2.837
Grand total (KP + merged areas)	18.024	17.500	0.0015	35.524	50.736	49.261	
Rural	14.977	14.676	0.0004	29.654	50.507	49.492	83.472
Urban	3.047	2.824	0.001	5.872	51.891	48.097	16.528

12. **Education and literacy.** The Pakistan Social and Living Standard Measurement Survey (PSLM) 2019-20 shows that 56 percent children in KP excluding merged areas and 54 percent including merged areas attended school while literacy rate was 55 and 53 percent with and without merged areas, respectively. According to the survey, overall youth, aging between 15 and 24 years, literacy rate was 67 percent, out of which 81 percent was in urban areas and 65 percent in rural. Male and female literacy rate was 85 and 49 percent, respectively.

13. **Enrolment and dropouts and out of school children.** About 64 percent children are enrolled in KP (excluding NMDs), out of which 35 percent dropout at primary level

comprising of 25 percent boys and 46 percent girls. The enrolment rate is almost the same, i.e., 64.4 percent in NMDs but, the dropout rate is quite high (69 percent) with boys being at 67 percent and girls at 72 percent. About 25 million children are out of school in Pakistan; girls constitute 53 percent and boys 47 percent of the total. There are vast regional disparities in providing equal opportunities of schooling for girls, with greatest disparity in NMDs and KP. About 52 percent girls in KP are out of school compared to 21 percent boys, showing gender disparity against girls in enrolment (Source: Pakistan District Education Rankings 2016).

14. Poverty in KP. Multidimensional poverty (health, education and standard of living) in the province is 49% against the national average of 39%³. Rural poverty is nearly 58%. The number of HH categorised as extremely and chronically poor (BISP PSC⁴ 0-16.7), in the province, is estimated at 1.6 million⁵. The multidimensional poverty in NMDs is close to 74%. Because of the federally administered semiautonomous nature and the proxy system of governance till 2018, NMDs were not entitled to a formula-based federal fiscal allocation and generally remained outside the scope of political, economic and social development of the country. Rural poverty in the province is found to be strongly correlated with lack of productive asset, access to markets and services is limited, insufficient private sector participation and services, lack of off and non-farm income opportunities and unemployment particularly among the youth; and; increased vulnerability of people and assets to climate induced disasters. Like the rest of the country, poverty had also been declining in KP since 2010 but the trend has been reversed recently. The Household Integrated Economic Survey (HIES) of 2018-19 showed that poverty had increased in KP where 36 percent population was poor in 2018-19 as compared to 27 percent in 2015-16. The incidence is higher in urban than rural areas. Poverty has increased by about 11 points in cities as compared to 8.5 points in villages and small towns (Table 3). Similarly, overall vulnerability to poverty has also increased from 54 percent in 2015-16 to 59 percent in 2018-19 in KP. Again, vulnerability to poverty is also higher in urban areas than urban.

Table 3. Comparison of Incidence of and vulnerability to poverty in KP in 2015-16 and 2018-19.

	Incidence of poverty			
	2018-19	2015-16	Change	Percentage Change
KP	36.1	27.2	8.9	32.7
Urban	40.1	29	11.1	38.2
Rural	35.3	26.8	8.5	31.7
	Vulnerability to poverty			
KPK	59.1	53.7	5.4	10.1
Urban	54.7	48.7	6	12.3
Rural	60.0	54.8	5.2	9.5

15. Gender. Women in Khyber Pakhtunkhwa are the most socially excluded and are deprived in terms of access to basic social services and livelihood opportunities. The

³ Multidimensional Poverty in Pakistan , UNDP

⁴ A Poverty survey/census based on Proxy Mean Testing which calculates the poverty levels and determines the welfare status of a household on a scale between zero and 100, was carried out across Pakistan in 2010, for the selection of eligible HH for BISP unconditional cash transfer.

⁵ BISP PSC data. <https://bisp.gov.pk/ProjectDetail/ZDZYzY3ZDAzTQ2OS00NGRhLTlNmItMzJmMzdjYT3ZDE0>

literacy rate in the province is 38% for women compared to 73 percent for men. Women labour force participation rate is 13.2% compared to 75.5% for men. Women are heavily involved in agriculture particularly livestock and share of agriculture in total employment is 73% for women and 25 % for men. KP's 80 percent population is rural where women are largely confined to domestic labour, animal husbandry and agriculture work, though their degree of involvement in formal and informal labour markets vary from district to district. In 2014, only 44,124 women (17 percent) out of 256,486 men were in government service in KP. The proportion of women working in the informal economy has increased significantly from 66 percent in 2003-2004 to 73 percent in 2013-14. Despite lower earning potential women in the informal sector tend to work from home (<https://www.theigc.org/wp-content/uploads/2016/04/Kamal-Woodbury-2016-Working-paper.pdf>). According to a study published in 2018, women only represent 0.21 per cent or 6,444 people of the total migration from Pakistan, (ILO, 2018)

16. Pakistan has a high rate of gender-based violence, which has been blamed on a number of factors, including lack of education, lack of awareness, poverty, and rampant misogyny in the country. While the Government of Pakistan has passed various laws to prevent violence and support those affected by it, the conviction rate for violence against women sits at only 1-2.5 per cent (UNFPA). Resources and services for women survivors of gender-based violence (GBV) remain scarce. Health services personnel are inadequately equipped, referral systems are limited, and insufficient training on GBV combined with low investment in human capital enhances the vulnerability of women. These gaps exist on the backdrop of a structurally and culturally patriarchal society, where social norms promote gender-based abuses, disclosure to violence is discouraged and women are often blamed for their abuse.
17. **Household heads in KP.** In a male dominated society, 90 and percent households are headed by males and only 10 percent are headed by females. About 83 percent of households are in rural areas, while the rest are in urban. More than half of households (54 percent) have 5 to 8 members, while less than one percent have one member. Forty seven percent of the household heads have no education or only have pre-school followed by those with secondary education (17 percent) and higher education (15 percent). Ten percent household heads have primary education (<https://www.pc.gov.pk/uploads/report/MICSKP-2016-17-Final report.pdf>).
18. **Youth and employment.** According to the National Youth Policy (2009) and the KP Youth Policy (2016), persons between the age group of 15 to 29 are considered as youth. According to 2014 estimates for KP Youth Policy (2016), active youth population (15-29 years age group) was 27.23 percent of the provincial population. By the same analogy, KP youth population should be around 8.3 million (including merged area) based on 2017 census. Generally, the labour participation rate of the province is lower than other provinces mainly due to low participation of female workers in the economy. Male youth unemployment rate was about 30 percent and that of women of 10 years and above was 16,50 percent in 2012-13 (Labour force survey 2012-13). KP is endowed with huge natural resources but lack of development and skills force much of the youth to remain engaged with rudimentary agriculture or migrate to other countries. During 2019, a total of 625,203 workers emigrated overseas of which more than 50% were unskilled and less than 1% women.
19. **Skills demand and gap.** The skilled force produced by the technical education institutes each year does not meet the emerging market requirements of the day in manufacturing, hospitality, construction, mining and services sectors. There are 650 vocational institutions in KP accounting for 95 percent of TVET and meagre 5 percent (36) for technical institutions. The skilled workforce provided by technical institutions is 14,560 individuals while that supplied by vocational institutions is about 45,690 individuals. The most deficient in skilled workforce is the manufacturing sector exhibiting the supply gap of 80,172 while the least demand is reported in energy and power sector accounting for a total 2,440. Skilled workforce gaps in services,

construction and hospitality sectors stand at 59,462, 46,619 and 44,619, respectively (Skills gap analysis of Khyber Pakhtunkhwa, 2019, National Vocational & Technical Training Commission, Government of Pakistan).

20. **Nutrition and Health:** Nutritionally vulnerable groups include children of both sexes, adolescents, women of reproductive age, and especially pregnant and lactating women. While malnutrition not only translates into underweight, the other side of it are overweight and obesity which are increasing in Pakistan. Stunting (chronic malnutrition) is a major problem in Pakistan, and the percentage of stunted children under the age of five is the highest in the NMD of KP with 48 %, while it is 40% for the rest of KP. With regards to wasting (acute malnutrition), the percentage in NMD is 23% and for the rest of KP 15%. Micronutrient deficiencies in children under the age of five are causing anaemia (53% of children all over Pakistan), iron deficiency, vitamin A and D deficiency. The nutritional status of adolescents (10 to 19 years) in KP provides the following picture: 15% of adolescent girls are underweight in KP and 18% in KP-NMD, while for boys it is 14% in KP and 12 in KP-NMD. One of the biggest nutritional problems all over the rural areas in Pakistan is anaemia, which affects about 41% of women of reproductive age (UNICEF National Nutrition Survey 2018). Weight and height at birth are a good indicator not only of a mother's health and nutritional status but also the new-born. Almost one in five children under age five are moderately or severely underweight (21%) and 8 percent are classified as severely underweight. Forty-one percent of children are moderately or severely stunted or too short for their age and 8 percent of children are moderately or severely wasted or too thin for their height, whereas less than 7 percent are overweight or too heavy for their height (KP MICS 2016-17, Final Report June 2018).

21. The same survey shows that boys are a bit more likely to be underweight, stunted, and wasted than girls. Children in rural areas are more likely to be underweight and stunted (22 percent and 43 percent respectively) than in urban areas (15 percent and 34 percent respectively).

22. **Agriculture in KP.** The total cultivated area of the province is 1.6 million ha (7 percent of the country's total), half of which is rain fed. It produces about 5 percent of the country's total wheat, 2 percent of rice, 17 percent of maize, 8 percent of sugarcane, 16 percent of barley, 4 percent of gram, 3 percent of rapeseed and mustard, and 75 percent of tobacco. Its share in the country's total livestock population is about 6 percent in cattle, 2.5 percent in buffalo, 2 percent in sheep, and 8 percent in goats. KP is currently facing a food deficit and depends on imports from other provinces, especially from Punjab, for important commodities like wheat (64 percent), rice (74 percent), milk, meat, sugar (80 percent), and vegetables (90 percent) to complement its production. (World Bank, KP Irrigated Agriculture Improvement Project, 2019).

(<https://ewsdata.rightsindevelopment.org/files/documents/74/WB-P163474.pdf>).

23. **Private Sector Engagement:** The institutional landscape in rural areas of Khyber Pakhtunkhwa has changed in the last decade. The private sector has started playing a role as a supplier of agriculture inputs and services, a buyer of output and a link to both national and international markets. This has been a result of increasing commercialization, particularly in the horticultural sector, as well as in the livestock sector where flows of live animals and meat to and from other provinces and Afghanistan have increased. However, the private sector is still underdeveloped compared to potential and comparative advantage of the province agriculture sector particularly in high value crops. The sector is largely concentrated around trading, mining, and transportation services. Key reason for the shortfall includes appropriate policy and regulatory framework and institutional impediments. The major challenge with regard to creating an appropriate institutional set up relate to regulating and guiding the private sector not only to provide knowledge, services and market linkages but also that best practices and quality control particularly in input supplies,

are adhered to. The present government as part of its focus on agriculture sector, aims to enhance the role of the private sector, invest in human capital and create more jobs along agricultural value chains. The National Youth Development Programme (Kamyab Jawan) promotes public-private partnership for human resources development and support for employment and economic empowerment of youth.

24. **Child labour.** Though reliable data is not available on the issue, incidences of child labour is prevalent in the country and the province particularly to a greater extent in the informal sector and in the agriculture sector (The Khyber Pakhtunkhwa Child Labour Policy 2018). The largest number of child workers was in Punjab province, followed by Sindh, Khyber Pakhtunkhwa and Baluchistan. Child labour is mostly engaged in agriculture, domestic work, coal mining, production of bricks, carpets, glass bangles, leather and surgical instruments. Child trafficking is also prevalent in Pakistan which, can result in commercial sexual exploitation and forced begging. Child Domestic Labour as the Worst Forms of Child Labour (WFCL) which is behind closed doors and girls are in majority (90%). Their invisibility increases their vulnerability and potential violence Bonded labour in brick kilns exists in areas where they exist (https://www.ilo.org/islamabad/whatwedo/projects/WCMS_764614/lang--en/index.htm)
25. **Climate Topography and Geography:** Khyber Pakhtunkhwa province is uniquely situated with a range of climatic and physical conditions. It consists of mountain ranges and plains that also defines the climate of different regions. The three mountain ranges in the north—Himalaya, Karakoram and Hindukush with high snow covered peaks, Kaghan valley, Hazara, Dir, Chitral, the central Pakhtunkhwa and the southern region have varying climates due to variations in elevations. Heavy snowfall occurs in Chitral, Swat and Kaghan valleys while Dir and Hazara are the wettest areas. The plains of Peshawar, Mardan and Dera Ismail Khan depict a different picture as one moves from upper parts in the north west to Bannu and Dera Ismail Khan in the south. The mountainous areas experience cold winters and cool summers while central and southern parts experience extreme cold and hot weather. The average annual rainfall varies from 500 to 1,600 mm with southern region being the most arid one.
26. **Water resources.** Glacial melt in the upper mountainous ranges during summer and rains are usually feeding the rivers and streams of the almost throughout the year with varying discharges depending upon temperature and precipitation. Indus, Kabul, Swat, Kunhar, Siran, Panjkora, Bara, Kurram, Tochi, Dor, Haro, Gomal and Zhob rivers are the main sources of water for agriculture in the Province. The total groundwater resource of the KP has been assessed at 3.11 MAF which is used for drinking as well as agriculture.
27. **Agro-ecological Zones of KP.** The Environmental Protection Agency of KP has divided the province into five agro-ecological zones on the basis of climatic conditions covering temperature, rainfall, altitude and topography (Figure 2). These zones are:
Zone A – Northern Mountains covering districts of Buner, Shangla, Upper and Lower Dir, Swat and Chitral.
Zone B – Sub Humid Mountain covering districts of Haripur, Batagram, Mansehra, Abbottabad, Kohistan and Torghar.
Zone C – Central Valley Plains covering districts of Peshawar, Charshada, Nowshera, Mardan, Swabi, Kohat and Hangu.
Zone D – Piedmont Plains (including Suleiman range) covering districts of Bannu, Karak, Lakki Marwat, Tank and DI Khan.
Zone E – comprising of the western dry mountains of the newly merged districts of Mohmand, Bajaur, Khyber, Orakzai, Kurram, North and South Waziristan.

28. The central valley plains (zone C) and piedmont plains (Zone D), are mostly used for agriculture and livestock grazing.

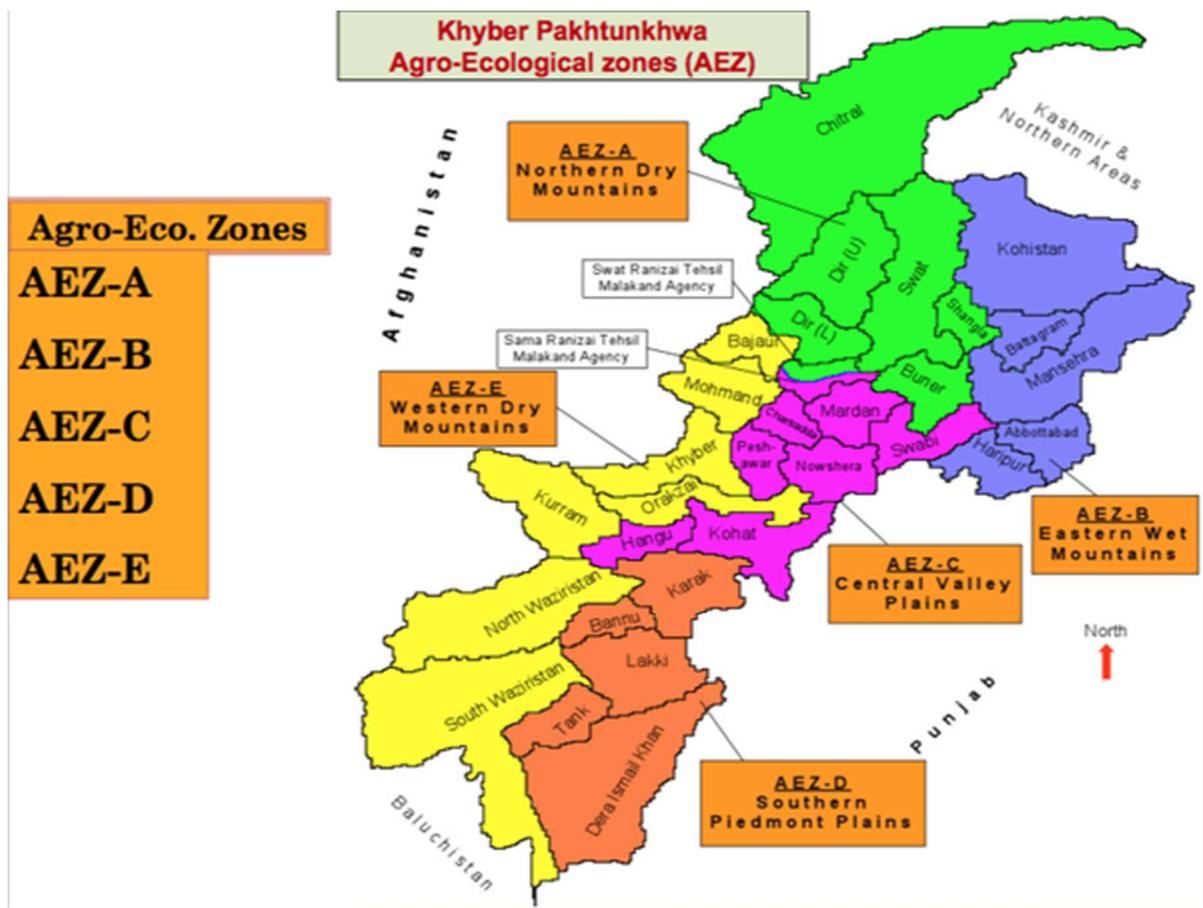


Figure 1. Agro-ecological Zones of KP.

29. **Forests.** The forest cover of KPK, mostly in Zone A and B, is 26.6 percent of the total land including the 6.3 percent additional area as a result of implementation of one Billion Tree Afforestation Project (from 2014 to 2019). The high northern mountains of Chitral, Hazara and Swat above 4000 m have low vegetative cover. Alpine zone forests are found between 3350-3360 m. Dry temperate coniferous are present in the dry ranges of Himalayas; Himalayan moist temperate forests are found in Hazara district (Kohistan, southern parts of Palas Valley, Lower Kaghan Valley) at an elevation of 1525-3660m. There is a narrow zone of subtropical forests between 900-2000m in the Southern parts of the Himalayan Mountains of Hazara and Swat Valley (KP Climate Change Policy 2016 and Ahmad H & Khan, n.d.).
30. **Biodiversity.** Geographically, KP has a diverse ecosystem where all the five Zones have their own peculiar characteristics and are home to a variety of flora and fauna. The Himalayan forests are the habitats to many mammal and bird species. Out of 188 species of mammals that occur in Pakistan, 98 mammal species are found in KP. Some of the endangered species found in KP include Snow Leopard, Brown Bear, Ibex and Lion-eared bat. 456 species of birds, 48 species of reptiles and approximately 4,500 species of plants are found in KP (Ahmad, 2012). The protected areas notified in KP include 6 national parks, three wildlife sanctuaries, 38 game reserves, 90 community game reserves, 16 private game reserves, 2 wildlife refuges and 8 wildlife parks (Attachment-A). The combined area of all protected areas is 666,340 ha. The project activities will be implemented in all five agro-ecological zones of the province.
31. **Climate Change:** KP is endowed with diverse natural resources, which include some of the most fertile soils, forest and water resources, which accommodate diverse species of flora, fauna and fish resources. However, these resources are currently

challenged by complex interaction of several factors including rapid population growth, infrastructure development, climate change and man induced interventions. The unsustainable land use, depletion of forest resources and loss of biodiversity, heavy soil erosion and water pollution impose a challenge to these resources.

32. Khyber Pakhtunkhwa is one of the most vulnerable provinces of Pakistan to climate change. Erratic weather patterns and climate change have emerged as the biggest environmental challenges that are affecting almost all the sectors of economy particularly water resources, energy, health and biodiversity with a major impact on agricultural productivity. Since 2010 extreme events such as cloudburst over the catchment areas of Indus and its tributaries, have frequently occurred during the annual monsoon season. This often leads to flash floods and landslides, causing damages across several sectors, including agriculture, livelihoods, infrastructure, transport and communications, and housing. The province is also facing an increased number of glacial lake outburst floods (GLOF) due to increased temperatures and intense precipitation. Being an upper riparian province in Pakistan, the province receives the shortest lead times for early warnings on climate induced hydro-meteorological disasters. As a result of the 2010 floods, the province suffered an estimated USD 1.1 billion in damages, which included damages and losses of USD 96 million⁶ to the agriculture sector in the province. The south of the province is on the contrary is prone to recurring drought, water scarcity and extreme weather which impact livelihoods of the otherwise poor communities depending on depleting natural resources.
33. **Economic opportunities.** The province because of its unique agro-climatic conditions, has enormous growth potential in the development of high value crops such as horticulture crops and floriculture, as well as the development of livestock sector. KP is also endowed with abundant natural resources including forests, minerals, enormous potential for tourism energy and power development. Other opportunities exist in large scale manufacturing concerns like cement, sugar and tobacco/cigarette units. Dairy, meat, wool and fruit processing has great potential in the area.
34. The province is passing through a demographic transition that is creating a "youth bulge", which provides a one-time window for stimulating growth. Realizing the dividends of the demographic transition will require addressing critical challenges related to human capital development, jobs and the labour market. Since a large proportion of the young have poor educational attainment, skill development is the most important pathway for human capital accumulation. In the case of KP this pathway will be fundamental in restoring livelihoods and generating employment in the province particularly the merged districts which has a significant development lag compared to other districts of the province and country.

D. The Project: Khyber Pakhtunkhwa - Rural Economic Transformation Project

35. **Goal and objective:** The **overall goal** of the project is to contribute to poverty reduction, food and nutrition security and strengthened resilience of rural households. The **development objective** is Incomes of rural households sustainably improved through climate-resilient, high-value agriculture and off-farm/non-farm employment opportunities'.
36. **Target area:** The project will cover all 35 districts of the province. A phased expansion approach will be adopted whereby the project initially be implemented in 10 districts and will add 3 districts per region per year with the objective to have the entire province covered by the Mid Term Review (End of Year 3).

⁶ Pakistan Floods 2010 Preliminary Damage and Needs Assessment (2010) report, p. 154

37. **Target Groups:** The RETP-KP target groups will fall under the category of smallholders (as per the definition of the Government <12.5 acres or 5 ha) and landless households (HH). Among these, the KP-RETP targeting will prioritise HH with PSC 0 – 34 range. Women and youth will be particularly targeted with specific interventions aiming at economic empowerment. The target groups (small farmers, youth and women target groups) will be pre-identified through the implementing partners. Youth and nutrition will be mainstreamed with a focus on women as secondary targeting criteria. For the youth and the women identification and engagement in the project (and based on the successful experience of the NADP Diamer project in gender empowerment in a similar context), the religious and community leaders and village elders/jirga will be sensitized. This will facilitate the integration of groups who usually don't have access to non-traditional activities.
38. **Project Beneficiaries:** Around **785'000 households (4.35 million persons)** will benefit directly or indirectly from KP-RETP interventions through market oriented professional farmer organizations. Additionally, the target groups in the same districts will benefit from a specific and dedicated skills development programme, start-up capital and first professional exposure (public – private internship programme) in order to (i) ensure that the skills and services necessary for the success of the KP-RETP agri-business component 1 will be available, (ii) respond to the local, provincial and national labour market and employer needs particularly in the sectors like agro-industry, agro-tourism or tourism, mining, industry or civil works by valorising the KP local employable forces and in particular the youth and women, and (iii) boost the employability of the newly graduated students (Master's holders in particular) by ensuring them quick professional integration through a one year public – private internship programme.
39. The target groups will benefit from technical / vocational / managerial training with official and recognized certificates or diplomas but will also have access to transversal capacity building, particularly in financial literacy, climate risk and resilience, nutrition for enhancing the effectiveness of their enterprise and business development as well as personal lives. Investment in PFOs and 4Ps will create additional jobs from which women and youth will specifically benefit, especially those trained under component 2.
40. **Project interventions:** The proposed project will have **three components:**
- I. **Agribusiness Development** (Professional Farmers Organizations, 4P Development, Farm Service Centres, Support to MOA),
 - II. **Skills Development and Employment Promotion** (Skills Development, start-up capital; Public –Private internship programme, support to TEVTA),
 - III. **Project Management and Policy Support.**
41. The project approach provides integration and complementarities between the project components. Component 1 will create the necessary potential and conducive institutional set up within the repositioned agribusinesses approach (PFOs, 4Ps and FSCs) to absorb a significant part of the target groups supported by component 2 (vocational training, start-up capital, public-private internship programme) by developing relevant and new skills or services necessary to the business development of the PFOs, FSCs or 4Ps. The other category of the component 2 target groups will allow the project to better respond to the large local and national labour demand as well as to fight better against current migration of the unskilled. This will also help strengthen the impact delivered through component 1 seeking to deliver stronger institutions and players for the agribusiness sector to thrive. Experienced implementing partner (IPs) (competitive selection process by sub provincial office (so 1 IP for 5 districts) will implement component 1 and component 2. Each IP will

have to implement the Nutrition and Youth mainstreaming themes in all its activities. Component 3 will provide support, monitoring for the smooth implementation of the RET-KP programme and ensure synergies between components 1 and 2, as well as (ii) advocate and support the GoKP in its agenda for policy reform to improve the rural poor's livelihoods and to facilitate and ensure the sustainability of RET-KP activities initiated through the Agro-business development and Employment creation components. This will allow the project to deliver results beyond the expected outcomes from this investment.

42. Project benefits: The project benefits are anticipated in the two project components including; i) agribusiness development; and (ii) employment and jobs promotion while the third component i.e., project management, institutional and policy support will facilitate the two. The estimated incremental increase in income resulting from agribusiness development is US\$400 per household ranging between USD200 and USD1 000 per household. The project support will enable to enhance monthly income to an average of US\$130 per month. The estimated incremental increase is on average USD300 – 400 per year

E. Social, Environmental and Climate Assessment Procedures (SECAP).

I. THE LEGISLATIVE, REGULATORY AND POLICY FRAMEWORK

43. **National and Provincial Laws and Regulations:** Policy, legal and administrative framework relevant to the environmental and social assessment of the proposed Project are reviewed below:
44. **Pakistan Environmental Protection Act 1997:** The Pakistan Environmental Protection Act 1997 is the basic legislative tool empowering the government to frame regulations for the protection of the environment, where the 'environment' has been defined as: (a) air, water and land; (b) all layers of the atmosphere; (c) all organic and inorganic matter and living organisms; (d) the ecosystem and ecological relationships; (e) buildings, structures, roads, facilities and works; (f) all social and economic conditions affecting community life; and (g) the inter-relationships between any of the factors specified in sub-clauses 'a' to 'f'. The Act is applicable to a broad range of issues, including socioeconomic aspects: for example, land acquisition, air, water, soil, marine and noise pollution, and the handling of hazardous waste.
45. The requirement for environmental assessment is laid out in Section 12 (1) of the Act. Under this section, no project involving construction activities or any change in the physical environment can be undertaken unless an initial environmental examination (IEE) or an environmental impact assessment (EIA) is conducted, and approval is received from the federal or relevant provincial EPA. Section 12 (6) of the Act states that the provision is applicable only to such categories of projects as may be prescribed. The categories were later defined in the Pakistan Environmental Protection Agency Review of IEE and EIA Regulations, 2000.
46. The powers of the federal and provincial Environmental Protection Agencies (EPAs), established under the Pakistan Environmental Protection Ordinance 1983, have also been considerably enhanced under this legislation; they may conduct inquiries in aid of legislation into possible breaches of environmental laws either of their own accord, or upon the registration of a complaint.
47. **Pakistan Environmental Protection Agency Review of IEE and EIA Regulations 2000:** The Pakistan Environmental Protection Agency Review of IEE and EIA Regulations 2000 developed by the Pak-EPA under the powers conferred upon it by the Pakistan Environmental Protection Act, provide the necessary details on preparation, submission and review of the IEE and the EIA. Categorization of projects for IEE and EIA is one of the main components of the Regulations. Projects have been classified on the basis of expected degree of adverse environmental impacts. Project types listed in Schedule I are designated as potentially less damaging to the environment, and those listed in Schedule II as having potentially serious adverse effects. Schedule I projects require an IEE to be conducted, provided they are not located in environmentally sensitive areas. For Schedule II projects, conducting an EIA is necessary. A development project may not fall under either Schedule I or II. If the project for which this document was prepared includes construction of new irrigation canals, it will be considered a Schedule I project. If no new irrigation canal will be constructed and only the existing ones are to be rehabilitated or modernized, the project will be categorized under Schedule II.
48. **National Environmental Quality Standards:** The National Environmental Quality Standards (NEQS), promulgated under the Pakistan Environment Protection Act 1997, specify the following standards:
- Maximum allowable concentration of pollutants in gaseous emissions from industrial sources;

- Maximum allowable concentration of pollutants in municipal and liquid industrial effluents discharged to inland waters, sewage treatment and sea (three separate set of numbers);
- Maximum allowable emissions from motor vehicles;
- Ambient air quality standards;
- Drinking water standards; and
- Noise standards.

49. **National Water Policy 2018:** The objective of Pakistan's first National Water Policy, approved in April 2018, is to take cognizance of the emerging water crisis and provide an overall policy framework and guidelines for a comprehensive plan of action. The policy concedes that management of water resources is a national responsibility, but irrigation, agriculture, water supply (including drinking water), the environment and other water-related sub-sectors are provincial subjects.
50. The policy covers all water-related issues, including: water uses and allocation of priorities; integrated planning for development and use of water resources; environmental integrity of the basin; impact of climate change; trans-boundary water sharing; irrigated and rainfed agriculture; drinking water and sanitation; hydropower; industry; groundwater; water rights and obligations; sustainable water infrastructure; water-related hazards; water quality management; awareness and research; water conservation measures; legal framework and capacity building of institutions in the water sector.
51. **National Climate Change Policy 2012:** The goal of the National Climate Change policy is to ensure that climate change is mainstreamed in the economically and socially vulnerable sectors and to steer Pakistan towards climate resilient development.
52. The policy has the following main objectives:
- To pursue sustained economic growth by appropriately addressing the challenges of climate change;
 - To integrate climate change policy with other interrelated national policies;
 - To focus on pro-poor gender sensitive adaptation while also promoting mitigation to the extent possible in a cost-effective manner;
 - To ensure water security, food security and energy security of the country in the face of the challenges posed by climate change;
 - To minimize the risks arising from the expected increase in frequency and intensity of extreme weather events such as floods, droughts and tropical storms;
 - To strengthen inter-ministerial decision making and coordination mechanisms on climate change;
 - To facilitate effective use of the opportunities, particularly financial, available both nationally and internationally;
 - To foster the development of appropriate economic incentives to encourage public and private sector investment in adaptation measures;
 - To enhance the awareness, skill and institutional capacity of relevant stakeholders; and
 - To promote conservation of natural resources and long-term sustainability.

53. **Climate Change Act 2017:** The Climate Change Act was passed in 2017. The objective of the Act is to tackle the pressing climate risks and secure global funding to implement projects to boost the country's climate resilience, protect lives and livelihoods of the people, mainly those associated with agriculture. The new law established a Pakistan Climate Change Council, Pakistan Climate Change Authority and Pakistan Climate Change Fund.
54. **Constitution, Acts and Rules on Labour:** The Constitution of Pakistan defines labour rights in the following articles: Article 11 prohibits all forms of slavery, forced labour and child labour; Article 17 stipulates the rights to exercise freedom of association and to form unions; article 18 establishes the right to enter upon any lawful profession or occupation and to conduct any lawful trade or business; article 25 affirms the right to equality before the law and prohibition of discrimination on the grounds of sex alone; and article 37(e) makes provision for securing just and humane conditions of work, ensuring that children and women are not employed in vocations unsuited to their age or sex, and for maternity benefits for women in employment.
55. In addition to Article 18 of the Constitution, Industrial Relations Ordinance 2002 pronounces on the conditions of termination of contracts. Maximum working hours are determined in Factories Act 1934; West Pakistan Shops and Establishments Ordinance 1969 and Mines Act 1923. Factories Act 1934 makes provisions for paid leave, while work conditions related to maternity are defined by Article 37 of the Constitution, Maternity Benefit Ordinance 1958 and Mines Maternity Benefit Act 1941. Employment of children is framed by Article 11(3) of the Constitution, Factories Act 1934 and Employment of Children Rules 1995

II. OBLIGATIONS UNDER INTERNATIONAL TREATIES

56. **Nagoya Convention on Biological Diversity:** Nagoya Protocol, which entered into force in 2014, is a supplementary agreement to the Convention on Biological Diversity adopted in Rio de Janeiro in 1992. The Convention has three objectives: to conserve biological diversity; to promote the sustainable use of its components; and, to encourage equitable sharing of the benefits arising out of the utilization of genetic resources. The Protocol strengthens legal certainty and transparency for providers as well as users of genetic resources. It does so by making conditions for access to genetic resources more predictable; and supporting sharing of benefits that arise from genetic resources. In case indigenous and local communities have established rights to grant access to genetic resources, contracting parties must obtain their prior informed consent and ensure fair and equitable benefit-sharing, by taking into account existing community and customary laws, procedures, use and exchange.
57. The original Convention was ratified by and entered into force in Pakistan in 1994. The Protocol entered into force in the country in February 2016.
58. **Convention on Wetlands of International Importance especially as Waterfowl Habitat:** The Convention, seeks to halt the progressive encroachment on and loss of wetlands, which are among the most diverse and productive ecosystems and indispensable for sustainable management of freshwater and biodiversity. According to the Convention, wetlands encompass: lakes and rivers; underground aquifers; swamps and marshes; wet grasslands; peatlands; oases; estuaries; deltas and tidal flats; mangroves and other coastal areas; coral reefs; and all human-made sites such as fish ponds, irrigated lands, rice paddies, reservoirs and salt pans.
59. The parties to the Convention commit to: promote wise use of wetlands; designate qualified wetlands to the list of Wetlands of International Importance for its effective

management; and cooperate internationally to manage transboundary wetlands, shared wetland system and species. Pakistan ratified the Convention in August 1976, and it entered into force four months later.

60. Four major wetland complexes exist in Pakistan: North Western Alpine, Salt Range, Central Indus Plain and Makran Coast, and 19 sites designated as Ramsar sites. Wetlands degradation in Pakistan, as elsewhere, is believed to be: changes in land use; population growth; and, economic development.
61. **United Nations Framework Convention on Climate Change, Kyoto Protocol and Paris Agreement:** The United Nations Framework Convention on Climate Change (UNFCCC), sets its objective to stabilize greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system. It has been ratified by 192 parties, which include all United Nations member states, and entered into force in 1992. The Kyoto Protocol to UNFCCC was agreed in 1997, although the discussions on the details contributed until 2004. According to the Protocol, industrialized countries and countries of the former Soviet bloc must cut their emissions of greenhouse gases by an average of about 5% for the period 2008-2012 compared with 1990 levels. Kyoto Protocol was ratified by and entered into force in Pakistan in January and April, respectively, in 2005.
62. At the Paris climate conference of UNFCCC in 2015, 195 countries adopted a universal, legally binding global climate agreement, the first of its kind: Paris Agreement. The governments agreed to the goal of limiting to 1.5°C the increase in global average temperature above pre-industrial levels. Paris Agreement was ratified by and entered into force in Pakistan in November and December, respectively, in 2016. In Pakistan, the Climate Change Act 2016 was passed in March 2017, establishing a policy-making Climate Change Council and a Climate Change Authority to prepare and supervise the implementation of climate change adaptation and mitigation projects. The main concern in the country has been the scant amount of action on the ground because of lack of capacity at the Provincial level. Pakistan submitted its Intended Nationally Determined Contribution (INDC) prior to the Paris Agreement; the country "intends to reduce up to 20% of its 2030 projected" greenhouse gas "emissions subject to availability of international grants to meet the total abatement cost ... amounting to about US\$ 40 billion at current prices."
63. **United Nations Convention to Combat Desertification in Those Countries experiencing Series Drought and/or Desertification, Particularly in Africa:** The objective of the United Nations Convention to Combat Desertification (UNCCD) is to "combat desertification and mitigate the effects of drought in countries experiencing serious drought and/or desertification, with a view to contributing to the achievement of sustainable development in affected areas and with special attention to arid, semi-arid and dry sub-humid areas.
64. **Pakistan** ratified the Convention in 1997, and it entered into force in the country in the same year. A National Action Programme to Combat Desertification in Pakistan was elaborated in 2002 in the framework for the Convention. It identified main causes of desertification as: water erosion; wind erosion; soil fertility depletion; deforestation; overgrazing; biodiversity loss; waterlogging and salinity; drought; flooding; and socioeconomic factors. The areas estimated to be affected by water erosion and wind erosion were approximately 11 million and 3-5 million hectares, respectively. Wind erosion was considered responsible for close to one-third of total soil loss. Remedial measures proposed included: afforestation and agroforestry; crop production management, including horticultural crops; livestock and rangeland management; soil and water resources management, especially related to water use efficiency and soil fertility rehabilitation; and biodiversity conservation.

- 65. Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides:** Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides, or the Rotterdam Convention for short, covers pesticides and industrial chemicals that have been banned or severely restricted for health or environmental reasons by the Parties to the Convention and which have been notified by Parties for inclusion in the Prior Informed (PIC) procedure. The Convention legally obligates implementation of the PIC procedure of these chemical products. By doing so, it promotes shared responsibility and cooperative efforts among Parties in the international trade of certain hazardous chemicals for the ultimate purpose of protecting human health and the environment from potential harm. The Convention also contributes to the environmentally sound use of those hazardous chemicals, by facilitating information exchange about their characteristics, by providing for a national decision-making process on their import and export and by disseminating these decisions to Parties. Pakistan signed the Convention in 2005 and it entered into force in the country in the same year.
- 66. Stockholm Convention on Persistent Organic Pollutants:** The Stockholm Convention on Persistent Organic Pollutants was established to protect human health and the environment from chemicals that do not degrade easily. The Convention obligates its parties to eliminate or reduce the release of persistent organic pollutants into the environment. Climate Change is expected to elevate the planet's vulnerability to persistent organic pollutants, by way of higher atmospheric temperature and extreme weather events.
67. Pakistan affixed a simple signature to the Convention in 2001, which was subsequently ratified and entered into force in the country in 2008. It was followed by a "National Implementation Plan for Phasing Out and Elimination of POPs from Pakistan Under Stockholm Convention Article 7(a)" in 2004.
- 68. Convention on the Rights of the Child:** The Convention on the Rights of the Child, ratified by Pakistan in 1990, stipulates the civil, political, economic, social, health and cultural rights that should be enjoyed by any human being under the age of eighteen, unless the [age of majority](#) is attained earlier under national legislation. It focuses on the needs specific to children, including: right from birth to a name; right to acquire a nationality; right to know and be cared for by her or his parents; right to preservation of her or his identity; right to maintain personal relations and direct contact with both parents on a regular basis, except if it is contrary to the child's best interests; right to express her or his own views freely in all matters; right to freedom of expression; right to freedom of thought, conscience and religion; and right to freedom of association and to freedom of peaceful assembly. According to one NGO, Pakistan's progress in safeguarding child rights remains slow, although children make up nearly half of Pakistan's population, making it one of the largest populations of children in the world.
- 69. Convention on the Elimination of all Forms of Discrimination against Women:** The Convention on the Elimination of All Forms of Discrimination against Women, often described as the international bill of rights for women, obliges signatory countries to eliminate discrimination against women in political and public life and to promote equal rights for women and men. It also requires countries to take measures to: change harmful stereotypes based on gender; end exploitation of prostitution and trafficking in women; ensure equal rights in education for women; guarantee equal access to health care; eliminate discrimination in economic and social life against women, including employment, payment, law application, marriage and family life; give attention to the role and problems of rural women. Pakistan's accession to the Convention took place in 1996.

70. In terms of indices established by United Nations Development Programme – Human Development Index and Gender Inequality Index– Pakistan ranked 150th and 133rd, respectively, among 168 countries in 2017. Pakistan belonged to the group of least developed countries with respect to Gender Development Index among five groups.

71. **Provincial policies and Acts** in vogue include:

- a. **Climate Change Policy 2016.** The goal of the policy is to ensure that climate action is mainstreamed in the development planning and especially in the economically and socially vulnerable sectors of the economy; and to steer Khyber Pakhtunkhwa towards green growth and climate compatible development. Some of the important objectives include:
 - i. Enhance awareness of the impacts of climate change among all stakeholders for necessary appropriate measures to combat and minimize these impacts
 - ii. Mainstream climate change in long term development planning as a vehicle for the implementation of the provincial Green Growth Strategy
 - iii. Integrate adaptation and mitigation measures into key relevant sectors' policies, strategies, and plans
 - iv. Facilitate action in Khyber Pakhtunkhwa on climate adaptation and mitigation, while promoting long term sustainability
 - v. Enhance interdepartmental coordination and cooperation for effective climate action.
 - vi. Ensure water, food and energy security for Khyber Pakhtunkhwa province in the face of a changing climate
 - vii. Address climate change risks particularly those arising from climate induced disasters.
 - viii. Ensure interests of vulnerable groups and gender aspects are adequately addressed in climate development strategies and planning
 - ix. Develop bases to secure sufficient financial and technological support, and strengthen institutional and human resource capacities to achieve policy objectives;
 - x. Be able to tap financial and technological opportunities available internationally
- b. **KP-Youth Policy 2016.** The KP government links its youth development work with education, sports, mobility, tourism and culture in the short and prosperity in the long run. The government has visualized the youth policy for creating an enabling environment for the youth by providing them equitable opportunities to realize their full potential in a safe, secure, conducive and congenial environment, working for a developed and prosperous Pakistan. One of the major objectives is that the youth possess economic and social competencies for their future market and social roles through an enabling quality education. The focus of the policy on youth groups, including male and female, rural and urban, literate and illiterate, and vulnerable youth groups i. e. minority youth, workshop workers, differently abled youth, religious seminary students, jail inmates, transgender; internally Displaced Persons (IDPs) and refugee youth.
- c. **Wildlife and Biodiversity Act 2015.** Main aim of this Act is to strengthen the administration of the organization to effectively manage wild animals and their habitats and to conserve biological diversity and to realize its intrinsic and extrinsic values through sustainable use and community participation. Management of hunting and protection and conservation of Wildlife sanctuary,

Site of Special Scientific Interest, Wildlife Refuges, National Parks, Biosphere Reserves, National Natural Heritage Sites and Game Reserves have been covered under this Act.

- d. **KP Water Act 2020.** The Act authorizes the provincial government to establish Water Resources Regulatory Authority, Water Resources Commission and other relevant regulatory organs and service providers for the conservation, management, protection and judicious distribution among different users and its safe disposal.
- e. **Agriculture Policy—A Ten Years Perspective 2015.** The agriculture policy of the province goals and objectives of agricultural policy are to:
 - Enhance sector productivity and competitiveness by activities such as improving the supply chain, technology dissemination and trade promotion;
 - Address food security and incomes needs of the vulnerable sections of the population and targeted actions are needed to improve food security, reduce poverty and enhance the role of women; and
 - Improve natural resource management, adaptation to climate change and disaster risk management.
- f. **Food Security Policy.** The final draft of the policy is aimed at attaining sustainable food security, poverty alleviation and generating employment opportunities through achieving higher sustainable economic growth in the province. Short term, medium term and long term plans have been devised to ensure implementation of the policy.
- g. **KP Prohibition of Employment of Children Act, 2015** to prohibit the employment of children and to regulate employment of adolescents in certain occupations and processes in the Province of Khyber Pakhtunkhwa.
- h. **KP Child Labour Policy 2018.** One of the most important objectives of the policy is eradication of child labour, particularly, of its worst forms and gradual elimination of all forms of child labour from all the sectors of KP economy with the intention to declare KP a child labour free province.

III. INSTITUTIONAL AND LEGAL FRAMEWORK

- 72. **Climate Change Ministry and EPA:** The Climate Change Ministry was established in April 2012 and is headed by the federal minister. The Ministry has three attached organizations:
 - i) Pakistan Environmental Protection Agency (Pak EPA)
 - ii) Zoological Survey Department, and
 - iii) Global Change Impact Studies Centre (GCISC)
- 73. The environment wing of the ministry is responsible for the Multilateral Environmental Agreements (MEAs) including the United Nation Framework Convention on Climate Change (UNFCCC) and Kyoto Protocol. The Ministry of Climate Change has prepared Framework for implementation of Climate Change Policy (2013), which provides priority based adaptation and mitigation measures in Pakistan to cope with adverse impacts of climate change and to control and reduce Green House Gases (GHG) emissions during 2014-2030.
- 74. EPA. The KP government has established Environmental Protection Agency (EPA) was established in 1989 under the administrative control of Physical Planning and Housing (PP&H) Department. However, it is now working under the newly created Environment Department. EPA head office at Peshawar while the three directorates at Abbottabad ,D.I.Khan, and Swat along with regional offices at Gadoon Swabi are also functional
- 75. Irrigation Department is also involved in flood control and protection and drainage.

76. KP Provincial Disaster Management Authority (PDMA) deals with natural or man-made disasters in Khyber Pakhtunkhwa and is mandated to engage in activities concerning all four stages of Disaster Management Spectrum.
77. Grievance **Redress Mechanism:** The tried and tested participatory development model prevailing in the province and beneficiary feedback mechanisms through regular community organisations conferences and participatory M&E are affective tools for grievance redressal and corrective measure by the project. Additionally, most parts of the province has a traditional alternative dispute resolution system called Jirga for individual and community level grievance redressal and dispute resolution. However, environmental and social policies related complaints can be registered in writing by post or by email with PMU and Regional Project Management office who will examine and resolve the issue to the satisfaction of complainant within two weeks.
78. Any project level grievance is not foreseen as it is being developed with the involvement of the KP government and project interventions will be implemented through community participation. However, in case of any issue during implementation, PMU and Project Steering Committee will be the right fora for its resolution. The complaint will have to be registered with PMU who will collect the required information, listen to the concerned parties and dispose of the complaint per merit within three weeks or refer it to PSC who will review it in detail and decided it within four weeks. Complaints can also be registered with IFAD by email (SECAPcomplaints@ifad.org) for a fair and timely resolution through an independent process

IV. IFAD ENVIRONMENTAL AND SOCIAL SAFEGUARDS

79. RETP-KP project has been designed considering the national and provincial policies and guidelines together with IFAD Strategy and Action Plan on Environment and Climate Change 2019-2025. The Project has also been designed in compliance with IFAD's guidelines on Social, Environmental and Climate Assessment Procedures (SECAP) Following is a summary of the relevant pieces of policies
80. **IFAD Policy on Agriculture and Rural Development:** In line with the Sustainable Development Goals (SDGs) and other international relevant agreements IFAD's core mandate is to support the social and economic empowerment of poor rural women and men. As such, it is opposed to any investment that will have a negative impact on its target groups. In respect to the overall goal of environmental and economic sustainability, IFAD is committed to take a proactive and innovative approach to promote projects and initiatives that are specifically designed to deliver significant environmental, social and climate adaptation and mitigation benefits.
81. **IFAD Gender and Targeting Policy:** Poverty targeting, gender equality and empowerment are cornerstones of IFAD's work to reduce rural poverty and food and nutrition insecurity. This puts people – rural women, men, youth and indigenous peoples – at the centre of IFAD's development projects and policy engagement. This unique approach aims to support the development of inclusive, equitable, sustainable and resilient rural societies and agriculture sectors that are food secure and able to take advantage of the opportunities provided by growing markets, thus providing a springboard to rural transformation. Thus, IFAD has developed a deliberate Policy to address this issue.
82. **IFAD Guidelines on SECAP:** These are Guidelines on Social, Environmental and Climate Assessment Procedure (SECAP). IFAD remains committed to mainstreaming social, environmental and climate change solutions. IFAD's updated Social, Environmental and Climate Assessment Procedures (SECAP) were approved in July 2017. This SECAP 2017 Edition provides guiding values and principles and defines an improved course of action for assessing social, environmental and climate risks to enhance the sustainability of results-based country strategic opportunities programmes (RB-COSOPs), country strategy notes (CSNs), programmes and projects.

83. Included in SECAP are a series Guidance Statements which are used in guiding the programme in avoiding and mitigating any impacts that may arise due to the project (Annexure 1). These include:
- i. Guidance statement 1 – Biodiversity
 - ii. Guidance statement 2 – Agrochemicals
 - iii. Guidance statement 3 – Energy
 - iv. Guidance statement 4 – Fisheries and aquaculture
 - v. Guidance statement 5 – Forest resources
 - vi. Guidance statement 6 – Rangeland-based livestock production
 - vii. Guidance statement 7 – Water (agricultural and domestic use)
 - viii. Guidance statement 9 – Physical cultural resources
 - ix. Guidance statement 11 – Development of value chains, microenterprises and small enterprises
 - x. Guidance statement 12 – Rural finance (under revision)
 - xi. Guidance statement 13 – Physical and economic resettlement (under revision)
 - xii. Guidance statement 14 – Community health

84. In case of resettlement or economic displacement, SECAP emphasises the application of the principles of “do no harm” and “free, prior and informed consent” at all times and for all beneficiaries for any intervention that might affect the land access and user rights of communities. However, in the current project, there is no resettlement involved, therefore the SECAP does not provide any information about the same.

V. SECAP - ENVIRONMENT, SOCIAL AND CLIMATE RISK SCREENING

87. IFAD classifies all projects into one of three environmental and social categories (A, B or C) and one of three climate risk classifications (high, moderate and low). Determination of the category and classification also depend on the national requirements and the existing national capacity to promote and implement environmental and social mitigation measures.
88. A positive response to any question between 1 and 22 (see questions below) categorizes the project as A. Similarly, a positive response to question 23 to 38 categorizes the project as B. In case all answers are negative, the project will be categorized as C.
89. The checklists for environmental and social and climate risks categorization are given as Appendix-1 herewith where the RETP-KP project has been rated as Category B.

VI. ENVIRONMENTAL AND SOCIAL MANAGEMENT PLAN (ESMP)

90. The project mostly involves soft activities like mobilization/formation of professional farmers organisations, public-private-producer partnerships, vocational trainings and skills development for the target group employability and income increase. It does not involve infrastructure development or other hard core civil works, land acquisition or displacement and resettlement of people that would require detailed analyses and specific mitigation and adaptation measures. The project has been put in Category B as per SECAP guidelines.
91. Future proposed activities under Component-1 may involve climate smart agriculture technologies such as high efficiency irrigation systems, tunnel farming, raised beds, drought resistant varieties and land levelling etc. All of these activities are mostly environment and eco-friendly and will not have adverse impacts on the environment.
92. If required, pesticides and chemicals will be used according to recommended procedures and guidelines while awareness and capacity building activities will also be conducted.

93. Activities under Component-2 on economic graduation are mostly vocational and technical trainings for the youth and poor and will be carried under the prescribed recommendation of the concerned manuals. Special lectures on the use of machines and equipment will be organized for the trainees before the training starts.
94. The ESMP provides guidelines for the management of potential environmental and social impacts together with climate change aspects of the project interventions. The ESMP identifies parties responsible for monitoring actions, and any training or capacity building needs, Mitigation measures have been identified to reduce present and potential impacts associated with the proposed activities. Social mitigation includes the measures creating awareness and proper mobilization, proper participation of members in the planning and implementation of activities, inclusion of women etc to mitigate effects of local disagreements and conflicts. Physical mitigation includes measures that address impacts to the physical environment, such as biological communities, vegetation, water resources, air quality and others.
95. The project does not involve infrastructure and other civil works development, however, there are chances that the FPOs might go for establishing fruit, vegetable or dairy processing units at local level. Generally, fruit processing (canning, drying, freezing, and preparation of juices, jams, and jellies) steps include preparation of the raw material (cleaning, trimming, and peeling followed by cooking, canning, or freezing. Plant operation is often seasonal and typically generates volumes of effluents and solid waste. The effluents contain high organic loads, cleansing and blanching agents, salt, and suspended solids such as fibres and soil particles. They may also contain pesticide residues washed from the raw materials. The main solid wastes are organic materials, including discarded fruits. Odour problems can occur with poor management of solid wastes and effluents.
96. Environmental impacts associated with a dairy processing unit are generation of waste and wastewater. Once started, it is a regular full-time activity to be monitored regularly to avoid environmental impacts. Wastewater and packaging material waster are generated that need to dispose-off properly to avoid any contamination especially water resources. Quality control mechanisms to be in place from processing to storage and to consumer.
97. Details of the ESMP and mitigation measures are provided in APPENDIX-3.

VII. POTENTIAL ENVIRONMENTAL AND SOCIAL IMPACTS

98. **Environmental and Social Impacts:** The design of RETP focuses on Professional Farmer Organizations (PFO) and Public Private-Producer Partnership (4P) and capacity building and trainings in employable trades for productive employment. As such the project does not entail activities that would warrant environmental hazards at least in the beginning, however, the business plans of PFOs and 4Ps might lead to sub-projects that may involve some construction activities whose potential impacts can be:
- Impacts on public health of surrounding communities and workers through air, water and soil pollution, noise or direct contact with hazardous material.
 - Soil erosion and displacement are expected as soil related impacts
 - Ecosystem and biodiversity degradation through new development and economic activities.
 - The sub-project may require establishment of temporary workforce during construction period, while permanent workforce after infrastructure development and capacity building through trainings, and will induce negative impact on overall construction, operation and maintenance cost.
99. However, the Environmental and Social Management Plan (ESMP) and its implementation will minimize the adverse impacts.

100. **Climate change.** Pakistan is among the top ten countries that are highly vulnerable to climate change. Being an agricultural country, its economy is also very sensitive to any change affecting temperature and rainfall in the country. Increasing temperatures and changing rainfall patterns and intensities are impacting the livelihoods in Pakistan and Khyber Pakhtunkhwa. Variations have been observed in temperature and rainfall in different parts of KP as given in Table 4 based on a 30 years (1980-2010) data analysis. The trend analysis reveals that climate change in KP has been perceived in the form of increased rainfalls and increased mean temperatures (S. Babar, 2012).

101. All the three regions, Southern, Central and Northern, are expected to receive more rains than before during Kharif while the overall increase for KP is expected to be 11 mm. Maximum temperature has been decreasing for southern and central regions by 1.3°C and 0.6°C, respectively and has been increasing by 0.7°C for northern region. Overall, the maximum temperature has decreased by 0.6°C while mean temperature has decreased by 0.3°C for KP in Kharif. The trends for Rabi season are increasing rainfalls and temperatures over a 30 year span (Table 4).

Table 4. Trend in temperature and rainfall during Kharif and Rabi Seasons in KP.

Region	Kharif Season Trend				Rabi Season Trend			
	Rainfall	Max. Temp.	Min. Temp.	Mean Temp.	Rainfall	Max. Temp.	Min. Temp.	Mean Temp.
Southern Region	19mm↑	1.3°C↓	0.8°C↑	0.3°C↓	3mm↑	0.7°C↑	1.6°C↑	1.1°C↑
Central Region	38mm↑	0.6°C↓	0.7°C↑	0.3°C↑	25mm↑	1.3°C↑	1.2°C↑	1.2°C↑
Northern Region	4mm↑	0.7°C↑	1.3°C↓	No Change	15mm↑	2.5°C↑	No Change	1°C↑
KP	11mm↑	0.6°C↓	0.2°C↑	0.3°C↓	15mm↑	1°C↑	2°C↑	1.2°C↑

Adapted from Climate Change and its Impact on Agriculture in Pakistan: A case Study of KP (1980-2010). Ph. D Thesis by Samreen Babar 2012. University of Peshawar).

102. Being an upper riparian, KP is more vulnerable to climatic events and disasters. Extreme events such as cloudburst over the catchment areas of Indus and its tributaries, have frequently occurred during the last several years' monsoon seasons, especially 2010. This often leads to flash floods and landslides, causing damages across several sectors, including agriculture, livelihoods, infrastructure, transport and communications, and housing. Areas near swelling rivers and low-lying areas experience major floods causing all kinds of damages. KP is also facing an increased number of glacial lake outburst floods (GLOF) due to increased temperatures and intense precipitation, mostly in Chital. Agro-ecological Zones A and B are at high risk of flooding while droughts are more common in the southern districts, Zones C and D. (KP Climate Change Policy 2016).

103. As a result of the 2010 floods, KP suffered US\$ 1.1 billion in damages, which included damages and losses of US\$ 96 million to the agriculture sector in the province (<https://ewsdata.rightsindevelopment.org/files/documents/74/WB-P163474.pdf>). A forecasting study by the Climate Change Centre of Agriculture University Peshawar in 2019 in 10 districts of KP showed that with exception of Dir Upper and Shangla, wheat was affected due to changing climate in other areas whereas wheat could not be grown in the rainfed areas of central and southern districts because of shortage of moisture and delay in rainfall. Maize was affected in Lakki Marwaut, Nowshera and Dir Lower, while in Abbottabad, Mansehra and Shangla the area under maize has shrunk. Rice was being gradually replaced by vegetables and maize.

104. Similarly, rice cultivation is affected throughout the province except in Upper Dir and Shangla, while the production of citrus, apples and peer is gradually decreasing

due to climate change. Maize was affected due to the shortage of water and rise in temperature in Lakki Marwat, Nowshera and Lower Dir districts.

105. Discussions with the Agriculture Department and farmer groups revealed that rainfall pattern has changed in D. I. Khan. Rain showers during pollination and harvesting of date palm cause loss of about 30 to 40 percent. Rains during mango pollination period cause malformation of fruit and decrease production. Also, late cotton sowing is more beneficial now than the traditional sowing period. Abrupt changes in day and night temperatures adversely date palm production in D.I. Khan.

Climate Risk Screening

106. RETP is focusing on agribusiness through PFOs and 4Ps development under Component -1 in the province. The project will develop 550 new or restructured Professional Farmer Organizations (PFOs) with 300 - 700 producers per organization. The sub-component on Agro Value Chain 4Ps development will develop 20 4Ps, with a minimum of 1,000 producers per 4P. The second component on Economic Graduation and Employment will support around 200,000 ultra-poor and poor households with limited access to land and with a specific focus on women (50 per cent) and youth (50 per cent) to develop their skills to become employable or to create their own employment / business in order for them to improve significantly and in a sustainable way their livelihood. As such there is no hard core infrastructure or civil works involved to be affected by climate induced hazards such as floods and GLOFs etc.
107. Overall, the province has experienced floods, droughts and GLOFs in various parts in the past and may face the same in the future as well. The northern and central regions are usually faced with the challenges of floods while the arid southern part experiences droughts. As discussed in the foregoing paragraphs, changes in temperatures, rainfall patterns and intensities have advantaged and disadvantages depending upon the agro climatic zones of the province and, therefore, different mitigation measures suiting local conditions will have to be adopted.
108. The project area's exposure to climate change is high to substantial but the nature of interventions is such that its impact will be moderate to low. Any proposed future interventions by PFOs and 4Ps will be subject to screening and will be implemented under appropriate guidelines and SOPs.
109. **Risk analysis.** There may be some environmental ad climate related risks which may impact the project, however, appropriate mitigation measures have been proposed to minimize the impact. Environmental, Social and Climate Change impacts and mitigation measures for various activities and sub-projects are provided in the following Table. Please see more detailed Matrix of Social, Environmental and Climate Risk Factors and Mitigating Measures at Table 1 of APPENDIX-3.

Context	Risks	Mitigations
Vulnerability to environmental conditions	Rural population is faced with inherent vulnerability to weather causing variability of monsoons, erosion and its impact on water reservoirs, and extreme events including floods and droughts.	The project activities will make the best use of climate sensitive resources and will put in place measures within its components to minimise any risks. Some proposed mitigation actions include appropriate screening for climate smart agriculture, food and fruit processing facilities and other subprojects to be proposed by PFOs , and capacity building of government staff and beneficiaries for reduction of

		risk level and building resilience.
Vulnerability to climate change impacts	Present and projected climatic patterns and trends for precipitation and temperature indicate that frequent and intensified extreme weather events will occur resulting in food insecurity, degradation of ecosystems. However, most of the proposed activities under the project are soft in nature and are not going to be substantially impacted by climate change.	The project will ensure prioritization and selection of activities in line with the provincial government's climate change policy. Support will be provided to small holder farmers with knowledge, skills, crop choices, selection of technologies and practices in different locations and agro-climatic condition to minimize climate change impacts. Approval of interventions would be subject to an environmental/climate screening process to ensure that the interventions are climate friendly/resistant and do not have adverse social or environmental impact Project will further initiate a detailed and robust analyses for natural resource base and foreseen climatic impacts during the design stage; that will guide and inform better design of interventions.
Biodiversity Conservation	There is moderate risk of threat to or the loss of biodiversity, availability of diversified nutritious food, ecosystems and ecosystem services, or the unsustainable use/production of natural resources.	The project is unlikely to have adverse impacts on biodiversity as investments will be made in eco-friendly and climate smart and sustainable technologies for agriculture and livestock. Communities will be sensitised concerning biodiversity conservation. There will be no activities national parks and protected areas.
Resource Efficiency and Pollution Prevention	There is low risk of causing pollution to air, water, and land, and inefficient use of natural resources that may threaten people, ecosystem services and the environment.	If required, the project will invest in various measures that will promote resource efficiency including efficient water use and climates smart technologies for agriculture and livestock production, sustainable livestock production.
Cultural Heritage	: No risk envisaged	
Indigenous People	Not applicable and no risk envisaged.	
Labour and Working Conditions	The risk that the project may cause exploitative labour practices like in kind community contributions of labour are left to the chronically, extreme and vulnerable poor.	The risk will mitigate, as practiced in other IFAD financed project, through exempting the chronically, extreme and vulnerable poor (BISP Poverty Score Card Category 0-16) from any cash or in kind contributions.

Community Health and Safety	In general, the nature of project interventions is such that they do not envisaged risks of significant negative impacts on community health and safety. High nutrition value foods are expected from the project for households and communities. Exposure to spread of COVID 19 in group meetings and training may pose a minor risk.	Any sub-projects of PFOs will be subject to screening. When required, pesticides and other chemicals will be used with all precautionary measures. For COVID 19, mitigation measures will include awareness creation and sensitization and following most updated Government/WHO related guideline and standard operating procedure for social distancing, wearing of masks and regular disinfection of frequently used areas/surfaces etc..
Physical and Economic Resettlement	There is no probability of any resettlement or economic displacements	
Greenhouse Gas Emissions	The risks of any significantly increase greenhouse gas (GHG) emissions and thereby contribute to anthropogenic climate change, are minimal.	No specific mitigation measures are required.
Vulnerability of target populations and ecosystems to climate variability and hazards	About 80 percent of KP population is rural depending mostly on the on farm and off farm sectors. The effects of climate change are being felt across ecosystems with adverse impacts on natural resources and the livelihoods. Declining water availability and soil degradation is impacting agriculture at a time when demand for agricultural products continues to rapidly rise due to population growth and improving diets. The poor are likely to be hit hard by climate change, and their capacity to respond to climate change is lowest.	To reduce exposure to the inherent risks, the project will apply promotion of production technologies that reduce exposure to increased variability as well as investment in climate smart technologies. Awareness raising and building resilience particularly among the poor will be a key capacity building intervention. All proposed interventions will undergo climate screening checklist/criteria before implementation to ensure required adaptability at design stage employing needed mitigation measures during implementation. Further a planned detailed analysis on climate (as described above) at project early stage will better guide in designing the climate smart interventions.
Stakeholder Engagement/Coordination	Stakeholder engagement and coordination risks are low as the project will use the successfully tried and tested institutional arrangements for stakeholder consultation during the project cycle and coordination among and between implementation agencies and stakeholders. The province has long history of implementation of donor funded participatory integrated development projects.	The project design and its institutional arrangements are based on extensive discussion with government and lessons learnt. Key stakeholders include the government planning and development and line departments, NGOs/Rural Support Programmes, existing community organisations/groups and private sector engaged in agriculture value chain. The Project Steering Committee will facilitate provincial level coordination and mechanisms have been put in place at operational/field

		level for inter departmental, NGOs/RSPs, private sector and community level coordination
	There is minimum risk related to selection of the target group and their participation poor, smallholder farmers, women and, youth) in the project activities.	Selection of target group and households particularly the extreme, chronically and vulnerable poor, will be guided by BISP Poverty Scorecard. IFAD has successfully used this strategy for poverty reduction and smallholder agriculture development and is being adopted across the country by government and donors
Stakeholder Grievances	The risk is low as the preparatory development approach warrants that beneficiaries, target groups and stakeholders can lodge grievances and have corrective measures taken by the project.	The tried and tested participatory development model prevailing in the province and beneficiary feedback mechanisms through regular community organisations conferences and participatory M&E are affective tools for grievance redressal and corrective measure by the project. Additionally, most parts of the province have a traditional alternative dispute resolution system called Jirga for individual and community level grievance redressal and dispute resolution.

APPENDIX-1

SECAP - Environmental, Social and Climate Risk Screening

1. IFAD classifies all projects into one of three environmental and social categories (A, B or C) and one of three climate risk classifications (high, moderate and low). Determination of the category and classification also depend on the national requirements and the existing national capacity to promote and implement environmental and social mitigation measures.
2. A positive response to any question between 1 and 22 (see questions below) categorizes the project as A. Similarly, a positive response to question 23 to 38 categorizes the project as B. In case all answers are negative, the project will be categorized as C.
3. The checklists for environmental and social and climate risks is attached herewith where the RETP-KP project has been rated as Category B.

Guiding questions for environment and social screening	Yes/no	Comments/explanation
Category A – the following may have significant and often irreversible or not readily remedied adverse environmental and/or social implications.		
Project location		
1. Would the project develop any wetlands? (Guidance statement 1)	No	
2. Would the project cause significant adverse impacts to habitats and/or ecosystems and their services (e.g., conversion of more than 50 hectares of natural forest, loss of habitat, erosion/other form of land degradation, fragmentation and hydrological changes)? (Guidance statements 1, 2 and 5)	No	
3. Does the proposed project target area include ecologically sensitive areas, ⁷ areas of global/national significance for biodiversity conservation, and/or biodiversity-rich areas and habitats depended on by endangered species? (Guidance statement 1)	No	The project covers the entire province which has national parks and wildlife reserves but, there are no activities under the project that will affect these areas in any way.

⁷ “Sensitive areas” include: protected areas (national parks, wildlife/nature reserves, biosphere reserves) and their buffer zones; areas of global significance for biodiversity conservation; habitats depended on by endangered species; natural forests; wetlands; coastal ecosystems, including coral reefs and mangrove swamps; small island ecosystems; areas most vulnerable to climate change and variability; lands highly susceptible to landslides, erosion and other forms of land degradation, areas that include physical cultural resources (of historical, religious, archaeological or other cultural significance), and areas with high social vulnerability.

4. Is the project location subjected to major destruction as a result of geophysical hazards (tsunamis, landslides, earthquakes, volcanic eruptions)?	No	The project covers the entire KP province where hazards may occur in specific locations, however, the project is financing soft activities and no civil works are involved to be affected by geophysical hazards
Natural resources		
5. Would the project lead to unsustainable natural resource management practices (fisheries, forestry, livestock) and/or result in exceeding carrying capacity. For example, is the development happening in areas where little up-to-date information exists on sustainable yield/carrying capacity? (Guidance statements 4, 5 and 6)	No	
6. Would the project develop large-scale ⁸ aquaculture or mariculture projects, or where their development involves significant alteration of ecologically sensitive areas?	No	
7. Would the project result in significant use of agrochemicals which may lead to life-threatening illness and long-term public health and safety concerns? (Guidance statement 14)	No	The project will be supporting agribusiness activities but will not be involved in any direct or significant use of agrochemicals
8. Does the project rely on water-based (groundwater and/or surface water) development where there is reason to believe that significant depletion and/or reduced flow has occurred from the effects of climate change or from overutilization? (Guidance statement 7)	No	
9. Does the project pose a risk of introducing potentially invasive species or genetically modified organisms which might alter genetic traits of indigenous species or have an adverse effect on local biodiversity? (Guidance statement 1)	No	
10. Does the project make use of wastewater (e.g., industrial, mining, sewage effluent)? (Guidance statement 7)	No	

⁸ The size threshold to trigger an Environmental and Social Impact Assessment (ESIA) may vary based on the country context and fragility of specific locations. Some countries have regulations on minimum size (usually ranging from a unit area of 10 to 50 hectares) and these will be adopted where they exist. However, where there are no standards, it is proposed to use 25 hectares as an aquaculture unit size to trigger an ESIA.

Infrastructure development		
11. Does the project include the construction/ rehabilitation/upgrade of dam(s) and/or reservoir(s) meeting at least one of the following criteria? <ul style="list-style-type: none"> - more than 15 metre high wall; - more than 500 metre long crest; - more than 3 million m³ reservoir capacity; or - incoming flood of more than 2,000 m³/s (Guidance statement 8)	No	No infrastructure related activities in the project.
12. Does the project involve large-scale irrigation schemes rehabilitation and/or development (more than 100 hectares per scheme)? ⁹ (Guidance statement 7)	No	
13. Does the project include construction/ rehabilitation/upgrade of roads that entail a total area being cleared above 10 km long, or any farmer with more than 10 per cent of his or her private land taken? (Guidance statement 10). Will the works entail temporary and/or permanent resident workers?	No	
14. Does the project include drainage or correction of natural waterbodies (e.g., river training)? (Guidance statement 7)	No	
15. Does the project involve significant extraction/diversion/containment of surface water, leaving the river flow below 20 per cent environmental flow plus downstream user requirements? (Guidance statement 7)	No	
Social		
16. Would the project result in economic displacement ¹⁰ or physical resettlement of more than 20 people, or impacting more than 10 per cent of an individual household's assets? (Guidance statement 13)	No	No infrastructure and, therefore, no displacement or resettlement
17. Would the project result in conversion and/or loss of physical cultural resources? (Guidance statement 9)	No	

⁹ The size threshold to trigger an Environmental and Social Impact Assessment (ESIA) may vary based on the country context and fragility of specific locations. Some countries have regulations determining size of irrigation development requiring a full ESIA and these will be adopted where they exist. However, where there are no standards, it is proposed to use 100 hectares as an irrigation development unit size to trigger an ESIA.

¹⁰ Economic displacement implies the loss of land, assets, access to assets, income sources, or means of livelihoods (guidance statement 13).

18. Would the project generate significant social adverse risk/impacts to local communities (including disadvantaged and vulnerable groups, indigenous people, persons vulnerable to GBV and sexual exploitation and abuse and people with disabilities) or other project-affected parties? (Guidance statement 13)	No	Actually, the project activities will increase the income of such communities and will provide skills to their youth for reducing poverty and increasing income.
Other		
19. Does the project include the manufacture and transportation of hazardous and toxic materials which may affect the environment? (Guidance statement 2)	No	
20. Does the project include the construction of a large or medium-scale industrial plant?	No	
21. Does the project include the development of large-scale production forestry? (Guidance statement 5)	No	
Rural finance		
22. Does the project support any of the above (Question 1 to Question 21) through the provision of a line of credit to financial service providers? (Guidance statement 12)	No	
Category B – the following may have some adverse environmental and/or social implications which can be readily remedied.		
Location		
23. Does the project involve agricultural intensification and/or expansion of cropping area in non-sensitive areas that may have adverse impacts on habitats, ecosystems and/or livelihoods? (Guidance statements 1, 2 and 12)	No	There are no such activities that may adversely impact sensitive areas
Natural resource management		
24. Do the project activities include rangeland and livestock development? (Guidance statement 6)	No	The project's focus is on skill and capacity development for increasing production and incomes.
25. Does the project involve fisheries where there is information on stocks, fishing effort and sustainable yield? Is there any risk of overfishing, habitat damage and knowledge of fishing zones and seasons? (Guidance statement 4)	No	The project activities will not risk fish stock in any way.
26. Would the project activities include aquaculture and/or agriculture in newly introduced or intensively	No	No new developments under the project and there is no coastal in

practiced areas? Do project activities include conversion of wetlands and clearing of coastal vegetation, change in hydrology or introduction of exotic species? (Guidance statement 4)		project area. Aquaculture (fish farming) may be involved in the existing area by PFOs.
27. Do the project activities include natural resource-based value chain development? (Guidance statements 1, 6 and 12)	No	
28. Do the project activities include watershed management or rehabilitation?	No	
29. Does the project include large-scale soil and water conservation measures? (Guidance statements 1 and 5)	No	
Infrastructure		
30. Does the project include small-scale irrigation and drainage, and small and medium dam subprojects (capacity < 3 million m ³)? (Guidance statements 7 and 8)	No	
31. Does the project include small and microenterprise development subprojects? (Guidance statements 12 and 13)	Yes	The project may involve in small enterprise development depending upon business plans of PFOs. However, no activity will involve physical or economic displacement.
32. Does the project include the development of agroprocessing facilities? (Guidance statements 2, 6 and 12)	No	The project will not develop agrochemicals, however, but PFOs may opt for community level development of fruit, vegetable or dairy processing units.
33. Would the construction or operation of the project cause an increase in traffic on rural roads? (Guidance statement 10)	No	
Social		
34. Would any of the project activities have minor adverse impacts on physical cultural resources? (Guidance statement 9)	No	
35. Would the project result in physical resettlement of 20 people or less, or impacting less than 10 per cent of an individual household's assets (Guidance statement 13)?	No	
36. Would the project result in short-term public health and safety concerns? (Guidance statement 14)	No	

37. Would the project require a migrant workforce or seasonal workers (for construction, planting and/or harvesting)? (Guidance statement 13)	No	
Rural finance		
38. Does the project support any of the above (Question 23 to Question 37) through the provision of a line of credit to financial service providers? (Guidance statement 12)	No	

Guiding questions for climate risk screening

	Yes	No	Additional explanation of "yes" response*
1. Is the project area subject to extreme climatic events, such as flooding, drought, tropical storms or heat waves?	Yes		The project covers all 35 districts of the province including areas vulnerable to flooding and droughts. Increase in water availability will be observed in the near future causing floods, but decrease in medium future and after 2050 causing droughts.
2. Do climate scenarios for the project area foresee changes in temperature, rainfall or extreme weather that will adversely affect the project impact, sustainability or cost over its lifetime?	Yes		There will be changes in temperature and rainfall. By 2050, the temperature in the Province is expected to increase throughout the year by 1-1.5 °C. The rainfall projection indicates that the summer monsoon will bring much more rain in 2050 than in 1960-1995 and the winter monsoon slightly less.

3. Would the project make investments in low-lying coastal areas/zones exposed to tropical storms?		No	No low lying coastal areas in KP.
4. Would the project make investments in glacial areas and mountains zones?	Yes		The northern part of KP is mostly mountainous and is famous for orchards and fruits. Agribusiness will be more rewarding there.
5. Would the project promote agricultural activity in marginal and/or highly degraded areas that have increased sensitivity to climatic events (such as on hillsides, deforested slopes or floodplains)?		No	
6. Is the project located in areas where rural development projects have experienced significant weather-related losses and damages in the past?		No	Not for projects of this type which do not involve infrastructure and other civil works. There have been very specific localized cases with hard-core infrastructure development projects.
7. Would the project develop/install infrastructure in areas with a track record of extreme weather events?		No	The two components of the project mostly involve farmers' organizations mobilization and capacity building, provision of vocational and skill development trainings. No infrastructure or civil works involved.
8. Is the project target group entirely dependent on natural resources (such as seasonal crops, rainfed agricultural plots, migratory fish stocks) that have been affected by in the last decade by climate trends or specific climatic events?		No	They have other sources of livelihoods as well.
9. Would climate variability likely affect agricultural productivity (crops/livestock/fisheries), access to	Yes		In some cases, productivity may be affected due to

markets and/or the associated incidence of pests and diseases for the project target groups?			floods and droughts which will also affect market accessibility. .
10. Would weather-related risks or climatic extremes likely adversely impact upon key stages of identified value chains in the project (from production to markets)?		No	The project focuses on agribusiness development and training youth in skills for employable trades to generate income. No specific value chains identified at this stage.
11. Is the project investing in climate-sensitive livelihoods that are diversified?		No	
12. Is the project investing in infrastructure that is exposed to infrequent extreme weather events?		No	No such activities envisaged under the project.
13. Is the project investing in institutional development and capacity-building for rural institutions (such as farmer groups, cooperatives) in climatically heterogeneous areas?	Yes		The project will establish PFOs and strengthening FSCs who will be trained in running agri businesses and generating incomes on sustainable basis
14. Does the project have the potential to become more resilient through the adoption of green technologies at a reasonable cost?	Yes		Depending upon the business plans of PFOs, the project has the potential to adopt green technologies at small scales for small holders
15. Does the project intervention have opportunities to strengthen indigenous climate risk management capabilities?		No	
16. Does the project have opportunities to integrate climate resilience aspects through policy dialogue to improve agricultural sector strategies and policies?	Yes		Component-3 of the project provides opportunities for improving such strategies and policies.

17. Does the project have potential to integrate climate resilience measures without extensive additional costs (e.g., improved building codes, capacity-building, or including climate risk issues in policy processes)?			No	
18. Based on the information available would the project benefit from a more thorough accounting of GHG emission ?			No	

*The additional explanation, where possible, will provide the justification for classification.

Consideration should be given particularly to provide additional explanations for questions 13 to 17.

APPENDIX - 2
ENVIRONMENTAL AND SOCIAL ASSESSMENT PROCESS

1. This section describes the process for risk assessment of the potential environmental, social and climate change impact of PFOs and 4Ps sub-projects. The sub-projects will be categorized as per SECAP criteria.
2. **Sub-Project Selection and Screening:** RETP will consider sub-projects with Category B and C only, while screening will be carried out per IFAD screening checklist and following the Rapid Assessment checklist. Screening for environmental and social impacts using the Rapid Assessment Checklist (Attachment A) will be introduced for all subprojects before implementation. The screening process will include: assessing impacts; examining alternatives to minimize the negative impacts; enhancing positive impacts; and compensating for adverse impacts. If the Rapid Assessment Checklist indicates that the possible negative impacts from implementation of the subproject would be minimal and that the positive impacts would certainly outweigh them, further action with respect to environmental and social safeguards will not be required upon approval of the Checklist results by PMU. If the negative impacts are more than minimal or irreversible according to the Checklist, an Environmental Impact Assessment must be conducted and an Environmental and Social Management Plan (ESMP) developed, whose suggested methodology and structure is shown in Attachment B, to mitigate the negative impacts.

3. Attachment A: Rapid Assessment Checklist

“Additional Information” field investigations and visits must be completed when negative impact is identified or expected. For the purpose of allowing examination from various angles, some impacts are addressed more than once through different questions.

Section A: Project Siting Name of staff Date:

Screening Questions	Answer to Questions			Additional Information <ul style="list-style-type: none"> • Project/subproject stage for addressing the impact • Responsibility for addressing the impact • Budget implications • Other
	Yes	No	Not Applicable	
Type, location and area of the sub-project	Type (infrastructure, agro processing, dairy processing, cold storage)			
	The approximate area (ac/ha)?			
	The GPS co-ordinates?			
	The estimated number of population (male, female, aged over 70, aged under 15)?			

	a. Beneficiaries b. Affected	
	Dominant environmental feature (e.g., rainforest, dry forest, savannah, barren land, agricultural land, pasture, other)?	
	Likelihood of recurrent natural disasters (e.g., drought, flood, wildfire, strong wind) in the area?	
	The level of economic resilience?	
Is the project/subproject area in or close to:	Densely populated areas?	
	Cultural heritage sites?	
	Protected areas?	
	Wetlands?	
	Estuarine?	
	Buffer zones of protected area?	
	Special areas for protecting biodiversity?	
	Other	
Will the project/subproject require support facilities (water, electricity, gas, access road etc.)?		
Source and quality of water?		

Section B: Project Environmental Impacts

Screening Questions	Answer to Questions			Additional Information
	Yes	No	Not Applicable	
				<ul style="list-style-type: none"> • Project/subproject stage for addressing the impact • Responsibility for addressing the impact

				<ul style="list-style-type: none"> • Budget implications • Other
Will the project/ subproject cause:	Ecological disturbances or loss of ecological functions due to infrastructure construction?			
	Environmental degradation from any of interventions?			
	Environmental degradation from construction activities and equipment?			
	Accidental release of hazardous chemicals?			
	Increase in generation of solid waste? Whether the design includes safe waste disposal			
	Occupational health hazards due to exposure to dust, hazardous material, noise, etc.			
	Public health risks from solid, liquid, gaseous waste discharges?			
	Changes in water flows?			
	Eventual degradation of surface water bodies?			
	Eventual degradation of groundwater bodies?			
	Soil contamination?			
	Decrease in soil fertility?			
	Air pollution?			

Section C: Social Impacts

Screening Questions	Answer to Questions			Additional Information
	Yes	No	Not Applicable	
Does the project/ subproject:	Operate where property rights on resources (e.g., land and water) are legally and traditionally recognized?			
	Cause changes to land tenure, land use, access to or use of resources?			
	Require land acquisition? - How will the cost be shared between the project and the landowner?			
	Obtain private land with project/community funding and through willing-buyer-willing-seller arrangement?			
	Involve dislocation or involuntary resettlement of inhabitants?			
	Cause modification in technology and land uses, which affect current socioeconomic activities?			
	Increase unemployment?			
	Cause influx of laborers from other areas?			
	Create a possibility of uncontrolled in-migration of people and overloading of infrastructure from improved transportation system?			

	Have disproportionate impacts on the vulnerable groups (e.g., the poor, women, children, indigenous peoples, disabled)?				
	Involve or be complicit in alteration, damage or removal of cultural heritage?				

Section D: Other Considerations

Screening Questions	Answer to Questions			Additional Information
	Yes	No	Not Applicable	
Does the national regulation in country require EIA or ESIA for the activities under the project?				
Does local capacity exist for fulfilment of EIA and ESIA requirements in country/countries affected by the project?				
Does the project address issues that have also been addressed by other projects or approaches?				
What are the project/subproject cumulative or long-term impacts?				
Is it possible to isolate the impacts from the project/subproject for monitoring?				

4. Attachment B: **Suggested Methodology and Structure of Environmental and Social Management Plans:** An Environmental and Social Management Plan (ESMP) will be prepared for each subproject where initial screening demands preparation of such a plan.
5. **Suggested Structure:** A suggested structure of ESMF is as follows:

A. Executive Summary

A summary of the contents and key findings written in a way that is easily understood by the general public. It should be concise, about 3 to 5 pages.

B. Background

Subproject specific background information will be included in this section.

C. Subproject Overview

This section will provide an overview of the subproject and its relation to the project to which the subproject belongs.

D. Objectives

The section will list the objectives of the Environmental and Social Management Plan specific to the subproject, based on its detailed information provided by the appropriate Project Management Unit. The project and subproject details should include their precise nature and scope, site location, activities to be undertaken, and timing and scheduling.

E. Scope of Work

This section should list and describe all national, provincial legislations and regulations as well as IFAD policies that give rise to the Environmental and Social Management Plan. The scope should take into account the nature and the magnitude of the potential impacts in addition to the project location and size.

F. Screening of Environmental and Social Impacts

This section will contain the assessment results of anticipated impacts of the project activities on the environment and the people, including the list of key concerns and potential impacts of the subproject on the environment and the people. The assessment will be the base for deciding whether any auxiliary plan would be required:

G. Baseline information

This section will describe proposed sites and their immediate surroundings with texts, maps, photographs as well as key environmental and social aspects of the sites and surroundings, such as demography, ethnicity, socio economic activities, occupation and livelihoods, land form and land use, land ownership, water resources, settlements, critical habitat or protected areas, formal and informal groups, methods of communication and transport, cultural heritage sites or graveyards, sensitive receptor such as schools, hospitals and access routes. The section will also include baseline data necessary to monitor all key environmental and social impacts identified through screening.

H. Environmental and Social Impacts

This section will outline both positive and negative impacts, including cumulative ones, of the subproject by each type of intervention, assess the severity of these impacts and the range of measures required to avoid (mitigate, in case avoiding is not possible) the negative impacts and enhance positive ones.

I. Stakeholder Consultations and Information Disclosure

This section will describe the objective, process, and outcome of the stakeholder consultations---with community members, relevant local and provincial officials, and NGOs with experience in the area---that are carried out during the ESMP preparation. The emphasis will be on the concerns and suggestions regarding the subproject and its potential impacts.

This section will also list all project and subproject information shared with the stakeholders during the preparation of the plan and arrangements for disclosing subproject information.

J. Mitigation and Monitoring Plan

The section will describe all impacts (including cumulative ones), mitigation measures for each impact, indicators for each impact, the parties responsible for implementing each mitigation measure, and the parties responsible for monitoring each indicator. A single indicator may be monitored in different ways by multiple stakeholders to allow maximum

participation of various stakeholders, and subsequently enhanced ownership and implementation of the project.

K. Capacity Assessment and Training

This section will detail capacity assessment among the relevant officials and other stakeholders on implementing environmental and social management plan. It will also include a plan to enhance the capacity of the stakeholders while implementing the subproject and the ESMP.

L. Cost Estimates and Sources of Funds

The section will indicate cost estimates and sources of funds for institution development activities, training programs for implementation teams and local institutions, technical assistance to authorities, costs for preparation of ESMP and other safeguard documents, and their implementation.

EXCLUSION LIST

6. The criteria for exclusion of sub-projects are provided in the following Table:

No.	Negative sub project list
	The proposed RETP will automatically exclude sub-projects that:
1	Require acquisition of land and physical or economic displacement of any number of people
2	Block the access to or use of land, water points and other livelihood resources used by others
3	Encroach onto fragile ecosystems, marginal lands or important natural habitats of national or international importance (e.g., ecologically sensitive ecosystems; protected areas; natural habitat areas, forests and forest reserves, wetlands, national parks or game reserve; any other environmentally sensitive areas) without adequate mitigation measures
4	Impact on physical cultural resources of national or international importance and conservation value

7. In addition to the above, sub-projects that would be categorised as Category "A" sub-projects based on the SECAP should be avoided in order to limit the costs of further EIA work that may be required. However, if sub-project of high economic value is identified, the necessary EIA work should be done and the project carried out.
8. **Approval of Environmental and Social Work:** The completed screening form along with any additional planning reports will be forwarded to the review authority, which is the Environmental Protection Agency (EPA), Khyber Pakhtunkhwa. The review team will be assisted by environmentalists from the PMU to make sure that all the requirements are in place to avoid delays.
9. The first step in the approval process is to determine if all the relevant information has been provided, and that it is adequate. EPA will also check if the technical team has thoroughly considered all environmental and social issues with regards to the identification of potential adverse effects arising from the sub-project as well as mitigating measures to adequately address negative impacts.

10. Based on the desk appraisal and if needed, the field appraisal, EPA will grant approval, and monitor the mitigation measures during implementation.
11. **Quarterly and Annual Monitoring and Reviews:** Environmental and social monitoring needs to be carried out during the implementation of the sub-projects. Monitoring of the compliance of sub-project implementation with the mitigation measures set out in the sub-project's ESMP will be carried out jointly by the RETP PMU and its regional offices and the implementing partners team. The projects concerned staff should supervise the monitoring activities which should be reported quarterly and annually during the implementation phase.
12. Compliance monitoring comprises on-site inspection of activities to verify that measures identified in the ESMP are being implemented. This type of monitoring is similar to the normal tasks of a supervising staff whose task is to ensure that the Contractor is achieving the required standards and quality of work. The appointed environmental and social safeguards specialists will have the responsibility of conducting the environmental and social inspections. Quarterly and an annual inspection report must be submitted (together with the monitoring report) to the IFAD for review and approval.
13. **Monitoring Indicators:** In order to be able to assess the effectiveness of the proposed mitigation measures for the impacts that will arise from the potential project activities, the dedicated staff from PMU, regional offices and implementing partners will conduct regular monitoring of all the sub-projects. The overall performance and effectiveness of the project can be assessed through monitoring the following indicators:
 - Area (hectares/acres) of vegetation clearance;
 - Incidences of work-related illnesses at construction sites or project areas.
 - Incidences of work-related injuries at sites
 - Number of pit latrines for excreta disposal for workers;
 - Number of agro- infrastructure rehabilitated;
 - Number of direct beneficiaries;
 - Quality of construction materials for the agricultural, agro-processing infrastructure;
 - Quality of water discharged from the establishments;
 - Number of employment opportunities for locals;
 - Number of new employees engaged by the project;
 - Ratio of men to women employed by the project (ensure equity in the recruitment processes);
 - Percentage of youth engaged in the projects;
 - Number of safeguards training courses conducted for all staff including extension officers;
 - Number of safeguards training courses conducted for beneficiaries;
 - Ratio of men to women trained (ensure equity in the training processes);
 - Implementation of the public consultation plan;
 - Institution of planned maintenance of machines and infrastructure;
 - Number of climate smart technologies adopted;

- Area of degraded land reported and or restored;
- Area of land under climate smart agriculture;
- Quantity of pesticides and fertilizer used;
- Use of IPM;
- Water and soil conservation structures established;
- Climate change coping mechanisms, and adaptation strategies employed.

APPENDIX - 3
ENVIRONMENTAL AND SOCIAL MANAGEMENT PLAN

1. **Environmental and Social Management Plan:** The ESMP provides guidelines for the management of potential environmental and social impacts together with climate change aspects of the project interventions. The ESMP identifies parties responsible for monitoring actions, and any training or capacity building needs, Mitigation measures have been identified to reduce present and potential impacts associated with the proposed activities. Social mitigation includes the measures creating awareness and proper mobilization, proper participation of members in the planning and implementation of activities, inclusion of women etc. to mitigate effects of local disagreements and conflicts. Physical mitigation includes measures that address impacts to the physical environment, such as biological communities, vegetation, water resources, air quality and others.
2. The project does not involve infrastructure and other civil works development, however, there are chances that the FPOs might go for establishing fruit, vegetable or dairy processing units at local level. Generally, fruit processing (canning, drying, freezing, and preparation of juices, jams, and jellies) steps include preparation of the raw material (cleaning, trimming, and peeling followed by cooking, canning, or freezing. Plant operation is often seasonal and typically generates volumes of effluents and solid waste. The effluents contain high organic loads, cleansing and blanching agents, salt, and suspended solids such as fibres and soil particles. They may also contain pesticide residues washed from the raw materials. The main solid wastes are organic materials, including discarded fruits. Odour problems can occur with poor management of solid wastes and effluents.
3. Environmental impacts associated with a dairy processing unit are generation of waste and wastewater. Once started, it is a regular full time activity to be monitored regularly to avoid environmental impacts. Wastewater and packaging material waster are generated that need to dispose-off properly to avoid any contamination especially water resources. Quality control mechanisms to be in place from processing to storage and to consumer.
4. Details of the ESMP and mitigation measures are provided in the Table 3, while climate change adaptation and mitigation measures are provided in Table 1, 2.

Table 1. Social, Environmental and Climate Risk Factors and Mitigating Measures

Main themes	Social/Environmental/Climate Risk Factors	Mitigation Measures at the design stage
Social Mobilization and Development (such as participatory planning, selection of target area and intervention, agri-business development	<u>Social:</u> <ul style="list-style-type: none"> ✓ Clear mechanism for social mobilization based on predetermined criteria for selection of members is not institutionalized/ defined ✓ Community participatory planning 	<u>Social:</u> <ul style="list-style-type: none"> ✓ Well-defined community mobilization and development mechanism will be ensured ✓ Participatory planning and design will be ensured (particularly participation of women will be ensured) ✓ Community organizations will ensure coordination with local government department

Main themes	Social/Environmental/ Climate Risk Factors	Mitigation Measures at the design stage
	<ul style="list-style-type: none"> ✓ is not institutionalized/ defined ✓ Limited awareness of the community about the project goals and objectives ✓ Limited scope for gender based community development ✓ Poor strategies for involvement of women ✓ Lack of awareness about Farm Services Centres and limited accessibility to cooperatives ✓ Lack of clarity about the role and responsibility of FOs <p><u>Environmental and Climate:</u></p> <p>Office establishment</p> <ul style="list-style-type: none"> ✓ Location; Easily accessible to all ✓ Noise and dust pollution during construction ✓ Labour and staff protection and safety at risk ✓ Disposal of debris and other solid waste ✓ Noise and air pollution due to due to operation of generators) ✓ Adverse effect on plants and shrubs ✓ Vehicles parking and movement may adversely affect movement of pedestrians, animals, and birds ✓ Inadequate solid waste disposal 	<ul style="list-style-type: none"> ✓ Role of and access to various community development facilities will be made clear to the community through consultations, meetings and seminars ✓ Technical and business support will be provided to cooperatives including business plan development Clarity about the role and responsibilities made <p><u>Environmental and Climate:</u></p> <ul style="list-style-type: none"> ✓ Ensure easy access with transport availability and on main road ✓ Measures taken to avoid noise and dust pollution ✓ Use of PPEs and other safety measures taken care of ✓ Good quality and well-maintained generators installed ✓ Smooth and calm operations of office.to avoid inconvenience to neighbourhood including due to vehicles parking and movement ✓ Maximum care exercised to protect plants etc ✓ Adequate disposal of solid waste material will be ensured ✓ Proper sewerage and drainage will be ensured

Main themes	Social/Environmental/ Climate Risk Factors	Mitigation Measures at the design stage
	<ul style="list-style-type: none"> ✓ Poor sewerage and drainage system 	
Establishment and Operation of PMU and Regional offices	<p><u>Social:</u></p> <ul style="list-style-type: none"> ✓ Location and accessibility ✓ Community access to PMU/regional offices is not available or limited ✓ Unavailability of Community complaint mechanism at PMU/Regional offices ✓ Lack of mechanisms for participatory planning (particularly involvement of women) <p><u>Environmental and Climate:</u></p> <ul style="list-style-type: none"> ✓ Noise and dust pollution during construction ✓ Labour and staff protection and safety at risk ✓ Disposal of debris and other solid waste ✓ Noise and air pollution due to due to operation of generators) ✓ Adverse effect on plants and shrubs ✓ Vehicles parking and movement may adversely affect movement of pedestrians, animals, and birds ✓ Inadequate solid waste disposal ✓ Poor sewerage and drainage system 	<p><u>Social:</u></p> <ul style="list-style-type: none"> ✓ Ensure easy access with transport availability and on main road ✓ Easy community access to PMU/Regional ensured with phone and email address widely circulated and displayed in PFOs offices, ✓ Participatory planning and design to be considered a pre-requisite (particularly participation of women will be ensured) ✓ Adequate complaint registration and redressal mechanism to be operationalized <p><u>Environmental and Climate:</u></p> <ul style="list-style-type: none"> ✓ Measures taken to avoid noise and dust pollution ✓ Use of PPEs and other safety measures ensured ✓ Good quality and well-maintained generators installed ✓ Smooth and calm operations of office.to avoid inconvenience to neighbourhood including due to vehicles parking and movement ✓ Maximum care exercised to protect plants etc ✓ Adequate disposal of solid waste material will be ensured ✓ Proper sewerage and drainage will be ensured

Main themes	Social/Environmental/ Climate Risk Factors	Mitigation Measures at the design stage
Climate smart technologies—HIES, raised beds, land levelling, tunnels, etc. drought resistant varieties	<p>Social:</p> <ul style="list-style-type: none"> ✓ Lack of knowledge and information about new technologies ✓ Selection of appropriate technology ✓ Use of selected technology <p>Environment:</p> <ul style="list-style-type: none"> ✓ Air, water and noise pollution ✓ Oils, grease pour and spill around ✓ Parking ✓ Use of new varieties of fruits, vegetables and other seeds. 	<p>Social:</p> <ul style="list-style-type: none"> ✓ PFOs will organize awareness campaigns about the benefits of such technologies. ✓ PFOs and project staff will help select the right technology for the right interventions ✓ Proper trainings will be organized on the use and maintenance of the proposed technologies and interventions. <p>Environment:</p> <ul style="list-style-type: none"> ✓ Machinery will be properly used and maintained to avoid and minimize any pollution ✓ Ensure proper packing and handling of oils and lubricants ✓ Vehicles and machines will be properly parked under designated sheds ✓ Certified varieties and seeds will be recommended and used under PFO and project staff/service provider guidance.
Vocational and skill development trainings	<p>Social:</p> <ul style="list-style-type: none"> ✓ Selection of candidates, courses, training institutes ✓ Gender parity ✓ Incentives and facilities for deserving candidates ✓ Number of trainees per class ✓ Location of and accessibility to selected training centre ✓ Language of trainings ✓ Familiarity with the machine/equipment and its use <p>Environment</p>	<p>Social:</p> <ul style="list-style-type: none"> ✓ Criteria developed for selection of providing the right and required training to the right persons in the right institute for getting the employment. ✓ Equal opportunity provided to the women candidates in the selected field ✓ Appropriate number of students per class to receive proper attention and time during lectures and practical ✓ Poor and deserving candidates, especially women, should be provided with incentives and facilities ✓ Preferably local language or Urdu will be used for lectures and teaching material. ✓ Centres should be easily accessible with public transport ✓ Special lectures on the use of machine and equipment with emphasis on precautions.

Main themes	Social/Environmental/Climate Risk Factors	Mitigation Measures at the design stage
	<ul style="list-style-type: none"> ✓ Classrooms with adequate space and facilities for the trainees ✓ Proper seating and audio-visual facilities ✓ Separate washrooms and other facilities for women ✓ Availability of all equipment, tools and material for training 	<p><u>Environment</u></p> <ul style="list-style-type: none"> ✓ Ensure selection of centres with proper facilities ✓ Ensure required facilities for women ✓ Ensure all tools, equipment, electronic and mechanical devices are available
Fruit /vegetable/dairy Processing Plant (example)	<p><u>Social:</u></p> <ul style="list-style-type: none"> ✓ Selection of site ✓ Infrastructure development may affect neighbourhood environment during construction period ✓ Mechanism for members' access to various details and facilities ✓ Limited awareness of member about design and other details ✓ Lack of mechanisms for participatory planning (particularly involvement of women) ✓ Access of and inclusion of poor, marginalized and vulnerable ✓ Local privacy and gender elements ✓ Local community, gender, neighbourhood & stakeholder participation <p><u>Environmental and Climate:</u></p> <ul style="list-style-type: none"> ✓ Noise, dirt, dust and air pollution may raise 	<p><u>Social:</u></p> <ul style="list-style-type: none"> ✓ Participatory and consensus approach for site selection ✓ Adequate project construction planning and scheduling will ensure no adverse impacts on the neighbourhood ✓ Ensure access to information and all details ✓ Access to alternate routes to be ensured during construction period ✓ Participatory planning and design to be ensured (particularly participation of women to be ensured) ✓ Responsibilities for Operation and Maintenance will be well-defined, and spread through workshops and meetings ✓ Access to various facilities and finances will be made clear to members through consultations, meetings and seminars and records availability ✓ Community consent regarding gender elements, particularly privacy of women shall be addressed ✓ Stakeholders consultation including nearby communities, women shall be ensured and their concerns shall be addressed for sustainability <p><u>Environmental and Climate:</u></p>

Main themes	Social/Environmental/ Climate Risk Factors	Mitigation Measures at the design stage
	<ul style="list-style-type: none"> ✓ Labour and staff protection and safety at risk ✓ Material storage and vehicle movement may adversely affect movement of pedestrians, animals, and birds ✓ Lack of essential facilities for labour and workers ✓ Use of chemicals during construction and processing of products. ✓ Improper waste and chemicals disposal during construction and operation of units ✓ Wastewater disposal ✓ Inadequate sewerage and drainage system ✓ Adverse impacts on migratory birds movement ✓ Construction of cold storages (insolation needs) ✓ Storage of fruits for processing ✓ Health and safety ✓ Quality control 	<ul style="list-style-type: none"> ✓ Measures taken to minimize pollution ✓ Use of PPEs and other safety measures ensured ✓ Proper storage of material and vehicle maintenance and movement ensured to avoid inconvenience. ✓ Training on occupational hazards, storage and use of chemicals, on maintenance and operation machinery and vehicles for involved personnel will be organized. ✓ Materials and chemicals that consist of small particles or pieces must be stored in a container with a watertight cover, or if non-reactive with water, may be sprinkled with water for dust control. ✓ All machinery and vehicles must be operated with designated fuel. ✓ Appropriate sign boards will be placed along the routes ✓ Adequate planning of labour and worker camps with WASH, sewerage and drainage system will be ensured ✓ First aid facilities to be provided at site. ✓ Processing units shall not be installed in ecologically sensitive or protected areas ✓ Waste generated shall be disposed of at suitable sites and after treatment to reduce the potential for acidification ✓ Waste treatment and management plan shall be devised and implemented ✓ Eco-friendly energy supply shall be preferred. ✓ Carbon footprint of the processing unit shall be calculated and mitigation measures shall be ensured ✓ Use of water in large quantity shall be avoided and recycled

Main themes	Social/Environmental/ Climate Risk Factors	Mitigation Measures at the design stage
		<ul style="list-style-type: none"> ✓ Processing units shall have proper health & safety arrangements for workers ✓ Ensure quality standards of the product

Climate change adaptation/mitigation measures are provided in following Table.

Table 2: Climate change impacts together with adaptation and mitigation measures.

Main themes	Main challenges under Future Climate Change Scenarios	Adaptation/Mitigation Measures at the design stage	Tentative Cost Estimate
Fruit /vegetable/dairy Processing Plant (example)	<ul style="list-style-type: none"> ✓ GHG emissions ✓ Increased water use 	<ul style="list-style-type: none"> ✓ Inclusion of climate change assessment during infrastructure design. ✓ Climate resilient design of infrastructure ✓ Awareness raising of the farmers and line departments (through trainings and seminars) on climate change and its impacts ✓ Construction and curing of concrete need adequate care and consideration due to expected rise in temperature ✓ Sheds and first aid should be made available at sites for labours (to protect them from heatwaves and hot weather) 	USD 7000 to 10000 per plant.

Table - 3: Environmental and Social Management Plan (ESMP)

Key Requirements	Actions	Indicator	Responsibility	Time Frame	Cost/ Budget Source
Environment					
Project (and sub-projects) environmental requirements and responsibilities need to be clearly defined.	Preparation of environmental guidelines for sub-projects.	Environmental guidelines including screening, approvals, mitigation measures and well defined responsibilities.	PMU will be responsible for elaborating and defining details of guidelines and then oversee overall implementation under the project while regional offices will monitor and look after the projects in respective regions. PMU/Regional offices will also support and monitor the implementing partners in sub-projects. The concerned line departments (EPA) are expected to provide guidance and approve sub-projects when submitted	2022-2027	USD 0.20 m

Detailed plans and designs for sub-projects developed. Plans to be endorsed by communities and approved by the project management/social mobilization partners.	Design consultant to prepare detailed plans and designs for sub-projects. Plans to include details of infrastructure development together with financing details including O&M responsibilities. Plans to include detailed social, environmental and climate change assessments. Plans to be approved by the project team and relevant line departments.	Detailed Plans and Designs for sub-Projects. Community and stakeholders Endorsement/consultation undertaken of plans Approval of plans by PMU and Concerned line department (EPA), if required.	Design consultants prepare design in consultation and coordination with PMU/Regional officesPMU reviews the designs and the social, environmental and climate change checklists. Consultation with PFOs and 4P will be required.	project implementation period (2022-2027).	Included in project cost—Comp-1
Environmental mitigation actions, such as solid waste management, water, air and noise quality, eco-system, agro-chemicals, and other hazardous chemicals	Guidelines prepared for reducing environmental impacts for various sub-projects of Component-1	Guidelines prepared Increased awareness and capacity of stakeholders groups	Consultants will prepare the guidelines to be reviewed and approved by PMU. PMU/Regional offices and implementing partners will monitor and implement the	2019 and project implementation period (2022-2027).	Included in project cost —Comp-1

	<p>Training and awareness of stakeholders groups</p> <p>Investment in environmental mitigation measures including safe disposal of waste, chemicals reduction, adoption of IPM .</p>	<p>Sub-project cost includes investment in environmental Mitigation Measures</p>	<p>guidelines and organize trainings and capacity building programs for the concerned stakeholders.</p> <p>PFOs and 4Ps will ensure safe disposal of waste material.</p>		
Implementation of the Environmental and Social Management Plan (ESMP)	<p>Implementation responsibilities to be defined, allocated and costed.</p> <p>Bid Documents and ToRs for the various components need to incorporate the ESMP requirements</p>	<p>Bid documents include requirements for the environment safety and mitigation measures.</p>	<p>PMU to ensure that ESMP requirements are part of the bid documents and that cost is also included in the bid.</p> <p>Contractors will be responsible for the implementation of the guidelines while PFOs/4Ps and implementing partners will monitor under the overall supervision of PMU/Regional offices.</p>	<p>project implementation period (2022-2027).</p>	<p>Included in project cost —Comp-1</p>
Climate Change					
Indepth analysis of	Preparation of	Indepth/Detailed Climate	PMU will have		Included in

<p>Climate change impacts assessment, and adaptation/mitigation measures need to be understood.</p>	<p>indepth/detailed climate change analysis and adaptation/mitigation guidelines for projects.</p> <p>Training for the community and government officials to understand climate change impacts together with adaptation and mitigation measures (awareness granted).</p> <p>Responsibilities and financing for climate change adaptation/mitigation is agreed.</p>	<p>Change Analysis and Adaptation Guidelines</p> <p>Climate change adaptation initiatives are being implemented.</p>	<p>specialized climate change staff to be responsible for climate change related activities including preparation of guidelines.</p> <p>PMU/Regional offices will ensure adaptation and implementation by PFOs/4Ps and implementing partners.</p> <p>Cost for climate related activities included in the design estimates and bid documents of all sub-projects.</p>	<p>2022-2027</p>	<p>project cost – Comp-1</p>
<p>Potential Climate Change Risks are reduced.</p>	<p>Participative and sustainable climate change adaptation/mitigation program is implemented..</p>	<p>Monitoring of climate adaptation/mitigation programs and climate damage.</p>	<p>PMU/Regional offices will ensure that climate change adaptation/mitigation activities under sub-projects are prepared by PFOs in consultation and agreement with</p>	<p>2022-2027</p>	<p>Included in project cost – Comp-1</p>

			concerned members and are then implemented as per design guidelines and requirements		
Social					
A well-defined and strong social mobilization process to facilitate the delivery of programme activities in an inclusive and effective manner	<p>Detailed technical proposal of the social mobilisation partner elaborate mobilization strategy</p> <p>Implementation of the social mobilisation /poverty graduation strategy</p>	Approved social mobilisation plan/strategy/poverty graduation strategy	RSPs and implementing partners will provide detailed methodology and strategy with work plans in their proposals for inclusive and effective social mobilization of the concerned stakeholders in coordination with PMU and regional offices. PMU/Regional offices will monitor and ensure quality of social mobilization.	2022-2027	Included in project cost
Labor standards and	Healthy and safe	All facilities are physically	Implementing		

working conditions	working conditions provided where normal facilities like wash rooms (separate for male and female), personal protection equipments (PPEs), first aid box and clean water are available.	provided and register maintained.	partners ensure all facilities and PMU/Regional offices regularly monitor and check facilities and register.		
Working hours are properly observed	Eight hours working days are observed	Registers are maintained for all staff with in-out timings.	Implementing partners maintain the register, PMU/Regional offices monitor with field visits and checking of registers	2022-27	
Child labour and underpayment	Age of intending labourers to be checked from valid identity cards.	Identity card numbers and mobile numbers entered in daily rosters.	Implementing partners to ensure no underage labourers are hired for any job under the project. All labour are paid per market rates. PMU/Regional offices will regularly monitor by visits, daily rosters and payment receipts.		
Stakeholders participatory planning,	Detailed information and engagement with	Guidelines for stakeholder engagement in design of	Sub-project and activities to be	2022-27	Included in project cost

design and implementation of the sub-projects	stakeholders including farmers, disadvantaged groups, women and youth Final plan and design to be endorsed by representative stakeholders.	sub projects. Documentation of stakeholder engagement and endorsement.	planned by PMU/Regional offices, PFOs and 4Ps will be participatory in all respects from design, planning and implementation. PMU and regional offices will ensure proper social mobilization and awareness of concerned members and their involvement from the beginning till end.		
Gender equitable approaches are developed for improving income, food, nutrition.	Gender equity is adhered in selection/targetting criteria. Training and implementation of the Community Led Empowerment	Gender equity plan prepared.	PMU/Regional offices to ensure the participation of women and extra poor with support from implementing partners according to targets set in the project.	2022-2027	Included in project cost
Monitoring					
Effective consultation and public disclosure of social,	Requirements to be defined in compliance to EPA and IFAD	Public consultation/disclosure effectively documented.	PMU/Regional offices will ensure that all details of sub-	2022-2027	Included in project cost

environmental and climate change documentation	requirements.		projects along with their benefits social, environmental and climate change impacts are shared with all stakeholders. Easy access to record and documentation will be provided to all.		
Overall monitoring and evaluation needs to be coordinated and effective to meet project evaluation requirements.	Monitoring and evaluation requirements would be defined; including physical and financial progress and reporting	Approved plan for monitoring and evaluation include social, environmental and climate change mitigation indicators. Monitoring and evaluation reports.	PMU/Regional offices will supervise and monitor the physical and financial progress of activities by PFOs, 4Ps with the help of implementing partners within the agreed schedules and quality.	2022-2027	Included in project cost
Routine monitoring of social, environmental and climate change risks activities especially progress of ESMP.	Quarterly and annual reports.	ESMP Reports as required	Implementing partners will carry out routine monitoring while PMU/Regional offices will supervise and evaluate the progress.	2022 to 2027	Included in project cost

ATTACHMENT
SUMMARY OF IFAD GUIDANCE STATEMENTS.

GUIDANCE STATEMENT 1 : BIODIVERSITY

Biodiversity or biological diversity refers to the full range and variety of the world's biota, and its living organisms. Biodiversity is usually considered at three levels: (i) generic, (ii) species, and (iii) ecosystem diversity. Conservation of biological diversity aims at maintaining global biological resources to meet the needs of humanity today while ensuring their availability for future generations – a fundamental criterion of sustainable development (IFAD, 2017).

Conservation of biodiversity is a cornerstone of IFAD projects, particularly those for agricultural development. Value chain development projects may also offer opportunities for preserving biodiversity by promoting the sustainable harvesting and marketing of products derived from old plant varieties and breeds (e.g., underutilized species), locally used plants (e.g., medicinal plants) and non-timber forest products. Short value chains supplied by many small producers, who use considerably more species and varieties than larger farms, are more suitable for the conservation of agrobiodiversity than long value chains served by a few large farms with monocultures. In addition, agricultural practices such as mixed cropping and agroforestry have proved beneficial for climate change adaptation and improved agricultural productivity.

IFAD does not implement projects in areas of critical habitats, or which result in conversion or degradation of such habitats. Emphasis will be to identify alternatives and ensure that any potential degradation or conversion is appropriately mitigated. IFAD will protect biodiversity by designing its projects appropriately, ensuring that they are implemented sustainably with full community participation, and providing sound recommendations for improving borrowing countries' agricultural policies.

Biodiversity should be identified at an early stage of project preparation to allow for optimum integration of conservation and development objectives. The following are some of the issues to be considered in this identification process:

- Adopt an ecosystem perspective and multisectoral approach to developmental programmes;
- Promote fair and equitable sharing of costs and benefits from biodiversity conservation and sustainable use at all levels: local, national, regional and international;
- Encourage full stakeholder participation, including partnerships between civil society, government and the private sector;
- Ensure that IFAD programmes and projects are consistent with the wider policy framework, and/or changes are made for supportive policies and laws;
- Ensure that institutional arrangements are effective, transparent, accountable, inclusive and responsive;
- Provide and use accurate, appropriate, multidisciplinary information, accessible to, and understood by, all stakeholders;
- IFAD's investments should be sensitive to, and complement, local and national structures, processes and capacities;

GUIDANCE STATEMENT 2 – AGROCHEMICALS

Increased food production is one of IFAD's central objectives; the use of agrochemicals (mainly fertilizers and pesticides) may be necessary to achieve higher yields per unit area. However, the environmental and social (including health) concerns raised by such use of agrochemicals must be carefully considered (IFAD, 2017).

Agrochemicals include fertilizers, liming and acidifying agents, soil conditioners, pesticides, and chemicals used in animal husbandry such as antibiotics and hormones. The use of agrochemicals has been critical to raising crops for food. However, some of these chemicals cause substantial damage to the environment, ecology and human health, greatly reducing their net benefits.

IFAD projects promote the use of agrochemicals directly, as a project component for increased crop productivity, or – more commonly – indirectly, by increasing the availability of short-term credit for farm inputs or water for irrigation, which encourages increased use of agrochemicals.

Careful selection of the type of agrochemicals and management of their use (timing, dosage, mode of application, etc.) can reduce to acceptable levels the environmental risks they pose while providing the needed benefits for increased production with lower financial and health risk costs.

IFAD projects should strive to improve existing pesticide and fertilizer use by ensuring that the proper institutional, legal and regulatory framework is in place and that sufficient technical and managerial capacity-building is provided for the selection, application, storage, disposal and monitoring of pesticides, which are often hazardous if they are misused or handled improperly.

The use of agrochemicals can also be reduced or eliminated by promoting indigenous farming practices, such as:

- the cultivation of locally adapted crops and varieties, which are often resistant to local pests and diseases;
- the use of locally available natural biopesticides and pest-repellent crops, with adapted cultivation strategies (seeding periods and methods, etc.);
- the use of natural on-farm animal and green manure; and
- the utilisation of organic farming techniques.

Ensuring diversity in the crops and varieties cultivated on a farm, especially indigenous crops, reduces the risk of high-level pest infestations and disease epidemics and facilitates enhanced ecosystem services, including through pollinators and active soil fauna and flora.

GUIDANCE STATEMENT 3 – ENERGY

Worldwide, 2.4 billion people rely on traditional biomass such as fuelwood and charcoal for cooking; 1.3 billion people do not have access to electricity (REN21, 2012). Households expend significant proportions of their disposable incomes, time and labour on low-quality energy sources. This situation entrenches poverty, constrains the delivery of social services, limits opportunities for women, and erodes environmental sustainability at the local, national and global levels (UN-Energy, 2004).

Modern bioenergy technologies can offer a wide range of solutions that are appropriate to rural domestic energy needs (e.g., for cooking on flexi-biogas) or to energy demand for productive uses (e.g., water pumping for irrigation).

Broad and reliable access to energy allows the powering of agricultural and transport equipment, is particularly important for producers who are off the power grid or connected to an unreliable power supply and reduces rural poverty through increased agricultural and labour productivity (IFAD, 2017).

Energy security is receiving increased attention in the IFAD portfolio, which focuses on improving access to energy for domestic, processing and farming purposes, to enhance the quality of life and living standards of poor rural people. In partnership with other entities, and in support of country-owned initiatives, IFAD explores alternative sources of energy for poor people, to reduce their dependence on fossil fuels or traditional biomass

by capitalizing on opportunities to use renewable energy sources at the farm and community levels and promoting low-cost technologies that use local resources to provide energy to rural areas.

Renewable energy is of growing interest because of its potential to diminish reliance on fossil fuels, reduce carbon emissions and mitigate climate change. For example, biogas can provide poor rural people in developing countries with clean and renewable energy all year round. The use of biogas stoves frees women from the need to collect fuelwood, enabling them to undertake other productive activities.

GUIDANCE STATEMENT 4 – FISHERIES AND AQUACULTURE

Fisheries projects can be divided in two groups: (i) capture fisheries (harvest of wild stock); and (ii) culture fisheries or fish farming (freshwater aquaculture, brackish water aquaculture and Mari culture). Capture fisheries include marine operations (offshore and near-shore) and inland operations (rivers and lakes). Fish farming produces more fish than is normally available from wild stock, by manipulating or managing the fish and food resources (by containment in ponds or specific productive areas, creating new or improved use of natural habitats).

The demand for fish has steadily increased over the past five decades and it is no longer possible to meet this demand from wild fish stocks alone. Increased fish production can only be achieved through better management of capture fisheries resources and the aquatic ecosystem and expansion of aquaculture. Aquaculture can improve food security and diversification of livelihoods, thereby reduce households' vulnerability to natural hazards and economic uncertainty. However, aquaculture must be managed responsibly to avoid negative social and environmental impacts, including pollution, damage to aquatic biodiversity, conflicts over resource rights, and marginalization of small-scale actors (IFAD, 2017).

Climate change poses new challenges for the sustainability of fisheries and aquaculture systems all across the globe. Coastal communities are in the frontline of climate change impacts and are vulnerable to sea level rise, extreme weather events, changing distribution and abundance of fish stocks, eroding coastlines, saltwater intrusion, expansion of tourism amenities, and the impacts of ocean acidification on food security and coastal resources.

IFAD's Environment and Natural Resource Management Policy (2011) explains the broad environmental objectives for IFAD fisheries and aquaculture sector interventions to: (i) strengthen fisheries management and the tenure rights of fishing communities to common pool resources; (ii) introduce ecosystem approaches for both fisheries and aquaculture; (iii) restore and develop protected areas; (iv) promote integrated coastal and marine resource management to ensure sustainable fishing practices; (v) invest in retraining and education for fishers to create alternative employment opportunities; and (vi) encourage sustainable forms of aquaculture.

The GS serves to protect the environment from the effects of both capture and fish farming which include over exploitation and habitat destruction. Through this GS, IFAD seeks to achieve the following social, economic and environmental outcomes through investments in fisheries and aquaculture:

- increase food production;
- improve nutrition for fishing and fish farming communities, surrounding communities and extending to the national level;
- increase incomes and employment opportunities, including for youth and women;
- improve the health and quality of life in fishing communities;
- increase national trade and exports of fisheries and aquaculture products;
- reduce the immigration of young fishers to urban areas;

- provide access to financial services for small-scale fishers and fish farmers;
- preserve and strengthen habitats that are important for rejuvenating fish stocks, such as mangroves and coral reefs;
- enhance access to knowledge and sustainable fisheries and aquaculture technologies;
- strengthen policies and institutions for fisheries resource management, tenure and access rights of local people; and
- enhance resilience of coastal communities against climate change and other shocks by incorporating climate change impacts in the design of new fisheries and aquaculture projects.

GUIDANCE STATEMENT 5 – FOREST RESOURCES

Forests have an important role in supporting local and global ecosystem services and providing resources to some 1.6 billion people (UNEP, 2008), due to their highly productive nature. They are used and managed for different – often competing – purposes, such as timber and fuel wood production, Non-Timber Forest Products (NTFPs) collection, watershed management, shelter and food supply for indigenous people (forest dwellers), emergency shelter and food supply for surrounding farming communities or herders, and conservation of biological diversity. Natural stands of trees and shrubs play an important supportive role in savannah pastoralism and are used as a restorative measure for fertility improvement in shifting cultivation. Tree-based production systems do not require the continuous managing of the soil (IFAD, 2017).

Forests equally have untapped potential to lift rural people out of poverty (Sunderlin, Angelsen and Wunder, 2010), providing a source of employment, income, food, energy and housing. Forest-based livelihood activities include livestock grazing, controlled hunting, and the collection of wild fruits and insects, all of which provide highly nutritious resources that can contribute to food security and alleviate dietary deficiencies.

IFAD recognizes the importance of managing forests sustainably to reduce land degradation while improving food security and providing alternative income sources for communities and small farmers. Thus, the GS seeks to protect natural forests from destructive activities such as crop production & logging. It promotes management of natural forests by rural and indigenous communities, who can be provided livelihoods and adequate income generating activities through alternative livelihood activities such as livestock grazing, natural honey collection/production, collection of firewood, medicinal plants, wild fruits & nuts, controlled hunting, etc.

GUIDANCE STATEMENT 6 – RANGELAND-BASED LIVESTOCK PRODUCTION

Livestock production is one of the fastest growing agricultural subsectors in developing countries, Accounting for 30 per cent of agricultural gross domestic product and spurring a demand for animal-source food products that is likely to double in the next 20 years (FAO, 2002). The growth of the sector exerts some pressure on natural resources such as the rangelands for the livestock, and without adequate measures being taken, in rangeland and feed stock management, may lead to an increase in greenhouse gases and thus contribute to climate change (IFAD, 2017).

Rangelands include grasslands, woodland savannahs, open forest (and in some cases cleared areas of closed forests), shrub lands, wastelands, abandoned agricultural areas, and deserts that support domestic ruminants and wild herbivores. The targets of these range areas vary from large-scale commercial ranching to mixed farming or traditional pastoral systems. Hence, depending on the scale of the operation, different measures will be adopted. Rangeland and pastoralist activities are two areas in which IFAD is very active. These areas support a large number of herders and livestock producers, however, open access to these areas has resulted in grave environmental consequences. Over-grazing is

one of the most notorious of these impacts (others include human settlement, roads, and harvesting fuel wood) leading to a loss of surface topsoil and losses in soil fertility.

Managing the environmental and social impacts of the livestock sector requires, at a minimum, disaggregating between extensive and intensive production. In extensive livestock production, the livestock are reared outdoors on natural and semi-natural forage, and in intensive production the livestock, are reared indoors and based on cultivated inputs or by-products. The nature of the environmental impact and the appropriate environmental responses vary entirely between these two broad types of systems (McGahey et al., 2014).

These guidelines address extensive livestock production on rangeland resources, i.e., some form of pastoralism. In developing countries, it is recommended to focus on both greening the intensive livestock sector and capitalizing on the inherent sustainability of pastoralism for local, regional and international markets (McGahey et al., 2014).

The basic guidance and good practices for IFAD interventions in the management of rangeland-based livestock involve promoting and supporting: (i) integrated crop/livestock systems; (ii) development of improved, locally adapted livestock genetics, and avoidance of erosion or loss of animal genetic resources; (iii) pastoral institutions and recognition of tenure rights and customary grazing lands; (iv) strengthened local governance capacity, national governance policy and institutional coherence; (v) livestock diversity; (vi) management and recycling of livestock manure as organic nutrients for restoring soil fertility; and (vii) range restoration, enhancement and sustainable rangelands management.

The primary beneficiaries are poor livestock keepers, particularly those who are economically or socially at risk and politically marginalized, such as rural women, youth, landless poor people, and people for whom animals such as poultry and small ruminants provide, at most, subsistence or a minimum contribution to daily nutritional guidance. IFAD is committed to developing a sustainable livestock sector in which poor farmers and herders might obtain higher incomes and better access to assets, services, technologies and markets. Thus, the GS seeks to promote sustainable rangeland management curbing all these negative impacts.

GUIDANCE STATEMENT 7 – WATER (AGRICULTURAL AND DOMESTIC USE)

Many poor rural people face severe constraints in their access to adequate quantities of good quality water for domestic and agricultural uses. Clean water supplies and sanitation remain major problems in many parts of the world, with 11 per cent of the global population lacking access to safe drinking water. Agricultural production accounts for 70 per cent of global freshwater use, mainly through crop irrigation (IFAD, 2017).

In irrigation, water is managed for agricultural production. Most systems are established to improve crop yields per unit of land. Irrigation systems include: (i) water storage; (ii) water conveyance; (iii) water delivery to plants; and (iv) disposal of drainage water. Irrigation water is conveyed and delivered to plants by gravity, sprinkler or drip irrigation. The setting up of these systems impacts on the environment in many ways. Facilities for drainage of excess water are not always provided in irrigation systems which may lead to water logging and soil salinization.

Water management in agriculture includes projects fed by surface water or groundwater and/or rainfall in irrigation, soil and water conservation, swamp rehabilitation, watershed management, water for livestock, and inland fisheries and aquaculture.

The potential negative impacts of water investments affect several environmental and social aspects and include soil degradation, water quality, public health, effects on flora and fauna and disruption of ecosystem services, particularly when introduced on a large scale. In the near future, accelerating changes in the global climate will cause major alterations in the patterns of the water cycle and the geographical distribution of water,

with significant effects on agricultural activities. Climatic change will have significant consequences on water supply, water systems, infrastructure and agriculture. It could also undermine IFAD's investments and reduce the long-term sustainability of results. Therefore, FAD aims to reduce the vulnerability of water management and infrastructure to current climate variability while also considering the long-term effects of climate. Thus, this GS seeks to protect the environment from the adverse effects that can be inflicted by irrigation schemes.

GUIDANCE STATEMENT 9 – PHYSICAL CULTURAL RESOURCES

For purposes of this guidance statement, physical cultural resources (PCR), also known as cultural heritage or cultural property, may be defined as movable or immovable objects, sites, structures, groups of structures, and natural features and landscapes that have archaeological, historical, religious, spiritual or other cultural significance. As such, PCR may be found almost anywhere, in urban or rural settings, above or below ground, or even under water.

PCR may derive their significance from various sources, whether as part of a community's cultural identity and heritage, as assets for economic or social development, or as sources of valuable scientific or historical information. As a result, their cultural significance may be local, provincial, national, or even international in nature (IFAD, 2017).

Although the likelihood that IFAD programmes and projects will involve or affect PCR is small, in such unlikely cases where PCR is found, IFAD will assist borrowers in avoiding, minimizing or mitigating adverse impacts on PCR in the development programmes and projects that it finances. To this end, IFAD will use due diligence in applying its SECAP to ensure that PCR are properly identified and adequately addressed, and that any measures to protect PCR comply with the borrower's national legislation as well as with its obligations under relevant international treaties and agreements (e.g., UNESCO Convention Concerning the Protection of the World Cultural and Natural Heritage, 1972).

While it is unlikely that IFAD's portfolio of agricultural and rural development programmes/projects will involve or affect PCR, IFAD is committed to identifying and protecting PCR in all its operations. After all, even smallholder agriculture and rural development projects on marginal lands may, depending on location, involve resources of archaeological (e.g., ancient ruins, monuments, prehistoric caves), historical (e.g., original structures, architectural works, historic sites), religious (e.g., churches, mosques, temples, sacred grounds) or cultural (e.g. cemeteries, traditional meeting places) significance. Of particular concern are IFAD programmes/projects: (i) involving significant excavations, demolition, movement of earth, flooding or other environmental changes; and (ii) located in, or in the vicinity of, a PCR site recognized by the borrower. For this reason, IFAD will use its SECAP to ensure that any PCR involved in or potentially affected by an IFAD programme/project are properly identified and adequately protected.

GUIDANCE STATEMENT 11 – DEVELOPMENT OF VALUE CHAINS, MICROENTERPRISES AND SMALL ENTERPRISES

A value chain is a vertical alliance of enterprises that collaborate, to a greater or lesser extent, to bring a product from the initial input supply stage, through the various phases of production, processing and distribution, to the final marketing to consumers

The main goal of IFAD's value chain projects is to integrate target groups (small rural producers) into viable value chains to improve their access to secure markets and to raise their incomes sustainably. These projects finance activities to address constraints to small producers' participation in, and their benefits from, value chains. In general, value chain projects include one or more of three categories of intervention: (i) process/product upgrading; (ii) functional upgrading; and (iii) upgrading of coordination and business models. In practice, these interventions can entail a wide variety of approaches, depending

on local challenges and opportunities. The interventions combine value chain development with development of microenterprises and small enterprises (MSEs) and support small producers' organizations and their capacity for collective action (IFAD, 2017).

Micro and Small enterprise (MSE) development consists of a series of support measures to ease constraints posed by existing MSE policies including, trading laws and regulations, capital and administrative requirements, credit services, legal status etc. Additionally, micro and small enterprise development concentrates on intervention points along the value chain. As such, micro and small enterprise development initiatives do not in and of themselves produce negative environmental impact. They can be used to lessen the impact of small enterprises on natural resources. Several issues feature prominently in this GS:

- Environmental issues associated with value chains fall into two categories: green issues, i.e., enhancement or depletion of natural resources including water, soils and biodiversity; and brown issues, i.e., pollution of air, water and land through the waste generated by production processes;
- A key issue is the capacity for value chain segments to drive positive and negative environmental outcomes in other geographies or for other stakeholders through a cascade along the value chain;
- From a social perspective, well-designed value chain projects can improve social inclusion as well as improve average incomes;
- other two key issues to manage in all value chain projects are gender and food security. Different stages and functions of any value chain will be associated with gender-specific knowledge, assets, decision-making powers and responsibilities;
- Household food security and nutrition may be at risk in value chain designs that emphasize monocropping and commercial sales at the cost of local food access or labour demands.
- Inclusion of youth is also a growing issue in value chains;

GUIDANCE STATEMENT 12 – RURAL FINANCE

Developing inclusive rural financial systems and fostering innovations to increase the access of poor people in rural areas to a wide range of financial services and sound financial institutions is central to IFAD's mandate and key to agricultural and rural livelihoods development. IFAD concentrates on rural microfinance, which refers to the provision of financial services to people with low incomes in rural areas for both on- and off-farm activities. This includes the provision of a wide range of financial services to farming communities, including savings, deposits, money transfers, insurance, and credit. Diverse funding mechanisms such as supplier credit, contract farming, crop and investment loans all provide farmers with external sources of capital during the production cycle (IFAD, 2017).

Rural finance is also used by most farming families to support non-farm income generating activities such as food processing, buying and selling, micro-enterprise, and the migration of family members for seasonal employment in cities. And finally, finance also supports critical life cycle needs such as the education and marriage of children, medical emergencies, housing solutions, and the acquisition of assets for old age. All these have to be done with the environment in mind, so that they do not end up impacting on the environment.

The provision of financial services to poor rural households faces many challenges, including weak infrastructure and low population density located in marginal areas, inherent risks of serving low-income clients living and working in ecologically fragile environments and areas with demarcated natural resources, lack of typical client collateral, the limited capacity of Financial service providers (FSP), and low levels of client education. The overall financial market may be stunted and distorted from subsidized, targeted lending. Taken together, these challenges increase the transaction costs and risks of serving rural areas and require continual attention and innovation. The contemporary

approach to rural finance focuses on building the sustainability of FSPs, thinking beyond the short life cycle of donor-driven projects.

To foster financial inclusion for poor people in rural areas, IFAD's Rural Finance Policy¹ requires compliance with six guiding principles in IFAD-financed rural finance interventions:

- (i) support access to a variety of financial services;
- (ii) promote a wide range of financial institutions, models and delivery channels;
- (iii) support demand driven and innovative approaches, including providing a full range of financial services to poor families who live in degraded areas, which may, for example, support natural resource management practices and alternative livelihoods that are less harmful to the ecosystem;
- (iv) encourage, in collaboration with private sector partners, market-based approaches that strengthen rural financial markets, avoid distortions in the financial sector and leverage IFAD's resources;
- (v) develop and support long-term strategies focusing on sustainability and poverty outreach; and
- (vi) participate in policy dialogues that promote an enabling environment for rural finance. Any deviation from these principles requires clear justification and approval by management.

GUIDANCE STATEMENT 13 – PHYSICAL AND ECONOMIC RESETTLEMENT

This GS provides guidance to country programme managers (CPMs) and country programme management teams (CPMTs) who are envisaging or dealing with activities or interventions that could imply physical relocation or any change in land use and livelihoods options resulting from an investment supported by IFAD that could negatively impact on some elements of IFAD's target groups and the wider communities where they are found. The GS identifies key principles and measures that the Fund should follow in order to minimize potential risks and avoid any possible negative impacts of physical resettlement or economic displacement (IFAD, 2017).

The GS considers resettlement not only as the physical relocation of people but also as restrictions on or loss of access to means of livelihoods. **Physical displacement** refers to relocation, loss of residential land, or loss of shelter, while **economic displacement** implies the loss of land, assets, access to assets, income sources, or means of livelihoods. Physical and economic resettlement could be either agreed/negotiated or involuntary:

- **Involuntary Resettlement:** This is when affected people or communities do not have the capacity to refuse it – because the free, prior and informed consent (FPIC) principle is not properly implemented and they do not have power of choice – or their rights to refuse it are over-ridden by national law or are simply denied.
- **Agreed/Negotiated Resettlement:** This is when, in the respect of the do-no-harm principle and after having properly informed people and gone through the FPIC process, people potentially involved in the resettlement agree on being relocated and/or selling or relinquishing access to assets, against fair and timely compensations for their losses.

IFAD's core mandate is to support the social and economic empowerment of poor rural women and men. As such, it is opposed to any investment that will have a negative impact on its target groups. Should resettlement or economic displacement be envisaged, the FPIC and the do- no-harm principles – which are two pillars of IFAD's Policy "Improving Access to Land Tenure Security Policy"– will be followed at all times and for all its beneficiaries for "any development intervention that might affect the land access and use rights of communities." Thus, IFAD will make sure that

- the "do-no-harm principle" is adhered to at all times.

- The project affected people's free, prior and informed consent has been solicited through inclusive consultations based on full disclosure of the intent and scope of the activities planned and their implications.

GUIDANCE STATEMENT 14 – COMMUNITY HEALTH

This GS concerns itself with the health and safety risks associated with agriculture, as well as the use of improved technology and personal protective equipment (PPE). Generally, there is a lack of knowledge about how farmers are affected by their exposures to the variety of health risks that they are confronted with every day. Even the general improvements in health and safety in the workplace and the implementation of the International Labour Organization policies and procedures have not found their way into the agricultural sector. Furthermore, there is little medical surveillance in this sector, resulting in a lack of credible research data and evidence (IFAD, 2017).

This guidance statement aims to identify the main health issues arising from agricultural projects, the causative factors and potential mitigation measures. A health impact resulting from an IFAD-funded project, plan or programme is a measurable change on the health status of an individual, group or population, which may be attributable to the direct or indirect effects of an agricultural development. The impacts may be intended or unintended and may not become apparent for many years after prolonged exposure, or due to long-term latency in the human body. The main health impacts related to agricultural projects are:

- occupational diseases, disorders and injuries;
- waterborne diseases spread to humans through pathogens in water and on irrigated crops;
- vector-borne diseases caused by habitat change;
- non-communicable diseases;
- nutritional disorders; and
- communicable diseases from interaction between people.

There are a number of occupational health issues associated with agriculture, fishing, aquaculture and forestry projects:

- traumatic injury;
- respiratory illnesses;
- noise-induced hearing loss;
- cancer and other disorders from exposure to chemicals;
- zoonoses;
- dermatoses;
- heat and cold stress; and
- musculoskeletal disorders.

Climate change will cause a number of environmental changes which could affect human health in one or more ways. Where rainfall and flooding are predicted to increase (southeast Asia, Asia, the Caribbean, northern South America and West Africa), there will be an increased risk associated with vector-borne diseases, especially those carried by mosquitoes and ticks.

On the other hand, drought and increasing aridity are inimical to most pathogens, while some, such as cysticercosis, bovine TB, rabies, brucellosis and echinococcosis are unlikely to be sensitive to climate change.

Hotter, drier conditions will result in greater amounts of dust and respiratory illnesses, while these conditions will also increase the risks of heat stroke.

Pakistan

KP Rural Economic Transformation Project

Project Design Report

Annex 6: First Annual Work Plan and Budget (AWPB)

Mission Dates: 5 to 14 April 2021

Document Date: 08/11/2021

Project No. 2000002333

Report No. 5791-PK

Asia and the Pacific Division
Programme Management Department

AWPB (RETP-KP) 2022 (BUDGET CATEGORIES)																		
CATEGORIES	TOTAL BUDGET (PKR Billion)								TOTAL BUDGET (US\$ Million)									
	IFAD Amount	GoKP Amount	Beneficiary Contribution	Total	For Exch.	Local (Excl. Taxes)	Duties & Taxes	IFAD Amount	GoKP Amount	Beneficiary Contribution	Total	For Exch.	Local (Excl. Taxes)	Duties & Taxes	(C)			
I. Investment Costs:																		
A. Civil Works	-		-		-			-		-	-	-	-	-	-	-		
B. Vehicles	0.10	78.50	-	22	-	-	0.10	0.60	-	0.10	0.04	0.90	78.50	0.20	21.50	-		
C. Equipment and Materials	-	78.00	-	22	-	-	-	0.10	-	-	0.00	0.10	78.00	-	22.00	-		
D. Technical Assistance, Trainings and Studies	4.40	45.50	4	42	1	12	9.70	33.10	-	9.20	0.42	28.00	45.50	25.90	42.20	7.60		
E. Grants to Beneficiaries	9.60	56.30	2	9	6	34	17.10	58.80	-	17.00	-	61.60	56.30	10.20	9.30	37.70		
F. Credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Sub-total :	14.10	52.60	5.70	21.20	7.10	26.20	26.90	92.60		26.30	0.46	90.60	90.60	36.30	21.10	45.30	26.30	
Total Investment Costs:																		
II. Recurrent Costs:																		
A. Salaries & Allowances	1	70	0	30	-	-	1	5	-	1.33	0.10	6.40		2.70	-	9.20	4.90	
B. Operating Costs	1	70	0	30	-	-	1	2	-	0.60	0.10	3.10		1.30	-	4.50	2.40	
Subt-total:	1.50	70.00	0.60	30.00	-	-	2.10	7.40		1.93	0.20	9.50	4.00		13.70	7.30	-	
Total Project Costs	15.60	53.90	6.30	21.80	7.10	26.20	29.00	100.00		28.23	0.66	100.10		40.30		185.80	100.00	-
																	181.30	4.56

**Annex-I Detailed Annual Work Plan
Community Development**

Results #	Activity #	Objectives/Expected Results	Indicators		Timetable for implementation				Responsible Unit/ Staff	Implementation targets								Budget (PKR 000)												
			Project Indicators		RIMS Indicators		Q 1	Q 2	Q 3	Q 4	Unit	Appraisal (Total)	Revised (Total)	Planned (Annual)	Unit Cost (PKR)	Achieved (Cumulative)	% Achieved (Annual)	%	Appraisal (Total)	Revised (Total)	Planned (Annual)	Budget Category	Financiers			Spent (Cumulative)	Spent (Annual)	%		
			(A)	(B)	(C)	(D)				(E)	(F)	(G)	(G.a)	(H)	(H.a)	(I)	(J)	(K)	(L)	(M)	(M.a)	(N)	(O)	(P)			(Q)	(R)	(S)	(T)
		Project Goal: To contribute to poverty reduction, nutrition and food security of rural households in Khyber Pakhtunkhwa province.				-	-	-	-	PMU																				
		Beneficiary households reporting improved income				-	-	-	-	PMU																				
		Beneficiary households reporting to have improved their nutrition				-	-	-	-	PMU																				
		Development Objectives: Income of rural households enhanced in a sustainable manner																												
		Households satisfied with project-supported services																												
		Households reporting they can influence decision making of local authorities and project supported service providers																												
	C1:	Agribusiness Development																												
		Outcome 1: Enhanced capacity of smallholder farmers for increased market access (Professional Farmer Organizations and Farm Service Centres)																												
					Supported rural enterprises reporting an increase in profit																									
	A	Output 1.1: Rural producer organisations formed and strengthened																												
		Mobilization and Registration of FOs	Rural Producers' organizations (RPOs) Supported							PMU		550	0	175																
		Business Development Planning								PMU		550	0	175																
		Leveraging FOs Investment								PMU		550	0	175		3 667 000														
	B	Output 1.2: Coaching of producers for increased capacity on business planning, production practices and market advice																												
		Mobilization and Registration of FOs	Persons trained in production practices and/or technologies									35	0	10.5																
		Business Development Planning								PMU		35	0	18																
		Leveraging Investment in FSC								PMU		35	0	18		36 670 000														
	C	Output 1.3: Producer-Public-Private-Partnerships (4Ps) established									Schemes																			
		Mobilization and Match Making	Producers engaged in 4P collaborations							PMU	4P	20	0	6																
		Business Development Planning								PMU	4P	20	0	6																
		Leveraging Private Sector Investment								PMU	4P	20	0	6		18 335 000														
	D	Strengthening Institutional Services																												
		Policy Reforms								PMU	Lumpsum	7	0	1.5		22 800 000														
		Agriculture/Livestock Research Support Services								PMU	Farmer	7	0	1.5		120 840 000														
	E	Agribusiness Mobilization Partner								PMU	Farmer	5	0	1.5		153 900 000														
		Total Component Cost													356 212 000															

Annex 1 - Detailed AWPB Table
Fisheries Development

Results #	Activity #	<u>Objectives/Expected Results</u>	Indicators		Timetable for implementation				Responsible Unit/ Staff	Implementation targets								Budget (PKR 000)												
			Project Indicators	RIMS Indicators	Q 1	Q 2	Q 3	Q 4		Unit	Appraisal (Total)	Revised (Total)	Planned (Annual)	Unit Cost (PKR)	Achieved (Cumulative)	%	Achieved (Annual)	%	Appraisal (Total)	Revised (Total)	Planned (Annual)	Budget Category	Financiers			Spent (Cumulative)	%	Spent (Annual)	%	
			(A)	(B)	(C)	(D)				(E)	(F)	(G)	(G.a)	(H)	(H.a)	(I)	(J)	(K)	(L)	(M)	(M.a)	(N)	(O)	(P)			(Q)	(R)	(S)	(T)
		Project Goal: To contribute to poverty reduction, nutrition and food security of rural households in Khyber Pakhtunkhwa province.																												
	C2	Component 2: Skills development and Employment Promotion																												
		Outcome 2: Improved capacity for obtaining jobs and engage in entrepreneurship																												
A		Output 2.1: Vocational, technical and entrepreneurial skills trainings provided																												
		Vocational/Technical & Entrepreneurship Training	Persons trained in income-generating activities or business management						PMU	Trainee	60000	0	15000	684 000 000																
B		Output 2.2: Provision of start-up capital for establishing business and self-employment																												
		Start up provided for self employment	Start up provided for self employment						PMU	Trainee	42000	0	10500	478 800 000																
		Output 2.3: Number of new job enterants integrated to job market																												
C		Job Market Integration/Internship	Persons receiving support						PMU	Study	25000	0	4000	729 600 000																
		Outcome 3: Increased availability of nutritious food and awareness	Women reporting minimum dietary diversity (MDDW)																											
		Output 3.1: Households provided with nutrition education	Households provided with targeted support support to improve their nutrition																											
D		Outcome 4: Capacity for policy dialogue/reform strengthened (Farmer Services Center Act Cooperatives Act, Seed Act Amended)																												
		Output 4.1: Policy development and reform supported																												
		Job Market Study and Outlook							PMU	Study	2	0	1.5	6 840 000																
		Training Need Assessment of Instructors							PMU	TNA	2	0	1.5	2 280 000																
		Training of Instructors							PMU	Event	8	0	3	1 596 000																
E		Institutional Support Services																												
		Engagement for Job Placement							PMU	Pacements	25000	0	500																	
F		Technical Support Provider(s)							Lumpsum	6	0	1.5	185 820 000																	
		Total Cost Component 2:												2 088 936 000													#REF!	#REF!	#REF!	

Annex 1 - Detailed AWPB Table 2013-14

Project Management Unit

Note: The Vehicles and Equipments against which the Planned Column is given nil/zero, have already been purchased by the Govt: of Balochistan through Bridge Financing.

Annex 1 - Detailed AWPB Table 2013-14

Project Management Unit

	Office maintenance	Months	18	30 000	540 000								
	Subtotal				24 660 000								
4 Travel Costs													
T/A/DA (day)	Days	18		1 095 000	19 710 000								
Rental Vehicles	Veh/Day	18		760 000	13 680 000								
Air Tickets	Numbers	52.5		23 000	1 207 500								
Subtotal					34 597 500								
II 1 Regional Coordination Units													
Regional Coordinator (5)	Months	90		300 000	27 000 000								
Regional M&E Officer (4 Agribusiness 4 Employment Total 8)	Months	144		150 000	21 600 000								
Accountants (5)	Months	90		150 000	13 500 000								
Subtotal					62 100 000								
f. Support Staff													
Office Assistant (5)	Months	90		70 000	6 300 000								
Drivers (20)	Months	360		35 000	12 600 000								
Peon (8)	Months	144		30 000	4 320 000								
Guards (8)	Months	144		25 000	3 600 000								
Sweepers (4)	Months	72		25 000	1 800 000								
Field Consultants	Lumpsum	1.5		25 000 000	37 500 000								
Subtotal					66 120 000								
2 Office Running Costs													
Rent RCU	Months	72		100 000	7 200 000								
Utilities	Months	72		50 000	3 600 000								
Stationery and Supplies	Months	72		50 000	3 600 000								
POL	Months	360		50 000	18 000 000								
Vehicle O&M costs	Months	360		35 000	12 600 000								
Communication, postage, email, internet	Months	72		30 000	2 160 000								
Seminars, Workshops, Meetings	Lumpsum	72		50 000	3 600 000								
Office maintenance	Months	72		15 000	1 080 000								
Travelling and Daily Allowance	Lumpsum	1		2 000 000	2 000 000								
Subtotal					51 840 000								
GRAND TOTAL					551 071 538				0	0	0	#REF!	#REF!

Note: The Vehicles and Equipments against which the Planned Column is given nil/zero, have already been purchased by the Govt: of Balochistan through Bridge Financing.

Results #	Objectives/Expected Results	Indicators		Implementation Targets						Budget (PKR 000)						Comments	
		Project Indicator	RIMS indicator	Approved (total)	Planned (annual)	Achieved (cumulative)	%	Achieved (annual)	%	Appraisal (total)	Planned (annual)	Spent (cumulative)	%	Spent (annual)	%		
AWPB 2022 (Summary)																	
1. Agribusiness Development																	
A	Professional Farmers Organizations (PFOs) Development			3 667 000	-	-	0%	-	0%	-	-	0%	-	0%			
B	Strengthening Public-Private Partnership			18 335 000	-	-	0%	-	0%	-	-	0%	-	0%			
C	Farm Services Center			36 670 000	-	-	0%	-	0%	-	-	0%	-	0%			
D	Strengthening Institutional Services			143 640 000	-	-	0%	-	0%	-	-	0%	-	0%			
E	Agribusiness Mobilization Partner			153 900 000	-	-	0%	-	0%	-	-	0%	-	0%			
Sub-Total				356 212 000	-	-	0%	-	0%	-	-	0%	-	0%			
2. Skill Development & Employment Promotion																	
A	Vocational and Entrepreneurship Training			684 000 000	-	-	0%	-	0%	-	-	0%	-	0%			
B	Startup Capital for Self-Employment			478 800 000	-	-	0%	-	0%	-	-	0%	-	0%			
C	Job Market Integration/Internship			729 600 000	-	-	0%	-	0%	-	-	0%	-	0%			
D	Capacity building for skills development			10 716 000	-	-	0%	-	0%	-	-	0%	-	0%			
E	Institutional support services			185 820 000	-	-	0%	-	0%	-	-	0%	-	0%			
Sub-Total				2 088 936 000	-	-	0%	-	0%	-	-	0%	-	0%			
3. Project Management & Policy Support																	
	Project Management			551 071 538	-	-	0%	-	0%	-	-	0%	-	0%			
					-	-	0%	-	0%	-	-	0%	-	0%			
Sub-Total				551 071 538	-	-	0%	-	0%	-	-	0%	-	0%			
GRAND TOTAL				2 996 219 538	-	-	0%	-	0%	-	-	0%	-	0%			

Total 19 711 971
IFAD Shar 10 644 464

Pakistan

KP Rural Economic Transformation Project

Project Design Report

Annex 7: Procurement Plan for first 18 months

Mission Dates: 5 to 14 April 2021

Document Date: 08/11/2021

Project No. 2000002333

Report No. 5791-PK

Asia and the Pacific Division
Programme Management Department

<i>Non-Consulting:</i>	0.00	0.00
	0.00	0.00

Version 1.0 12-Jun-21			Basic Data										
AWPB/Component Ref	No	Description	Non Consulting	Funding	Lot No/Description	Project Area or Procuring Entity	Plan vs. Actual	Pre-or Post Qualification	Prior or Post Review	Procurement Method	Envelopes	Amount (USD)	Amount (LCU)
		Equipment of PMU											
1		Procurement of DC 4x4 Vehicles for PMU		IFAD	5	PMU - KP	Plan	Post-Qual	Prior Review	NCB	2		40,000,000.00
						Actual						-	-
2		Procurement of 1300cc Cars Vehicles for PMU		IFAD	3	PMU - KP	Plan	Post-Qual	Prior Review	NCB	2		10,500,000.00
						Actual						-	-
3		Motorcycles for PMU		IFAD	2	PMU - KP	Plan	Post-Qual	Prior Review	NCB	2		160,000.00
						Actual						-	-
4		Furniture & Fixture		IFAD	10 Sets	PMU - KP	Plan	Post-Qual	Prior Review	NCB	2		1,000,000.00
						Actual						-	-
5		Computers/Laptops		IFAD	10	PMU - KP	Plan	Post-Qual	Prior Review	NCB	2		1,200,000.00
						Actual						-	-
6		Printers		IFAD	4	PMU - KP	Plan	Post-Qual	Prior Review	NCB	2		200,000.00
						Actual						-	-
7		Heavy Power Generator		IFAD	1	PMU - KP	Plan	Post-Qual	Prior Review	NCB	2		1,000,000.00
						Actual						-	-
8		Photocopier		IFAD	1	PMU - KP	Plan	Post-Qual	Prior Review	NCB	2		350,000.00
						Actual						-	-
9		Air Conditioners (DC Inverter)		IFAD	5	PMU - KP	Plan	Post-Qual	Prior Review	NCB	2		450,000.00
						Actual						-	-
10		Multimedia Projector		IFAD	3	PMU - KP	Plan	Post-Qual	Prior Review	NCB	2		150,000.00

Version	1.0	12-Jun-21	Basic Data										
AWPB/Component Ref	No	Description	Non Consulting	Funding	Lot No/Description	Project Area or Procuring Entity	Plan vs. Actual	Pre-or Post Qualification	Prior or Post Review	Procurement Method	Envelopes	Amount (USD)	Amount (LCU)
	10	Marketing Projector		IFAD			Actual					-	-
	11	Telephone Exchange		IFAD	1	PMU - KP	Plan	Post-Qual	Prior Review	NCB	2		50,000.00
							Actual					-	-
	12	Digital Camera		IFAD	1	PMU - KP	Plan	Post-Qual	Prior Review	NCB	2		100,000.00
							Actual					-	-
	13	Development of Project MIS / Website		IFAD	1	PMU - KP	Plan	Post-Qual	Post Review	NS	2		5,000,000.00
							Actual					-	-
	14	Accounting Software		IFAD	1	PMU - KP	Plan	Post-Qual	Prior Review	DC	1		6,000,000.00
							Actual					-	-
	15	Mobile Phones		IFAD	15	PMU - KP	Plan	Post-Qual	Post Review	NS	2		750,000.00
							Actual					-	-
	Equipments for RCUs												
	1	Procurement of DC 4x4 Vehicles for PMU		IFAD	12	RCU - KP	Plan	Post-Qual	Prior Review	NCB	2		96,000,000.00
							Actual					-	-
	2	Procurement of 1300cc Cars Vehicles for PMU		IFAD	8	RCU - KP	Plan	Post-Qual	Prior Review	NCB	2		28,000,000.00
							Actual					-	-
	3	Motorcycles for PMU		IFAD	4	RCU - KP	Plan	Post-Qual	Prior Review	NCB	2		320,000.00
							Actual					-	-
	4	Furniture & Fixture		IFAD	4 RCUs	RCU - KP	Plan	Post-Qual	Prior Review	NCB	2		4,000,000.00
							Actual					-	-
	5	Laptops		IFAD	16	PMU - KP	Plan	Post-Qual	Prior Review	NCB	2		1,920,000.00
							Actual					-	-

Version	1.0	12-Jun-21	Basic Data										
AWPB/Component Ref	No	Description	Non Consulting	Funding	Lot No/Description	Project Area or Procuring Entity	Plan vs. Actual	Pre-or Post Qualification	Prior or Post Review	Procurement Method	Envelopes	Amount (USD)	Amount (LCU)
6	Desktop Computers		IFAD	8	RCU - KP	Plan	Post-Qual	Prior Review	NCB	2		640,000.00	
					Actual						-	-	
7	3 in 1 Printers		IFAD	8	RCU - KP	Plan	Post-Qual	Prior Review	NCB	2		220,000.00	
					Actual						-	-	
8	Generators		IFAD	4	RCU - KP	Plan	Post-Qual	Prior Review	NCB	2		1,200,000.00	
					Actual						-	-	
9	Photocopier		IFAD	4	RCU - KP	Plan	Post-Qual	Prior Review	NCB	2		1,000,000.00	
					Actual						-	-	
10	Air Conditioners (DC Inverter)		IFAD	12	RCU - KP	Plan	Post-Qual	Prior Review	NCB	2		1,080,000.00	
					Actual						-	-	
11	Multimedia Projector		IFAD	4	RCU - KP	Plan	Post-Qual	Prior Review	NCB	2		600,000.00	
					Actual						-	-	
12	LCD		IFAD	4	RCU - KP	Plan	Post-Qual	Post Review	NS	2		600,000.00	
					Actual						-	-	
13	Digital Camera		IFAD	4	RCU - KP	Plan	Post-Qual	Prior Review	NCB	2		400,000.00	
					Actual						-	-	
14	Miscellaneous		IFAD	4	RCU - KP	Plan	Post-Qual	Post Review	NS	2		1,200,000.00	
					Actual						-	-	

Version 1.0 12-Jun-21			Basic Data								
AWPB/Component Ref	No	Description*	Non Consulting	Funding	Project Area or Procuring Entity	Plan vs. Actual	Shortlist (Yes No)	Prior or Post Review	Procurement Method	Amount (USD)	Amount (LCU)
1	1	Baseline/Gender Assessment		IFAD	All KP selected districts	Plan	Yes	Prior Review	QCBS		5,000,000.00
						Actual				-	-
2	2	Nutrition Sensitive Commodity Chains Prioritization		IFAD	All KP selected districts	Plan	Yes	Prior Review	QCBS		3,426,038.00
						Actual				-	-
3	3	Technical Assistance for Policy Engagement for Regional Agribusiness Platform		IFAD	All KP selected districts	Plan	Yes	Prior Review	ICS		3,040,000.00
						Actual				-	-
4	4	Technical Assistance for Policy Engagement for Establishing Provincial Agribusiness Platform		IFAD	All KP selected districts	Plan	Yes	Prior Review	ICS		3,648,000.00
						Actual				-	-
5	5	Policy Reforms		IFAD	All KP selected districts	Plan	Yes	Prior Review	QCBS		15,200,000.00
						Actual				-	-
6	6	Job Market Study and Outlook		IFAD	All KP selected districts	Plan	Yes	Prior Review	CQS		4,560,000.00
						Actual				-	-
7	7	Technical Support Providers (s)		IFAD	All KP selected districts	Plan	Yes	Prior Review	QCBS		123,880,000.00
						Actual				-	-
PMU Technical and Professional Staffing											
8	8	Project Director		IFAD	All KP selected districts	Plan	Yes	Prior Review	ICS		6,000,000.00
						Actual				-	-
9	9	Agribusiness and Skills Manager		IFAD	All KP selected districts	Plan	Yes	Prior Review	ICS		3,600,000.00
						Actual				-	-
10	10	Employment and Jobs Placement Manager		IFAD	All KP selected districts	Plan	Yes	Prior Review	ICS		3,600,000.00
						Actual				-	-

Version 1.0 12-Jun-21			Basic Data								
AWPB/Component Ref	Nº	Description*	Non Consulting	Funding	Project Area or Procuring Entity	Plan vs. Actual	Shortlist (Yes No)	Prior or Post Review	Procurement Method	Amount (USD)	Amount (LCU)
	11	Administration & Finance Manager		IFAD	All KP selected districts	Plan	Yes	Prior Review	ICS		3,600,000.00
						Actual				-	-
	12	M&E and Transversal Themes Manager		IFAD	All KP selected districts	Plan	Yes	Prior Review	ICS		3,600,000.00
						Actual				-	-
	13	M&E/SDGs Specialist		IFAD	All KP selected districts	Plan	Yes	Prior Review	ICS		3,000,000.00
						Actual				-	-
	14	KM/Communication Specialist		IFAD	All KP selected districts	Plan	Yes	Prior Review	ICS		3,000,000.00
						Actual				-	-
	15	Gender/Nutrition/Climate Change Specialist		IFAD	All KP selected districts	Plan	Yes	Prior Review	ICS		3,000,000.00
						Actual				-	-
	16	Business Development Officer		IFAD	All KP selected districts	Plan	Yes	Prior Review	ICS		3,000,000.00
						Actual				-	-
	17	Agribusiness Policy Officer		IFAD	All KP selected districts	Plan	Yes	Prior Review	ICS		3,000,000.00
						Actual				-	-
	18	Institutional Officer		IFAD	All KP selected districts	Plan	Yes	Prior Review	ICS		3,000,000.00
						Actual				-	-
	19	Labour Market Specialist		IFAD	All KP selected districts	Plan	Yes	Prior Review	ICS		3,000,000.00
						Actual				-	-
	20	Skills Development Specialist		IFAD	All KP selected districts	Plan	Yes	Prior Review	ICS		3,000,000.00
						Actual				-	-

Version 1.0 12-Jun-21			Basic Data								
AWPB/Component Ref	No	Description*	Non Consulting	Funding	Project Area or Procuring Entity	Plan vs. Actual	Shortlist (Yes No)	Prior or Post Review	Procurement Method	Amount (USD)	Amount (LCU)
21	Employment Policy Officer		IFAD	All KP selected districts	Plan	Yes	Prior Review	ICS		3,000,000.00	
					Actual					-	-
22	Accounts Officer		IFAD	All KP selected districts	Plan	Yes	Prior Review	ICS		1,800,000.00	
					Actual					-	-
23	Procurement Officer		IFAD	All KP selected districts	Plan	Yes	Prior Review	ICS		1,800,000.00	
					Actual					-	-
24	Grants/Contract Management Officer		IFAD	All KP selected districts	Plan	Yes	Prior Review	ICS		1,800,000.00	
					Actual					-	-
25	Human Resource Officer		IFAD	All KP selected districts	Plan	Yes	Prior Review	ICS		1,800,000.00	
					Actual					-	-
26	Audit/Budget Officer		IFAD	All KP selected districts	Plan	Yes	Prior Review	ICS		1,800,000.00	
					Actual					-	-
27	IT Officer		IFAD	All KP selected districts	Plan	Yes	Prior Review	ICS		1,800,000.00	
					Actual					-	-
RCUs Technical & Professional Staffing											
25	Regional Coordinators (5)		IFAD	All KP selected districts	Plan	Yes	Prior Review	ICS		18,000,000.00	
					Actual					-	-
26	Regional M&E Officers (4 Agribusiness / 4 Employment)		IFAD	All KP selected districts	Plan	Yes	Prior Review	ICS		14,400,000.00	
					Actual					-	-
29	Regional Accountants (5)		IFAD	All KP selected	Plan	Yes	Prior Review	ICS		9,000,000.00	

Version 1.0 12-Jun-21			Basic Data								
AWPB/Component Ref	No	Description*	Non Consulting	Funding	Project Area or Procuring Entity	Plan vs. Actual	Shortlist (Yes No)	Prior or Post Review	Procurement Method	Amount (USD)	Amount (LCU)
	~	Regional Accountant (~)		"~"	districts	Actual				-	-
	30	Hiring of Field Consultants		IFAD	All KP selected districts	Plan Actual	Yes	Prior Review	ICS		25,000,000.00

Pakistan

KP Rural Economic Transformation Project

Project Design Report

Annex 8: Project Implementation Manual (PIM)

Mission Dates: 5 to 14 April 2021

Document Date: 08/11/2021

Project No. 2000002333

Report No. 5791-PK

Asia and the Pacific Division
Programme Management Department



Investing in rural people

Pakistan

Khyber Pakhtunkhwa – Rural Economic Transformation Project (KP-RETP)

Project Implementation Manual

TABLE OF CONTENTS

TABLE OF CONTENTS.....	i
CURRENCY EQUIVALENTS	vi
WEIGHTS AND MEASURES	vi
ABBREVIATIONS AND ACRONYMS	vii
I. PURPOSE OF THE MANUAL.....	9
II. PROJECT DESCRIPTION	9
A. <i>Project Components</i>	<i>10</i>
1. Component 1: Agribusiness Development	11
2. Component 2: Skills Development and Employment Promotion.....	12
3. Component 3: Programme Management and Policy Support	13
B. <i>Governance and Institutional Arrangements</i>	<i>13</i>
1. Project Steering Committee (PSC)	13
2. Project Management Unit (PMU).....	14
3. PMU Structure and Staffing Positions	15
III. PLANNING, MONITORING AND EVALUATION SYSTEM.....	15
A. <i>Planning.....</i>	<i>15</i>
1. Planning Process/AWP/Budgets.....	16
2. Project Baseline	16
3. Quarterly Plans and Reviews.....	17
B. <i>Annual Progress Review and Planning Meeting.....</i>	<i>17</i>
C. <i>PSC Meetings.....</i>	<i>17</i>
D. <i>Monitoring and Evaluation.....</i>	<i>17</i>
E. <i>Participatory Monitoring and Evaluation (PME)</i>	<i>18</i>
F. <i>Economic Graduation Tracking - Methodology and Process.....</i>	<i>18</i>
G. <i>M&E Personnel.....</i>	<i>19</i>
H. <i>Youth and Nutrition strategy.....</i>	<i>19</i>
I. <i>M&E Function and the Project's Theory of Change</i>	<i>20</i>
J. <i>Progress Reporting, Knowledge Management and Communication</i>	<i>1</i>
1. Baseline	1
2. Mid Term Review (MTR).....	1
3. Annual Outcome Surveys	1
4. Management Information System (MIS)	1
5. Project Completion Review and Evaluation	1
6. Learning and Knowledge Management.....	1
K. <i>Implementation Partners' M&E Responsibilities</i>	<i>2</i>
L. <i>Donor and Development Partners' Coordination</i>	<i>2</i>
IV. TECHNICAL AND OPERATIONAL GUIDELINES FOR IMPLEMENTATION OF COMPONENTS.....	4
A. <i>Component 1 – Agribusiness Development.....</i>	<i>4</i>
1. Sub-component 1.1 –Professional farmer organizations (PFOs) Development	4
2. Sub Component 1.3 –Farms Service Companies	16

3. Sub-Component 1.4: Institutional Support Services	18
B. Component-2 – Skills Development and EmploymentPromotion.....	18
1. Purpose, Objective, Outcome and Output	18
2. Sub-component 2.1: Vocation and entrepreneurship skill training	19
3. Sub-Component 2.2: Start-up capital for employment promotion.....	20
4. Sub-Component 2.3 Job placement of graduated students.....	22
5. Institutional Strengthening Support under Component 2.....	23
C. Eligibility and Other Parameters for Trainings	23
1. Indicative Type of Trainings.....	25
2. Target Group and Geographic Focus	26
3. Implementation Arrangement.....	27
4. Summary of Eligibility Criteria for Participants.....	27
5. Type of Support of Participants	28
6. Eligibility Criteria for VOETO	28
7. Contracting and Reporting	29
D. Exist and Sustainability Strategy	29
1. Component-1 Agri-business Development.....	29
2. Skills Development and Employment Promotion.....	30
3. Project Management and Policy Support.....	30
E. SECAP Compliance	31
V. HUMAN RESOURCE MANAGEMENT	33
A. General	33
B. Preparation for recruitment	33
C. Advertisement & Selection	34
D. Recruitment of individual consultant/consulting firms	34
E. Remuneration Package	34
F. Performance Evaluation	35
G. Renewal of Contracts.....	35
H. Leave Policy	35
I. Procurement Management	35
J. Principles of Procurement.....	36
1. Ethics	36
2. Competition	36
3. Fairness.....	37
4. Transparency	37
K. Procurement Monitoring System	45
L. Procurement Cycle.....	46
M. Planned Completion or Delivery Date.....	47
1. Consulting Services (QCBS, FBS, LCS, and CQS)	54
2. General Procurement	55
N. Types of Contracts	61
1. Framework Contracts	62
O. Contract Administration	63
P. Contract Register (CR)/Contract Monitoring Tool (CMT)	63
VI. FINANCIAL MANAGEMENT	69

A.	<i>Project Cycle and Financial Management Activities</i>	70
B.	<i>Pre-Implementation Activities</i>	71
C.	<i>Principles of Financial Management</i>	71
D.	<i>IFAD'S Policy on Preventing Fraud and Corruption</i>	72
1.	Prohibited Practices.....	72
2.	General Principles.....	72
3.	Responsibilities of the Provincial Government/Project.....	73
4.	Reporting	73
5.	Remedies	74
E.	<i>FM Organizational Structure, Roles and Responsibilities</i>	74
1.	FM Organizational Structure	74
2.	Role of Finance Manager	76
3.	Role of Budget and Finance Officer (1 Position).....	78
4.	Role of Accounts Officer (1 Position).....	79
5.	Role of Budget and Finance Coordinator (5 Positions—one each in the RCU).....	80
6.	Procurement and Contract Management	81
F.	<i>Annual Work Plan & Budgeting</i>	81
G.	<i>Pakistan's PFM system and its link with the KP-RETP</i>	81
H.	<i>Project design changes during project life</i>	81
1.	AWP/Budget Process.....	82
2.	Preparation of the Annual Work Plan	83
3.	Preparation of the Annual Budget.....	84
4.	Budget Monitoring	85
5.	Budget Revision	86
I.	<i>Flow of Funds</i>	86
1.	Financiers of the KP-RETP and Flow Chart.....	86
2.	Evidence of authority to sign Withdrawal Applications	88
3.	Designated Account.....	88
4.	Imprest Account	89
5.	Recovery of Initial Advance	89
6.	Direct Payment Procedures.....	90
7.	Statement of Expenditure (SOE) Procedure	91
8.	Preparation of Withdrawal Applications	91
9.	Counterpart Funds.....	93
10.	Beneficiaries' Contributions	93
J.	<i>Disbursement Process</i>	93
1.	Classes of expenditure.....	93
2.	Expenditure Request and Authorization	94
3.	Payment Request.....	94
K.	<i>Accounting Procedures</i>	95
1.	Accounting Rules and Principles.....	95
2.	Accounting Software/Financial Information System	96
3.	Recording of Transactions	96
4.	Transaction Voucher (or bill form)	96
5.	Input of Transactions.....	97
6.	Backup of Accounting Records	97
7.	Filing of Accounting Records	97
8.	Monthly and Annual Closing of Accounts.....	97
9.	Monthly Verification of Accounts.....	98
10.	Annual Closing of Accounts	98
L.	<i>Maintenance of separate accounts and records</i>	99

1.	Filing and storage of the financial records	99
2.	Off-site archiving of financial records.....	99
3.	Electronic back-up procedures.....	100
4.	Retention period.....	100
5.	Fixed Asset Management	100
6.	Vehicle Maintenance and Fuel	101
<i>M.</i>	<i>Internal Controls.....</i>	<i>102</i>
1.	General	102
2.	Segregation of duties.....	102
3.	Authorization.....	102
4.	Verification	103
5.	Reconciliation and checks.....	103
6.	Reviews of operating performance	103
7.	Restricted access	103
8.	Monitoring and review	103
9.	Supervision	103
10.	Information and technology related controls	103
11.	Controls related to PFOs/FSCs.....	104
12.	Controls related to Private Partners under 4Ps Arrangements.....	105
13.	Controls related to Service Providers (Trainings)	105
<i>N.</i>	<i>Financial Reporting.....</i>	<i>105</i>
1.	Annual Project Financial Statements.....	106
2.	Interim Financial Reports	106
3.	Analytical Reviews	106
<i>O.</i>	<i>Internal Audit.....</i>	<i>107</i>
1.	Responsibilities	107
2.	Process modalities	107
<i>P.</i>	<i>External Audit.....</i>	<i>108</i>
1.	General considerations.....	108
2.	Types of audit opinion	109
3.	Key requirements in Management Letter	110
4.	Audit Follow-up	110
<i>Q.</i>	<i>Completion and Financing.....</i>	<i>111</i>
<i>R.</i>	<i>IFAD's Financial Management Support.....</i>	<i>112</i>
1.	Overview of IFAD support	112
2.	Roles and responsibilities related to IFAD support	113
ANNEXURES.....		114
	<i>Annexure-1: Organizational Chart and TORs of Key Positions</i>	<i>115</i>
	<i>Annexure-2: Outline of Diagnostic Study</i>	<i>143</i>
	<i>Annexure-3: Detailed checklist of factors for baseline study</i>	<i>144</i>
	<i>Annexure-4: Business Planning Format</i>	<i>145</i>
	<i>Annexure-5: FPO Institutional maturity index computation</i>	<i>146</i>
	<i>Annexure-6: Template for Expression of Interest (EOI/Concept Note) Stage.....</i>	<i>147</i>
	<i>Annexure-7: Template for proposal development</i>	<i>150</i>
	<i>Annexure-8: Scope of work and Evaluation Criteria</i>	<i>153</i>
	<i>Annexure- 9: Score card (Business Proposal Evaluation Committee).....</i>	<i>154</i>
	<i>Annexure-10: Business Planning Guidelines for NFSC.....</i>	<i>157</i>

<i>Annexure-11: Indicative list of sector-wise training under component-2.....</i>	158
<i>Annexure-12: TORs for the Vocational/Entrepreneurship Training Service Provider.....</i>	160
<i>Annexure-13: Guidelines for Managing Social, Environmental and Climate Risks in Implementation.....</i>	162
<i>Annexure-14: Annual Work Plan/Budget Format.....</i>	167
<i>Annexure-15: Measuring Progress against the AWP/B</i>	168
<i>Annexure-16: Steps in the opening of Assignment Account/Designated Account.....</i>	169
<i>Annexure-17: Checklist for reviewing withdrawal applications.....</i>	175
<i>Annexure-18: Designated Account Reconciliation (Imprest Fund).....</i>	178
<i>Annexure-19: Sample Financial Statements</i>	180
<i>Annexure-20: Guidelines for Interim Financial Reporting</i>	192
<i>Annexure-21: TORs of Internal Auditing Firm</i>	197
<i>Annexure-22: Financial Tables for the Supervision Missions</i>	205
<i>Annexure-23: Format for measuring compliance with legal covenants.....</i>	206

CURRENCY EQUIVALENTS

Currency Unit

US\$1.0 = Rs. 152.00

WEIGHTS AND MEASURES

1 kilogram	=	1000 g
1 000 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

4P/PPPP	Public Private Producers' Partnership
ACE	Anti-Corruption Establishment
ADP	Annual Development Programme
AG	Accountant General
AGP	Auditor General of Pakistan
APRM	Accounting Policies and Procedures Manual
AWPB	Annual Work Plan and Budget
BISP	Benazir Income Support Program
CMF	Contract Monitoring Form
CMFS	Community Managed Financial Services
CMO	Contract Management Officer
COs	Community Organizations
COA	Chart of Accounts
CQS	Consultant's qualifications-based selection.
CR	Contract Register
DAC	Departmental Accounts Committee
DC	Director Contracting
DDO	Drawing and Disbursement Officer
EAD	Economic Affairs Division
EOI	Expression of Interest
EOI	Expression of Interest
FA	Financing Agreement
FATA	Federally Administered Tribal Areas
FBS	Fixed-budget Based Selection
FSC	Farm Service Centers
FD	Finance Department
FIA	Federal Investigation Agency
GFR	General Financial Rules
GoKP	Government of Khyber Pakhtunkhwa
GoP	Government of Pakistan
GPN	General Procurement Notice
IA	Implementing Agency
IAC	Internal Audit Cell
ICB	International Competitive Bidding
ICP-CM	IFAD Client Portal – Contract Monitoring
IFAD	International Fund for Agricultural Development
ISO	International Standards Organization
IT	Information Technology
ITB	Invitation to Bid
IUFR	Interim Unaudited Financial Reports
KP-PPRA	Khyber Pakhtunkhwa Public Procurement Regulatory Authority
LCS	Least-cost-based Selection
LO	Local Organisation
LSO	Local Support Organisation
LTB	Letter to the Borrowers
M&E	Monitoring and Evaluation
MFA	Manager Administration and Finance
MM	Mitigation Measures
MTR	Mid Term Review
NAB	National Accountability Bureau

NCB	National Competitive Bidding
NBP	National Bank of Pakistan
NFSC	New Farm Services Center
NS	National Shopping
OBB	Output Based Budget
O&M	Operation and Maintenance
OSR	Own Source Revenue
PC1	Planning Commission Performa 1
PD	Project Director
PDR	Project Design Report
P&DD	Planning and Development Department
PEFA	Public Expenditure and Financial Accountability
PFOs	Professional Farmers Organizations
PIAC	Provincial Internal Audit Cell
PIM	Project Implementation Manual
PMU	Project Management Unit
PO	Purchase Order
PP	Procurement Plan
PPRA	Public Procurement Regulatory Authority
PS	Procurement Specialist
PSC	Project Steering Committee
PTS	Procurement Tracking System
QBS	Quality-based Selection
QCBS	Quality and Cost-based Selection
QPR	Quarterly Progress Report
REOI	Request for Expression of Interest
KP-RETP	Rural Employment and Agribusiness Promotion
REOIs	Request for Expressions of Interest
RFP	Request for Proposal
RFP	Request for proposal as selection method
RFQ	Request for quotation as selection method
RFQ	Request for Quotation
RMU	Regional Management Unit
RCU	Regional Coordination Unit
SBD	Standard Bidding Document
SBP	State Bank of Pakistan
SFO	Selection of Farmer Organizations
SOE	Statement of Expenditure
SPN	Special Procurement Notice
SRSP	Sarhad Rural Support Programme
SS	Sole Source
SSS	Single Source Selection
SWOT	Strengths, Weaknesses, Opportunities and Threats
TEVT	Technical and Vocational Training
TEVTA	Technical and Vocational Training Authority
TOR	Terms of Reference
UNDB	United Nations Development Business
VFM	Value for Money
VO	Village Organisation
WA	Withdrawal Application

I. PURPOSE OF THE MANUAL

1. This PIM has been developed to support PMU in general and technical teams in particular to understand and comply with technical requirements while establishing/managing work at Professional Farmers Organization (PFOs), Farm Services Centers (existing/new ones), Private Partners under 4P arrangements, Technical and Vocational Education Services Providers (KP TEVTA and/or partner engaged for this purpose). It includes detailed guidance including workable/simple templates for consistent application of required guidance in field and holding the staff accountable—if they deviate from the established technical requirements. The manual also briefly describes institutional arrangements—including project governance, staffing, and M&E to establish the context.

2. In addition to this volume of PIM—which focuses mostly on technical requirements, the KP-RETP shall follow the requirements contained in the FM PIM, and Procurement PIM which are separately provided. References have been given in this manual where appropriate for this purpose. PIMs are living documents. They will change as the KP-RETP learns from implementation and adapts to delivering the intended outcomes of the project.

II. PROJECT DESCRIPTION

3. Project Goal. The overall goal of the programme is to contribute to poverty reduction, food and nutrition security, and strengthened resilience of rural households. The development objective is improved rural income and employment through high value agriculture—off-farm and on-farm related activities in a sustainable and climate-resilient manner.

4. Target Area. The project will cover all the 35 districts of the province in a phased manner—starting in the 10 poorest districts and gradually expanding by including 3 additional districts per region annually. The project shall, thereby, cover all 35 districts by the MTR (End of Third Year). The decisions regarding which districts will be included in which phase or project year, will be undertaken by the project steering committee at project start-up while paying due attention to prevalence of poverty, potential for project interventions and recent security developments in the province. This approach will allow flexibility in terms of geographic targeting in case of force issue.

5. The project will also create complementarity and synergies with the IFAD financed National Poverty Graduation Programme (NPGP) in 10 districts of the province^[1], Kohat Division Development Project (KDDP) in 3 districts^[2], other donor funded projects such as the WB Khyber Pakhtunkhwa Irrigated-Agriculture Improvement Project and ADB's ongoing and pipeline investments. In addition synergies will be ensured with the ongoing operations of TEVTA. Coordination among complementary projects and programmes will be facilitated by the Project Steering Committee and relevant sections of the planning and development department at the provincial level. Coordination for complementarities and synergies will be the responsibility of Project Management Unit (PMU). IFAD country office and EAD will facilitate experience sharing among the different projects funded by IFAD and other relevant development partners. A coordination mechanism with WFP and FAO shall be formalized regarding policy support to Government especially with regards to nutrition, food security and climate smart agribusiness development.

6. Target Groups. The KP-RETP target groups will fall under the category of smallholders (as per the definition of the Government <12.5 acres or 5 ha) and landless households (HH). Among these, the KP-RETP targeting will prioritise HH with PSC 0 – 34 range. Women and youth will be particularly targeted with specific interventions aiming at economic empowerment. The target groups (small farmers, youth and women target groups) will be pre-identified through the implementing partners. Youth and nutrition will be mainstreamed with a focus on women as secondary targeting criteria. Local organizations and in particular the village councils / community organizations, combined with the decentralized PMU team will check and validate / confirm Poverty Scorecard data (0-34) of the eligible households. For the youth and the women identification and engagement in the project (and based on the successful experience of the NADP Diamer project in gender empowerment in a similar context), the religious and community leaders and village elders/jirga will be sensitized. This will facilitate the integration of groups who usually don't have access to non-traditional activities.

7. Nutrition, Youth and Gender. With regards to nutrition, the project will build upon the lessons learned from IFAD financed projects and through active engagement with ongoing initiatives of WFP and FAO. Special attention will be made to the food security policy (currently being developed) and adopting guidelines related to selection of nutrition sensitive value chains, creating nutrition related awareness, and promoting nutrition

sensitive labelling and packing thus impacting both producers and consumers. The project will ensure women's inclusion in value chains and advance equitable opportunities in skills development. All efforts will be made in this very conservative region in order for gender to be mainstreamed by ensuring a minimum of 25% quota for female participation in all project activities and by the development of women centered value chains, and 4Ps. Youth will be also mainstreamed in all project interventions (50% of all support will go to youth). At the start-up phase, the districts will be formally mapped and consequently, based on FAO and WFP existing programme, KP-RETP will adjust and complement these activities in order to reach the objective described in the log-frame. This exercise will be repeated annually and assessed at MTR and before completion date. FAO and WFP, and IFAD will have a formal MOU setting out the principles for planning, coordinating, and jointly supporting all government policies related to youth and nutrition. The PSC shall closely monitor the process.

8. Project Beneficiaries: Around 785,000 households or around 4.35 million persons will benefit directly or indirectly from household level interventions including (i) economic graduation and insertion (assets transfer, youth job market readiness/employment skills and vocational trainings; productive investments - start-up capital) and (ii) market oriented FPOs, and FSCs with market study, business plan, professional management, matching grant investments, private partnership, processing development and clear break-even point as well as exit strategy.

9. Additionally, the target groups in the same districts will benefit from a specific and dedicated skills development programme, start-up capital and first professional exposure (public – private internship programme) in order to (i) ensure that the skills and services necessary for the success of the KP-RETP agri-business component 1 will be available, (ii) respond to the local, provincial and national labour market and employer needs particularly in the sectors like agro-industry, agro-tourism or tourism, mining, industry or civil works by valorizing the KP local employable forces and in particular the youth and women, and (iii) boost the employability of the newly graduated students (Master's holders in particular) by ensuring them quick professional integration through a one year public – private internship programme.

10. The target groups will benefit from technical / vocational / managerial training with official and recognized certificates or diplomas but will also have access to transversal capacity building, particularly in financial literacy, climate risk and resilience, nutrition for enhancing the effectiveness of their enterprise and business development as well as personal lives. Investment in PFOs and 4Ps will create additional jobs from which women and youth will specifically benefit, especially those trained under component 2.

11. Theory of Change. Transfer of productive asset to the poor combined with vocational and managerial trainings and start-up capital establish enabling environment for graduating them out of poverty. Similarly, organizing very small farmers into market-oriented professional cooperatives as well as 4Ps (dairy transformation in particular) puts them on sustainable economic graduation KP-RETP will benefit in particular from the tools and methodologies / approaches developed for this purpose.

A. Project Components

12. The proposed project will have three components: (i) Agribusiness Development (Professional Farmers Organizations and 4P Development), (ii) Economic Graduation and Employment Promotion (Assets Provision and Skills Development); and, (iii) Programme Management and Policy Support. Component 1 will create the necessary potential within the repositioned agribusinesses and 4Ps while the asset and skills creation will enable poorer households to avail to opportunities of both income and employment.

1. Component 1: Agribusiness Development

13. This component shall consist of four mutually reinforcing subcomponents as follows: (i) Professional Farmer Organizations Development and (ii) Agro Value Chain 4Ps with the aim of including farmers in value chain process and increasing their incomes; (iii) revamping of existing Farms Services Centres (FSCs) and (iv) agriculture extension/research. The target population is one that has a Poverty Score Card score between 0-40. The project will validate BISP data to ensure that only those who meet the PSC criterion are actually targeted.

- i. Professional Farmer Organizations Development. The project will develop 550 multi-purpose restructured Professional Farmer Organizations (PFOs) with on average 400 producers per organization. In general, one village or cluster of village (between 1,000 to 2,000 families) will have one PFO. Twenty-five percent of the membership will be women. PFOs shall be managed professionally by qualified staff recruited through proper testing. FPO shall be formally registered and provided mentoring over short to medium term. An investment ranging between USD 70,000 and USD 100 000 is estimated to be required for each PFO to which 30% will be provided by members of FPOs whereas the remaining 70% will be contributed by the project. FPOs will use the funds to lend money to members for inputs/services and also provide support for improving the marketability of the produce by aggregation, grading, processing, packaging, and certification—where needed generate best value for farmers. The PFO's net profit will be limited to the operational cost recovery to maximize profit for farmers. The average estimated net incremental income generated per farmer will be in the range of USD 1000 – 2,000 per year.
- ii. Public Private Producer Partnerships (4Ps). The project will establish 20 Producer Public Private Partnerships (4Ps)—each covering at least 1,000 producers. For this purpose, well-qualified and experienced private partner shall be selected through a competitive process.. The project seeks to increase average income of a project beneficiary (farmer) USD 150 equivalent per month. The project shall provide financing (up to the maximum amount of PKR 78 million-USD 500 000) to each 4P against a business plan. The share of the project and the private producer shall be 50:50 respectively. The selected private firms—engaged on a 5 years contract, shall enable producers to meet the demand characteristics and requirements of the private company. The project shall provide financing for investment for this purpose. The 4Ps model will also be developed as a link to the PFOs under a contract farming modality. Each 4P shall act as a holistic win-win platform where multiple partners could leverage their investment in selected value chains led by private companies facilitating access to markets, knowledge, technology and capital for smallholder rural poor farmers.
- iii. Farm Services Companies (FSCs). The project shall make the existing Farms Services Centers (established under KP FSC Act 2014) more responsive to the needs of the farmers in terms of input supply (fertilizers, seeds, pesticides etc.) and services (mechanized labor, technical advises, certification and marketing etc.) to complement and make fully operationalize the sub component 1 (PFOs) and 2 (4Ps). These FSCs shall be made fully functional, autonomous and sustainable. . In total 35 FSC—one in each district, will be supported with an average of 1000 – 2000 farmers as shareholders and an expected outreach/market to be serviced of 20,000 famers per FSC. Each FSC may establish branches/franchisee/agents' network in their respective territories or beyond. FSCs will be managed as private companies offering services to the PFOs mainly supply of good quality seed, agrochemicals, improved technology, packaging material and may also assist in matchmaking with end-buyers/suppliers.
- iv. Institutional Support Services. The main objective of the sub-component is to provide demand driven institutional services to PFOs/4Ps/FSCs, s to meet the market demand and buyers requirements.. The PMU will enter into multiple results based MoUs with the relevant public/Government departments (academic, research and extension services) for different activities with clear responsibilities and deliverables. The scope of work will emerge from the aggregated needs of PFOs/4Ps/FSCs and will be translated into work plan, timeline and cost estimates. The engagement plan will be developed by PMU and approved by PSC as and when the need arise on a rolling out basis. Performance assessment will be done on an annual basis and presented for review to PSC. The capacitated line departments will more effectively support the PFOs and 4ps envisaged in the project. Department of Agriculture

Extension and Department of Agriculture Research will be two of the several partners with which the project will work to deliver institutional support services to the target beneficiaries.

2. Component 2: Skills Development and Employment Promotion

14. This Component shall consist of two mutually reinforcing sub-components as follows: (i) Skills Development and (ii) start-up capital for entrepreneurship and employment promotion. The first subcomponent 2.1 will ensure that all the skills necessary for a smooth implementation of Component 1 on the agribusinesses development approach (PFOs, 4Ps, NFSC (both staff and members)) are available locally, and adapted to the needs and success of these new institutions or private initiatives. The second subcomponent 2.2 will complement Component 1 in terms of new rural services development and rural employment promotion by offering the possibility for skilled youth or women to develop their own private business and services. This will allow them to better serve but also benefit from the opportunities created under Component 1 and/or to respond to the existing market or business gaps observed in their respective rural areas. The special support for economic insertion of the recent student graduates (through the public – private internship programme), as well as the specific partnership with TEVTA, will be inserted in subcomponent 2.2.

- i. Vocation and entrepreneurship skill Development training. This subcomponent will focus on the technical, financial, managerial, or business skills needed to ensure the management, development, success, profitability, and sustainability. A total of 60,000 trainees will benefit from the reorganised approach of TEVTA. In addition, the sub-component shall support (i) the 550 Professional Farmers Organizations supported and their members, (ii) the 20 Public-private-producer partnerships and (iii) the 35 New Farm Service Centres a dedicated training activity. As many as 5,000 individual/ per year – 145 per districts per year shall be trained based on the active and effective roles of the individuals in the institutions supported and the personal needs expressed / assessed (backed by the business plan and capacity building plan of the institutions supported).
- ii. Start-up capital for Employment promotion. This subcomponent will (i) create jobs (including self-employment) for the ultra-poor and poor households having limited access to land, with a specific focus on youth (50%) and women (25%), and (ii) facilitate the employability and the active integration in the economy of newly graduated students. Pakistan produces around 450 000 new graduates each year – 70 000 annually in KP province. The project will provide start up grants to enable graduates to initiate self-employment and entrepreneurship. Vocational/Entrepreneurial Training Organizations (VOETO)/Service provider(s) will be selected to support implementation. Around 30% of the trainees will respond to the local, provincial, national, or even international employment market (e.g. GCC countries). The other 70% who have demonstrated interest, willingness and capacity will be supported to become self-entrepreneurs with an additional package (start-up capital and management coaching/mentoring) averaging USD 300 per person, expected to yield an average income of USD 180 to 200 per month.
- iii. Job placement of graduated students: Each student will have the possibility to do 2 internships of 6 months each. The recruiting enterprise will be allowed to keep the same student for a second period of 6 months only if it provides a formal offer of employment to the student. In case of non-compliance, the enterprise will no longer be eligible to participate in the programme. Each enterprise will have a maximum of 2 students at the same time. Around 145 interns per district and per year will be eligible to this programme. Priority will be given to those coming from the poorest families. 50% of this economic integration programme will be dedicated to women. Annual assessments of this activity will be conducted and the approach will be adjusted if needed. The total investment amount of this sub component includes the contribution of the private sector to benefit from the placement programme. The internships will facilitate the transitioning of graduates to full time jobs subsequently

15. The target population is one that has a Poverty Score Card score between 0-23. The project will validate BISP data to ensure that only those who meet the PSC criterion are actually targeted. This component will focus on creating sustainable livelihoods for the target beneficiaries. It is estimated that about 25,000 jobs will be created because of project activities involving PFOs, FSCs, and 4Ps. The project will work with KP TEVTA and Service Provider to impart target beneficiaries skills based trainings, mentoring and financial assistance to generate self-employment for an estimated 60,000 beneficiaries. The beneficiaries of this component will be women (50%) and youth (50%). Implementing Partners to be engaged for services under this component shall

ensure that 70% of the trainees under the component either find sustainable jobs or start business after six months of training.

16. The component shall provide institutional support to emerging sectors by facilitating the establishment of state of the art skills development facilities around key economic zones. The policy support will particularly focus, during the initial project years, on developing an extended competency based testing framework covering agribusiness and women empowerment; developing framework for skills development fund to cover start up capital for self-employment, and developing capacity for job market assessments and development of job market outlook on a continual basis. The project will also provide technical assistance to facilitate curricula, testing and certification of skills training by TEVTA under the overall umbrella of the National Vocational and Technical Education Commission (NAVTEC).

17. Detailed technical guidelines are provided in Section IV of this PIM to support project implementation.

3. Component 3: Programme Management and Policy Support

18. Based on previous good experience, the project will be placed under the Planning and Development Department. A Project Management Unit will be established at Peshawar and three Regional PMUs will also be set up in order to handle the distance / geographic coverage of the project. The PMU will report to the Project Steering Committee (PSC). The component includes Technical Assistance (TA) for policy and regulatory reforms which—among other things, will focus on (a) developing a comprehensive nutrition and food security policy and action plan; (b) mainstreaming of Information Technology for Development (ICT4D) i.e formulate, edit, evaluate, approve, and monitor business plans for producers' organisations, e-commerce, digital money and e-advisory, etc. Digital systems may also be used to develop credit history and scoring of farmers under the PFOs. This will foster sound policy formulation and changes beyond the project immediate results.

B. Governance and Institutional Arrangements

19. At federal level, Economic Affairs Division (EAD), Government of Pakistan will be the overall coordinating agency at the Federal level for IFAD financing. Provincial Planning and Development Department (P&DD) shall be the lead implementing agency—because of the multisector nature of the project. The provincial government shall notify a Project Steering Committee (PSC) and establish a PMU as briefly narrated below for project oversight and implementation.

1. Project Steering Committee (PSC):

20. Given the multi sectoral nature of the project will be placed in the P&DD, GoKP which will be main lead implementing agency for KP-RETP. The policy level guidance, coordination and oversight will be provided by a Project Steering Committee (PSC). The PSC will grant approval of Annual Work Plan and Budget (AWPBs), Procurement Plans (PPs), conduct regular progress reviews and take corrective actions where warranted. PSC will have following composition and will be formally notified prior to start of the project:

- | | | |
|-------|--|-------------|
| i. | Additional Chief Secretary (ACS) Development | (Chairman) |
| ii. | Secretary Finance | (Member) |
| iii. | Secretary Industry, Commerce, and Technical Education | (Member) |
| iv. | Secretary Local Govt. and Rural Development | (Member) |
| v. | MD, KP TEVTA | (Member) |
| vi. | Secretary Zakat, Ushar, Socia Welfare, Special Education and Women Empowerment | (Member) |
| vii. | A representative of Civil Society Organization | (Member) |
| viii. | Project Director (KP-RETP) | (Secretary) |

21. The PSC shall co-opt a member or expand membership by including additional members—as the case may be subject to the need of project implementation. The PSC shall examine the need for such additions to the existing membership in its meetings and take a formal decision thereon. The PSC will convene bi-annually (more often if necessary) on the basis of the agenda items prepared by PMU.

22. The specific responsibilities of the PSC include:

- i. *Provide overall guidance and oversight to enable the project to reach its development objective in line with the financing agreement;*
- ii. *Take timely decisions and issue necessary direction to create enabling policy/regulatory environment for project implementation;*
- iii. *Ensure fair allocation of funds to the districts/regions by considering population, poverty profile, and value chain potential in each district/region. In cases where a region/district is not able to achieve performance targets established in the AWPB persistently, divert funds to the districts/regions that are performing as per established targets with.*
- iv. *Examine proposals for partnerships with government departments/agencies and approve MOUs for execution of such partnerships;*
- v. *Identify and approve ADP projects that shall be implemented under the project as part of the government's financing stream;*
- vi. *Approval of Annual Work Plans, Budgets and Procurement Plans;*
- vii. *Review performance of PMU/Service Providers/ line departments under MOUs, against established targets and take remedial actions to keep implementation on track; progress against the work plans/budgets and take remedial actions where needed;*
- viii. *Approve the PIM as a guideline for project implementation and its periodic updating as needed;*
- ix. *Ensuring timely provision of counterpart funds (cash) and sufficient allocations for provincial ADP-funded projects that have been selected for leveraging under the project.*

2. Project Management Unit (PMU)

23. A fully autonomous PMU for KP-RETP —along with five (5) Regional Coordination Units (RCUs) will be established within Provincial Planning and Development Department (P&DD). PMU will be responsible for all aspects including operations, finance, procurement, human resource, M&E related to the implantation of the project.

24. PMU will be administratively linked to P&D Department but accountable for its work and performance to Project Steering Committee (PSC). Following are the major responsibilities of PMU;

- i. *Project planning, implementation, monitoring and coordination with the participation of all implementing partners and stakeholders*
- ii. *Preparation of the consolidated AWPB and the associated procurement plan (PP); once the AWPB and PP is approved by PSC and cleared by IFAD, the PMU will ensure its efficient implementation.*
- iii. *Quarterly and monthly plans for project implementation*
- iv. *Conduct of financial, accounting, procurement and administrative management, including for activities carried out by service providers and public agencies.*
- v. *Procurements and contract management including bulking of all common equipment vehicles etc. for procurement in an efficient manner*
- vi. *Development of comprehensive M&E Plan and conduct of monitoring and evaluation activities including impact assessments.*
- vii. *Preparation of detailed quarterly and annual physical and financial progress reports for submission to Government and IFAD as per prescribed timelines*
- viii. *PMU staff and partner implementing agencies staff capacity building training in project approach, processes and outputs and outcomes*
- ix. *Promotion and development of team building among all partners and ensuring discipline within PMU and among implementing partners*

- x. *Establishing systems for transparent operations, prevention of corruption and achieving value for money through efficiencies and competitiveness*
- xi. *Preparation of the Project's communication strategy and dissemination of information about the project rationale, concept and detailed content to the stakeholders and all interested parties.*
- xii. *Establishment and maintenance of linkages with government departments and agencies, donors, private sector partner organizations, social mobilization partners, and the community organizations.*
- xiii. *Operation of the management information/reporting systems and the results monitoring framework, and regular reporting to the development partners.*

3. PMU Structure and Staffing Positions

25. PMU will be headed by a Project Director, selected from though a competitive process from within Provincial Management Service (PMS) or Pakistan Administrative Service (PAS). The selection criteria shall include seniority, qualifications, and relevant experience. Five (5) Regional Coordination Units (RCUs) shall also be established each headed by suitably qualified and experienced lead selected through a competitive process from the PMS or PAS as appropriate. The RCUs shall provide field level coordination and monitoring. Each RCU shall have a small complement of management and technical staff.

26. The PMU/RCUs will have sufficient technical and administrative staff to run projects smoothly. The organizational chart and suggestive Job Descriptions/TORs of key positions are provided at Annexure-1.

27. PMU will report to Project Steering Committee headed by the Additional Chief Secretary of Planning and Development Department.

28. PMU shall have a dedicated FM Section headed by Finance Manager for the management of project budgets and finances. A Budget and Finance Coordinator (B&F Coordinator) shall also be provided in each RCU to support implementing partners i.e., PFOs, FSCs, Private Partners under 4Ps, Service Providers in compliance with applicable compliance requirements.

29. Separate Bank accounts will be maintained for IFAD and Government funds as per the corresponding regulations and guidelines. Annual Audit of project accounts would be carried out by Auditor General of Pakistan within three months of end of Financial Year and Audit report will be furnished to IFAD within six months of close of financial year. *Detailed guidance on financial management has been provided separately later in this document.*

III. PLANNING, MONITORING AND EVALUATION SYSTEM

A. Planning

30. Based on Project PDR and PC-I, and indicative phasing contained therein, Annual Work Plans and Budgets will be the main instrument for project implementation. PMU will be responsible for leading the AWPB formulation process in a participatory, bottom-up manner. The AWPB process will be completed by 31 March each year and got approved from Project steering Committee and IFAD by 30 April. For efficient planning and monitoring during the year, the AWPB will be organized around four quarters of the year with targets and budgets reflected for each quarter.

31. The Annual Work Plan and Budget (AWP&B), to be compiled by the Project Management Unit (PMU) will be the main tool for planning project activities, monitoring and progress reporting. The logframe will provide the direction and overall framework for each year's work plan and budget. The AWP&B will be approved by PSC and cleared (non-objection) IFAD before execution. The AWPB, based on the PDR's indicative phasing and budget allocations will adhere to the overall thresholds for various categories agreed under financing agreement. The PDR phasing, targets and estimated costs for each activity especially those related to PFOs/4Ps will be treated as indicative and actual targets will be determined every year on the basis of ground realities and based on the average number of participating producers.

32. The AWP&B will be organized around the three project components and sub-components. IFAD's template for AWP&B will be used which will have both quantitative targets, its phasing by quarter and narrative

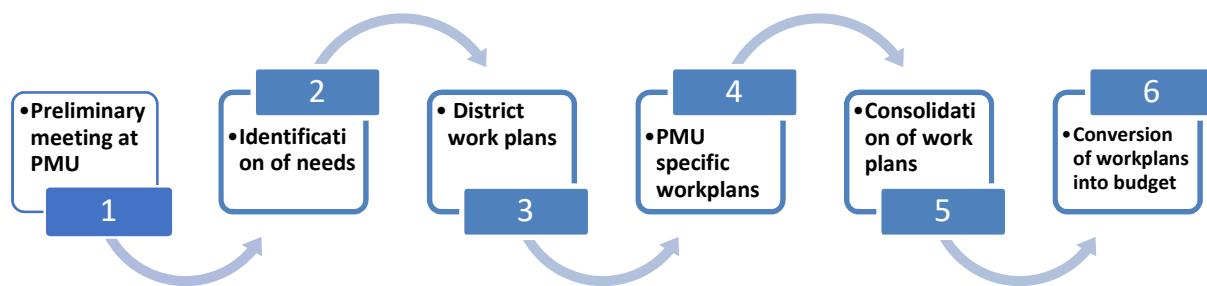
explaining the intervention approach/strategy. The AWP&B will also identify pertinent potential issues and mitigation strategies so that early actions can be planned to avoid under achievements. A biannual review will be carried out at least during the first two project years and if necessary, AWP&B may be revised accordingly. Preparation of AWP&B will be done in a participatory manner involving the key implementing units of the project including regional offices, implementing partners, collaborators and relevant government departments.

33. Each year's work plan will be finalized in the last quarter and approved by PSC and IFAD at least 60 days before the start of implementation period. Technical planning of the project interventions will be based on initial value chain prioritization (nutrition-sensitive), job market study and outlook and a series of market appraisal linked to business plans Based on Project PDR and PC-I, and indicative phasing contained therein, Annual Work Plans and Budgets will be the main instrument for project implementation. PMU will be responsible for leading the AWP/B formulation process in a participatory, bottom-up manner. The AWP/B process will be completed by 31 March each year and go approved from Project steering Committee and IFAD by 30 April. For ease of planning and monitoring during the year, the AWP/B will be organized around four quarters of the year with targets and budgets reflected for each quarter.

1. Planning Process/AWP/Budgets

34. The Annual Work Plan and Budget (AWP&B) will be the main tool for planning project activities, monitoring and progress reporting. Development of AWPBs will be a participatory and consultative exercise involving PMU, implementing agencies, involving the key implementing units of the project including regional offices, implementing partners, collaborators, relevant government departments, agri-business Mobilisation Partners, and technical service providers. The AWP&B will be approved by PSC and cleared (Non-objection) IFAD before execution. The AWPB, based on the PDR's indicative phasing and budget allocations will adhere to the overall thresholds for various categories agreed under financing agreement. The PDR phasing, targets and estimated costs for each activity especially those related to PFOs/4Ps will be treated as indicative and actual targets will be determined every year based on ground realities and based on the average number of participating producers. AWP&B will have two streams of contributory processes. One stream will relate to Agribusiness development/organization of PFOs which will be guided and coordinated by agribusiness mobilization Partners. The agribusiness mobilization partner will be responsible for selection of nutrition sensitive value chain selections under Agribusiness Promotion Component, and business plan development for each PFOs through rigorous community participatory approach for each PFO, endorsed by regional offices. Then these plans will be consolidated and submitted to PMU by agribusiness mobilization partners. Second stream will be for creation of productive employment and self-employment opportunities for rural women and men in the farm, off farm and non-farm sectors through competency-based trainings, conducted by TVET and its affiliated institutions. The job placement of trainees and unemployed youth will be ensured by technical service providers.

35. PMU will organize annual planning and review meetings in March every year to begin the AWPB process for next year and review overall progress against the previous year's AWPB. The flow chart summarizes the work flow of AWPB:



Detailed guidance on AWPB has been provided in FM Manual.

2. Project Baseline

36. At the start of the project, a survey will be commissioned to third party by PMU to establish a baseline for key results and outcome indicators (referring to the log frame) as well as the intended impact and transformation pattern of the rural economy through KP-RETP interventions. Special attention will be given to

mainstreaming themes of nutrition and youth while disaggregation will be made based on gender, age, sectors, regions and professions (for component 2). Given the unique nature of project interventions (i.e., PFOs and 4Ps), the project will develop and update a rolling baseline/database for beneficiaries as they join the project. A control group will be identified during the baseline.

3. Quarterly Plans and Reviews

37. PMU will organize quarterly and annual progress review and planning meetings/workshops, based on progress reports furnished by all implementing partners. These review meetings will be held before the end of a quarter to review progress, identify challenges and shortfalls warranting attention, and hence action plans will be developed for the next quarter, based on agreed solutions. All notified Activity Managers of the departments, key agribusiness mobilizations partners and PMU technical staff will participate. At the end of meeting, the PMU will formally issue a quarterly work plan containing next quarter targets and financial allocations.

B. Annual Progress Review and Planning Meeting

38. PMU will organize annual planning and review meetings in the last quarter of financial year to review progress and pertinent challenges/issues in project implementation during on-going year. Based on consultation a plan for the next financial year will be formulated.

C. PSC Meetings

39. PSC will meet once a year. The meetings will be based on agenda prepared by PMU and containing issues and proposals on which PSC decisions are sought. Minutes will be prepared and issued following each meeting.

D. Monitoring and Evaluation

40. The scope of Monitoring and Evaluation in KP-RETP will be timely collection of reliable data and information for measuring performance and progress related to physical progress against project development objective, outcomes, outputs, and impact in terms of the project's logframe indicators. M&E will serve as key learning tool to provide timely and quality information for critical reflection on project strategies and operations to support decision-making.

41. Using the project AWPB and Log Frame as key performance benchmarks, the M&E system will be to provide project management, the Government and IFAD with reliable and timely information on project execution performance and results, and to ensure efficient and effective project implementation. The M&E system will aim at monitoring: (i) monitoring project execution which essentially means the regular tracking of activities and output targets as identified in the AWPB and project logframe, (ii) monitoring outreach i.e. the number of people directly benefitting from project interventions disaggregated in terms of gender and age; (iii) measuring and evaluating project results ; and, (iv) benchmark risks and assumption against those critical assumptions identified in the Log frame. BISP PSC data will be used as a benchmark to track progress of poverty graduation of beneficiaries targeting tool in addition to income and dietary diversity.

42. Standardized templates shall be developed for data collection and reporting and included in the contracts/MOUs with implementing partners. While field progress reporting monitoring will be largely led by IPs, ps, in order to verify, randomly, the data submitted by the various IPs and monitor the quality of delivered outputs, the M&E team will conduct random/monthly field visits, alone or jointly with other PMU staff or Project Implementers. Such field visits shall also provide an opportunity to interact with beneficiaries, assess their satisfaction with services received or document stories from the field.

43. The PSC and IFAD's supervision missions shall also periodically assess project implementation—including the effectiveness of M&E system in tracking and resolving implementing bottlenecks at IPs, PMU, and RPMUs RCUs levels.

44. The system will be guided by IFAD's Corporate Results indicators, and mandatory indicators pertaining to mainstreaming priorities. M&E data for key indicators will be disaggregated as applicable. A detailed M&E plan will be developed during the first six months of project implementation, as part of the updated PIM, which would provide the basis for annual M&E plans and activities. Orientation sessions and mandatory trainings will be conducted for the regional M&E personnel and staff of partner organisations.

45. A database developed at the baseline study stage will be updated annually. Using data from project M&E, the logframe will be updated on annual basis and shared with IFAD and PSC. The updated logframe will be used by PSC for the project review. The overall responsibility for the M&E activities will lie with the PMU with support roles at the regional office level. The M&E will integrate the functions of knowledge management and communication.

46. An annual M&E plan, as part of project's overall AWPB, will be prepared by M&E wing of PMU, with inputs from all implementing partner on targets, formats, processes and reporting responsibilities and then each agency, including PMU, will derive their individual plans to meet the requirements of annual M&E Plan. The M&E Plan shall focus on tracking activities vis-à-vis the project's approved logframe.

47. The implementation monitoring will be done by the implementing partner and M&E at regional office and it should form the basis for their regular progress reporting to the PMU. The management and monitoring teams of IP will be responsible for implementation of day-to-day project activities, performance of their staff, and delivery of inputs and achievement of project outputs/outcomes as per agreed standards.

48. The output monitoring will be carried out by PMU staff and joint activity/output monitoring missions to independently assess the physical and financial progress. The activity and output monitoring by PMU will focus on spot-checking, verification of output data reported by IP, identification of risks factors and propose mitigation measures, status of utilization of funds by IP against the disbursements, ensure compliance to the financing agreement, efficiency of funds flow mechanism, evaluation of internal control system etc. During joint activity and output monitoring visits, the monitoring team will randomly interview the target beneficiaries; oversee the input delivery process and review procurement, disbursement, training record, beneficiaries' acknowledgements record and project database maintained by the IP.

49. The process and outcome monitoring shall be carried out by PMU M&E Specialist to ensure independence and objectivity of the outcome and process monitoring. The key activities related to process and outcome monitoring include; process and outcome monitoring visits to the IP, management of annual PSC surveys for economic graduation tracking by IP, annual outcome surveys in line with IFAD's requirements including third party validation of PSC survey conducted by IP, mid-term and end-term project evaluations and value chain studies.

50. It will be the responsibility of PMU to maintain/update data of key monitoring indicators. The M&E system will use geotagging and web-based interface so that reports are available in real time. The database will use design that can easily be aligned with the Government/P&D monitoring and reporting structures. Post MTR, the Planning and Development Department will undertake one or several evaluation studies to assess relevance, effectiveness, efficiency, sustainability and exit strategy at the entire project level as well as the specific interventions. IFAD will undertake annual supervision, implementation support and mid-terms as well as adhoc assessments necessary to improve project performance.

E. Participatory Monitoring and Evaluation (PME)

51. Target beneficiaries, implementation partners, participating farmers in PFOs and 4Ps as well as trainees under component 2 will be actively involved in monitoring and evaluation of project activities through regular project monitoring and review meetings, field visits, surveys/FGDs, spot checking. A systematic plan to ensure active involvement of farmers in PFOs and 4Ps and trainees shall be developed in line with the overall M&E plan. Furthermore, annual project review consultation and lessons learn workshops at provincial level will be held to engage Government institutions, PFOs, IP, POs and other stakeholders in project progress review and monitoring process.

F. Economic Graduation Tracking - Methodology and Process

52. As part of process and outcome monitoring, KP-RETP would systematically track economic graduation of the target beneficiaries through core and corresponding logframe indicators; increased incomes, profits and sales of 4PS/PFOs, increased income of smallholder farmers who are members of 4Ps/PFOs, enhanced incomes of employed/self-employed and micro enterprises. Baseline data compiled through baseline survey will be the basis to track the change in economic status of participating beneficiary smallholder farmers, trainees of different trades, and youth being integrated into different job sectors. Annual economic graduation surveys, sample validation of POs' results by third party as well as revalidation done by POs on biannual basis and through third-party mid-term and end of project evaluations managed by PMU. The KP-RETP will use baseline survey

data to identify the target beneficiaries eligible for different types of activities, technical support, new jobs created and trainings defined in KP-RETP's economic graduation approach and improved nutrition and food security status among target population. The PMU would explore avenues of collaboration with Impact Atlas to build synergies between its own tech-based monitoring and reporting systems with that of Impact Atlas to enhance effectiveness and efficiency in economic graduation tracking for REPT.

53. Partner organizations would be actively involved in annual economic graduation updating survey by the PMU post MTR. The findings of the annual surveys would be shared with 4Ps, PFOs and Implementing partners for validation line with the findings. The avenues of sharing of findings with local government departments would also be explored by the SPs/BMPs that would help the local governments for pro-poor development planning, nutrition sensitive interventions & policy support and targeted interventions for the ultra-poor and the poor in their respective areas.

G. M&E Personnel

54. M&E Wing: PMU M&E Wing will consist of following staff (tentative):

- i. Lead/ M&E, KM and Communication Specialist
- ii. M&E Specialist (1)
- iii. M&E Officers (2)
- iv. KM and Communication Officer (1)
- v. Mainstreaming/Youth and Nutrition Specialist (1)
- vi. M&E/MIS & KM/COM Assistant (2)

55. The M&E Specialist will supervise the team and will manage the surveys, studies, policy papers and impact evaluations conducted through external consulting such as baseline survey, mid-term and end of project evaluations, thematic studies. The team will work in close collaboration with all sector specialists to provide timely input to the PMU team regarding project progress updates and outcomes. The team will coordinate in customization of KP-RETP's MIS reporting requirements and will provide orientation and technical backstopping to the IP for smooth, efficient, timely and maximum optimization of MIS for progress data entry and reporting. M&E Specialist along with the team will also oversee development/customization of mobile application/geotagging and provide time-to-time technical backstopping in efficient and effective management of the mobile application for real-time monitoring by IP and PMU staff through smart phones and tablets.

H. Youth and Nutrition strategy

56. Youth and nutrition will be mainstreamed into all aspects of programme implementation and appropriate strategies will be adopted for areas with more pronounced youth and nutrition challenges. GoKP, NGOs, FAO and WFP have initiated, over the years, a number of programmes focused on youth and nutrition as well as on gender. KP-RETP will have a 50% quota objective for youth and 25% for women beneficiaries in all the project activities. Women will be especially targeted for maternal and child nutrition information. KP-RETP will build on the current initiatives through a flexible approach to youth and gender, keeping in view the regional propensities and imperatives in each district. Each target group will be engaged with its implementing partners, receive knowledge on nutrition aspects, trainings and will benefit from coordinated actions with other KP development partners and in particular WFP and FAO. KP-RETP will also recognize the importance of supporting value chains with the highest impact on nutrition and dietary diversification. The youth and the women headed households and landless and part of the PSC 0-11 (ultra-poor) will be exempted from payment of FSC or PFOs share fees and all able-bodied priority groups will be given priority access to wage earning opportunities under the employment generation programme (component 2). Finally, and in collaboration with WFP and FAO, KP-RETP will engage in KP policy analysis and reform to improve the situation of both nutrition and youth conditions in the province. Finally, the M&E system would monitor youth, gender and nutrition dimensions in a disaggregated manner

I. M&E Function and the Project's Theory of Change

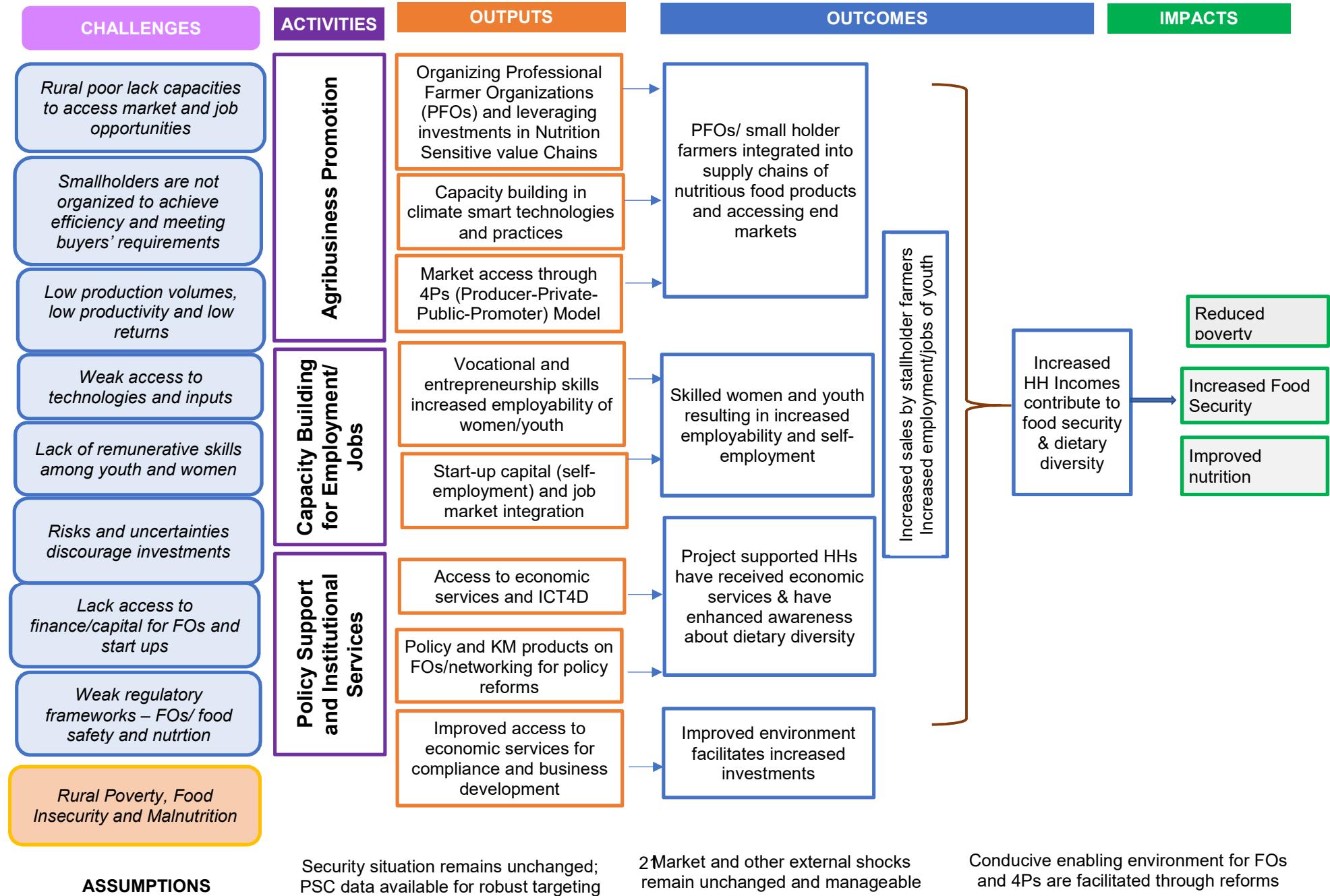
57. The project seek to integrate small holder farmers into supply chains of nutritious food products and accessing end markets, capacitate women and youth to earn livelihood, promote healthy nutrition habits among households and generat enabling environment for more investment in the rural areas for economic growth which will—in turn, create sustainable jobs for the youth and women.

58. Transfer of productive asset to the poor combined with vocational and managerial trainings and start-up capital establish enabling environment for graduating them out of poverty. Similarly, organizing very small farmers into market-oriented professional cooperatives as well as 4Ps (dairy transformation in particular) strengthen the demand side of agriculture inputs/services, thus, enabling smallholders to get a fair price for their products. Formalization of these cooperatives, investment in their capacity building, and the linkages that the project would create between the FPOs and formal banking system would clear the ground for smallholders to get credit not only from organized FSCs but also from banking system. This would put them on path to sustainable and—hopefully growing livelihoods. The project integrates the need to promote an awareness of nutrition, climate change, gender equality across all project activities. This makes the project design responsive to the crosscutting thems of gender, climate change, and nutrition that are critical to IFAD.

59. The project implementation teams—including partner organizations and especially M&E staff in those teams shall be constantly guided by this theory of change which is based on three mutually reinforcing pathways:

- i. Agribusiness development pathway- First, the project is based on a fundamental premise that a market-driven approach is needed to help smallholder farmers sustainably increase their income and improve their livelihood and nutrition. This is operationalized by facilitating (i) the emergence of professional profitable and sustainable farmers organizations responding to the market and (ii) the brokering of mutually beneficial (win-win) 4Ps between smallholder farmers and private companies in response to clear market opportunities and by strategically combining public and private sector funds and advice to address smallholders' needs in terms of access to market, technology, organization and scale, good agricultural practices, and affordable credit, as well as creating a favourable policy and regulatory environment for the agribusiness and financial sectors to expand outreach towards rural clients and become overall more competitive. Farmer Organizations with an average of 400 HHs will facilitate also the joint discussion and analysis of the nutrition issue, define agreed objectives and include as part of the capacity building plan of the PFO and its members educational and activities directly linked to nutrition for the benefit of the entire HHs and in particular for the children and youth.
- ii. Skills for employment and entrepreneurship pathway— Second, poorer households (PSC 0-34), and especially women and youth who do not have access to land, can easily be economically and sustainably integrated in their environments through an already tested and successful combination of technical / managerial training and start-up capital. This combination allows them either (i) to access a decent and remunerative employment or (ii) to develop, alone or in association, their own business or (iii) to become economically active participants of the agribusiness chains. The youth / women trained will be able to get jobs and income generating opportunities created through Component 1 and consequently, to sustain their family in a decent way. They will also be in a position to provide additional and often missing services to the community as well as to complement / reinforce the local service offers needed by the professional farmer organizations or developed 4Ps. flowchart briefly depicts this change process for guidance of all stakeholders.

KP-RETP Project Theory of Change



J. Progress Reporting, Knowledge Management and Communication

60. Timely reporting and communication is important to take timely corrective actions and to learn from implementation experience to further improve project management effectiveness and efficiency. Monthly, quarterly and annual reports including reports from studies would be produced by the project to relevant stakeholders.

1. Baseline

61. A baseline study, covering the mandatory indicators (as per logframe), will be conducted in year-1 through a third party service provider to document the initial status of target beneficiaries prior to commencement of the project interventions. This information will, at mid-term and completion, become the reference against which to measure changes, and therefore appreciate project outcomes and impact, or lack thereof.

2. Mid Term Review (MTR)

62. KP-RETP and P&DD would undertake a mid-term review in the last quarter of third year of the project lifecycle to review the project progress, 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) youth job readiness and market integration (iii) the performance of public private sector partnerships; (iv) performance of PFOs, (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 KP-RETP, an external agency to evaluate the impact of the project, if necessary.

3. Annual Outcome Surveys

63. PMU shall also start conducting annual outcome surveys through a third party after the MTR to validate the results reported in internal M&E assessments.

4. Management Information System (MIS)

64. KP-RETP will develop a customized MIS system in the first year of the project to meet data collection and reporting requirements of the project coherent with its log-frame. The dashboard for data entry and reporting will encompass information on physical and financial progress, impact evaluation analysis and reports, IFAD's first and second level core indicator tracking, and other baseline data. This will be automated computer-based project to generate, monthly, quarterly and annual progress reports on financial and physical progress including progress related to outcome indicators and outputs. Additionally, GIS and geotagging will be used to update, troubleshoot, and disseminate real time progress.

5. Project Completion Review and Evaluation

65. As the project reaches completion, the PMU would prepare a draft Project Completion Report (PCR). IFAD and the Government will then carry out a joint validation of PCR based on the information in the Project Completion Report and other data. An impact evaluation will also be carried out. The PCR will be developed based on the guidelines of IFAD.

6. Learning and Knowledge Management

66. Knowledge management and learning will be an integral element of project implementation, particularly in view of the scaling up agenda by Government and the project policy influence objectives. A comprehensive knowledge management strategy for the project in line with the newly released IFAD Knowledge Management Strategy (2019) will be developed in the first year of the project. The strategy will focus on the processes that will be involved in building a robust KM system in the project.

67. The strategy shall clearly identify knowledge products, events, uses and forums to collect, collate and share the knowledge generated through project interventions. The KM strategy has four pillars i.e. (i) use the project intervention as action research; (ii) systematic assessment and analysis using experimental designs which are statistically valid and robust; (iii) deriving inferences/conclusions have strong evidence base; (iv) devise

knowledge products; and, (v) disseminating knowledge products using various channels/media. The KM function will particularly focus on success factors pertaining to integration of small farmers to market chains and diversification into high value products and through investment in skills and entrepreneurship foster women's and youth's economic empowerment, while at the same time mainstreaming nutrition. Formal consultative sessions will be a regular feature for relevant government functionaries, and other stakeholders—including beneficiaries' groups to review progress, share lessons learned, improve processes, and make project visible.

68. A dedicated M&E, KM, and Communication Section with suitably qualified and experienced staff is part of the organizational arrangements at the PMU and RCUs. The KM system will enable the project to generate, capture, share and disseminate relevant information and knowledge to various stakeholders in a timely manner. The project updates will be disseminated at broader level through using web-sources including social media such as Facebook used as a knowledge sharing tool, and also linked to IFAD Asia website. The team will extensively document and share knowledge generated in the project. The QRM forums will be used as potential KS venues for capturing lessons learned and best practices leading to development of related knowledge products.

69. IFAD M&E, visibility, KM, and communication guidelines. PMU, implementing partners and technical support team will follow IFAD's guidelines on KM and COM to achieve visibility and implement the KM related activities to be conducted coherently. This will help ensure smooth implementation of project activities and facilitate to achieve project development goals and objectives.

K. Implementation Partners' M&E Responsibilities

70. All IPs shall organize a three-day project planning/inception/orientation workshop in Peshawar to give their staff orientation training on business mobilization through training workshops. The orientation training workshops duration will be three days and will be conducted at Peshawar for KP-RETP district staff. The orientation training will be important to ensure an equal level of understanding amongst all PMU staff regarding project objectives, implementation strategy, work plans, role/responsibilities of each cadre of staff and how project interventions are integrated with each other.

71. IPs shall be responsible for monitoring the quality of technology/material procured, inspections and monitoring and evaluation of training sessions will be conducted by regional PMU staff. Both IPs shall provide monthly calendar of training events so that regional M&E and PMU undertake visits and do evaluation of such events.

72. IPs shall maintain/comply with nutrition sensitization and equitable criteria for both genders will be mainstreamed in all training sessions. The orientation training will be a combination of interactive lectures, group work, possible half day field activity around specific subjects related to monitoring and reporting, presentation of group work by the trainees and practicing the development plans and budget.

L. Donor and Development Partners' Coordination

73. Other pre-start up activities will include creating a coordination platform that allows KP-RETP to develop effective coordination and experience sharing mechanisms with other IFAD, donor and government funded projects that are working on similar themes in the identified areas. Annual coordination meeting under the lead of the KP Government will be organized with the on-going development programme intervening in the province to capture synergies and reduce any duplication of project activities as well as support reinforcement of mutual goals and objectives. Partnerships with FAO and WFP will be formally established once KP-RETP is approved by GoKP and IFAD. Co-financing options are also open and the financing gap would be plugged in—in consultation with PMU, if co-financing arrangements are materialized. Specifically, IFAD will support KP-RETP Project to create a platform with BISP to develop a data clearing house that allows BISP data to be utilized for the purpose of the project and provides information to BISP as to its beneficiaries that are graduate from their current poverty scale. PMU will also be enhancing its MIS to develop robust data tracking system for individual and household beneficiaries of the project.

74. Agri-business Development Partners. PMU will select agribusiness development partner through a competitive process for the implementation of Project's Component 1 and for component 2 PMU will collaborate with TVET to conduct market demand based competency trainings through TVET's existing setup and its regional partners. It will be the responsibility of agribusiness development partner to ensure youth job market integration.

75. The Agri-business development partner will provide database of farmers (including their CNIC, phone/mobile numbers and addresses) as well as the geo locations of all participating farmers for tracking the farmers. This will facilitate to develop a network of all participating farmers resulting in developing better connections and will pave the path for adoption of smart technologies in future. The agribusiness development partner will provide progress reports, data, case studies, complete profile of PFOs and 4PS and will actively cooperate and facilitate monitoring done by KP-RETP regional M&E teams and PMU as well as third party monitoring and evaluation.

IV. TECHNICAL AND OPERATIONAL GUIDELINES FOR IMPLEMENTATION OF COMPONENTS

A. Component 1 – Agribusiness Development

76. This Component consists of three mutually reinforcing sub-components including: (i) Professional Farmer Organizations Development, (ii) Public-Private Partnership/4Ps Development; and, (iii) Strengthening Institutional Services.

1. Sub-component 1.1 –Professional farmer organizations (PFOs) Development

77. One of the reasons the agriculture sector's output is far below its potential is that small farmers—which are the backbone of the sector, are not organized as formal groups. In order to consolidate and aggregate production base and to promote agribusiness activities in rural areas, the project will develop assist smallholder farmers in formation and incorporation of PFOs. Key activities under the sub-component include (i) business mobilisation of farmers; (ii) registration of PFOs; (iii) business development planning; and, (iv) leveraging investment in PFO business proposal.

78. A total of 550 PFOs will have been established and made functional by year 6 of KP-RETP interventions. A typical PFOs will have an average of 400 farmers as members/shareholders. The PFOs scope of business will be multi-purpose / multi-product aligned with the current local farming systems. In general, one village/valley (between 1000 to 2000 families) will have one PFO. The PFO will be open to growth/membership expansion and investment by farmers and non-farmers in the village.

79. A PFO to be eligible for project support will be; (i) a legally registered entity consisting of practicing farmers (at least 70% small farmers); (ii) actual or potential producers of a commodity/ commodities falling under the nutrient-rich sources of food, such as animal source foods, fruits, vegetables, beans and pulses; (iii) willing and legally associate under the PFO; (iv) agree on leveraging investment and be individually and jointly liable under contract signed with project; (v) agree to professionally staff the PFO; (vi) participate in the training and other relevant activities as and when required.

80. The two most widely used registration options include the Cooperative Societies Act, 1925 and the Companies Act, 2017. Other option currently under legal review process is the Farm Services Act. PFOs have generally been recognized as the most appropriate institutional form around which farmers can build their capacity to collectively leverage their production and marketing strength. These organizations would be created at the village level depending upon the needs of the producers considering the demand potential to adopt value chain approach to enhance farmers'/producers' economic and social benefits.

a) Objective of the PFOs

81. The major objectives of engagement with farmer organisations are:

- i. The PFOs will successfully deal with challenges and constraints that confront farmers by leveraging collective strength and bargaining power to access financial and non-financial means including but not limited to inputs, services and appropriate technologies, thereby reduce transaction costs, tap high value markets and enter into partnerships with private entities on more equitable terms.
- ii. The PFOs will offer forms of aggregation and investments in value chain functions including production, handling and storage, processing, aggregation/packing, labeling and marketing etc. leaving land titles with individual producers and will use the strength of collective planning and bargaining for production, procurement and marketing, so that considerable value is added to the members' produce.
- iii. The PFOs will strive for the mutual benefit of farmers as well as industry including improvement in production, establishing more direct linkages, and concluding more profitable engagement with end buyers and offer easy and cost-effective access to specific quantum and quality of raw material required by the industry.
- iv. The PFOs will help create direct and indirect employment opportunities through establishment of aggregation/packing (sorting and grading yards), warehouses and cold storage, and primary/secondary processing operations as appropriate.

- v. The PFOs may also assist in accessing financial services or act as intermediary (such as revolving funds) etc.

b) Principles

82. FPO principles are the guidelines by which PFOs will put their values into practice.
- i. Voluntary and Open Membership: PFOs are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without discrimination.
 - ii. Democratic Farmer Member Control: PFOs are democratic organizations controlled by their farmer-members who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the collective body of members. In primary PFOs farmer-members have equal voting rights (one member, one vote) and PFOs at other levels are also organized in a democratic manner.
 - iii. Farmer-Member Economic Participation: Farmer-members contribute equitably to, and democratically control, the capital of their PFO.
 - iv. Autonomy and Independence: PFOs are autonomous, self-help organizations controlled by their farmer-members.
 - v. Education, Training and Information: PFOs operatives provide education and training for their farmer-members, elected representatives, managers, and employees so that they can contribute effectively to the development of their PFOs.
 - vi. Co-operation among PFOs: serve their members most effectively and strengthen the FPO movement by working together through local, national, regional and international structures.

c) Selection of Agribusiness Mobilization Partner(s)

83. The process of selection of partner organisation(s) shall be driven by Business Mobilization Partners/Service Providers that shall be selected based on Quality and Cost Based Section (QCBS) method which has been detailed in Procurement Section of this manual.

d) PFOs Promotion & Development Process

84. Based on the demand and the assessed potential in each cluster, a call for expression of interest (solicited) describing the objectives, approach, roles, responsibilities and contribution levels assessed will be disseminated by the PMU and/ BMPs/SPs at district level. The following steps will be carried out by the Implementing Partner (IP) at district level.

(1) Cluster Identification

85. Cluster areas are to be selected by the IP based on the demand and potential assessment. It should be ensured that PFO consisting on average of 400 farmers or more could be organised, within multiple villages/valleys.

(2) Mobilization of Farmers

86. Once an expression of interest is received there is a strong case for the BMPs/SPs to start business mobilization. The mobilization process will involve the farmers from the start including the business development planning. Mobilization of farmers should be done with a variety of communication aids like – pamphlets, posters, regular village-level meetings, proper vision development of promoter farmer-members. The process will include the following;

87. Diagnostic Study. A Diagnostic Study is to be conducted by the IP in the selected cluster area. The Diagnostic Study is conducted to assess the preliminary situation of the farmers and level of agriculture related activities in the area. The study will also help in identifying the potential interventions required and understand the specific project implementation context. A detailed list of factors to be covered in the study is mentioned in **Annexure 2**.

88. Market Assessment. A market appraisal, to be carried out by BMPs/SPs , will help in generating data related to the prevailing situation of farming and small, marginal and tenant farmers. Baseline assessment will cover a variety of factors to identify the potential interventions, to plan development and business plans and to

establish the base figures based on future outcome indicators that can be measured to understand the change contribution. The assessment shall be conducted using random sampling through structured household-level interviews and open-ended focus group discussions with a variety of stakeholders. Refer to **Annexure 3** for a detailed checklist of factors to be studied in baseline surveys. The diagnostics study and market assessment can be coupled if required.

89. Business Planning. Business Planning will be carried out by BMPs/SPs with the help of selected farmers' representatives. Business planning is a process through which the strategic and operational orientation of an emerging FPO is shaped. While baseline assessment figures will be important inputs to understand the level from which products and services for farmers' members should be developed, more important will be the collective visualization of the future of the FPO. Using a variety of tools and systematic collective reflections, a business plan with proper FIVE (5) year projections on various aspects with clear breakeven point (expected with 3 years ideally), skill identification and cost of the professional management needs (farmers will be shareholders of the PFOs but management will be done by professionals, recruited on test / experience). The final FPO BP proposal will be reviewed by the PMU before being contracted with the same BMPs/SPs which formulated the BP and mobilized the Farmers. A detailed list of content is provided in **Annexure 4**.

(3) Profitability

90. The PFOs net profit will be limited to the operational cost recovery and some amortization / secure funds in order to transfer most of the profit at farmer level. The average estimated net incremental income generated per farmer will be in the range of USD 1000 – 2,000 per year. The project will channel project assistance to FPOs through formal banking sector, thus building credit history for both FPOs and their members. This will enable FPOs/smallholders to access credit through formal banking system to avail opportunities for business expansion in the future.

91. All sub-sectors will be eligible (livestock, crops, vegetables, fruits, flowers, etc.) subject to the condition that the business plan demonstrates; strong market demand, viability in terms of profitability at individual and organizational levels and sustainability/continuity of business model as well as have obvious nutritional benefits to consumers. Based on the need assessed, line department(s) may provide technical support to the PFOs. In line with the diagnostic/ Market assessment undertaken by Government of KP, typical elements of intervention under a business plan may include (i) climate smart production technologies, (ii) Precision planting and harvesting, (iii) vertical farming; (iv) harvest and post-harvest handling; (v) processing, preservation and value addition; (vi) packing, packaging and marking/labelling (with nutritional value information) et. Capacity building will be an integral part of the business development plans which shall be linked to the business model, technology package involved and assessed needs of the members as well transversal themes related to nutrition, climate change, gender and youth. This sub-component will directly reach and provide decent revenue and employment for 385,000 HHs and allow around 3.3 million people to benefit from the additional significant net-income generated. More specifically, the sub-component shall integrate grading, processing, storage and consolidation thus creating additional job opportunities especially for youth.

(4) Organization & Formalization

92. PFOs will be assisted to register under the Companies or Cooperative act. The final form which the FPO assumes (i.e. cooperative, company, multi cooperative etc.) must be a decision taken by PFOs members collectively.

(5) Resource Mobilization

93. Based on the business plan, the IPs will liaise with various financing agencies and PMU to mobilize resources for hiring/purchasing and developing various resources. Normally, the overall investment per PFO will be ranging between USD 70,000 and USD 100 000¹ depending on the number of members in PFO, with a contribution of around 30% by producers/shareholders in cash or in kind, immediate or progressive. The contribution could either be in lump sum or aligned to milestones. The terms of contribution would be agreed in the terms of partnership for establishment of PFO. The project will finance the PFOs (investment in fixed cost items and working capital) and the PFOs will provide on in-kind loan basis to the members (as most don't have possibility to access to formal banking or micro-finance loan) for the necessary input / services supply in order for them to be able to produce the expected quality and quantity of produce. The PFOs will be in charge to

¹ The average investment per farmer is US\$150.

aggregate the products, to grade, process, and package and to ensure the sale as per business plan and the establishment of contract between buyers or as appropriate. In addition, PFOs will facilitate obtaining certification for the farmer produce where needed to guarantee the best added value for the selected commodities.

(6) Management System Development

94. BMPs/SPs should facilitate the development of management systems in the FPO. Guidelines for management systems should be able to address all requirements related to financial services, input and output management services. Systems related to management of finance, human resources, stock and inventory, procurement and quality management, marketing, internal audit, internal conflict resolution and other important functional areas should be developed. Standard operating procedures (SOPs) for the same should be established.

(7) Business Operations

95. Business operations is the commencement of procurement, production, processing, marketing and financial service activities of a FPO. IPs should carefully train both the governing and operational structures of the FPO in order to ensure smooth functioning of business operations. The entire value-chain related to various agriculture and allied products and commodities needs to be managed.

(8) Assessment & Audit

96. BMPs/SPs should facilitate constant assessment of performance of various stakeholders like farmer members, governing board of directors and service providers. They should also help PFOs to reflect using Institutional Maturity Index to understand areas of improvement. Internal process and accounting audits will help maintain both transparency and accountability (Annexure-4). These are key institutional systems for FPO evolution.

97. Note: The order in which the FO promotion and development is mentioned is not necessary to be followed in series and can be followed in parallel as appropriate.

(9) FPO Service Model

98. The FPO will offer a variety of services to its members as illustrated below. Such entities will provide end-to-end services to its members, covering almost all aspects of cultivation (from inputs, technical services to processing and marketing). The FPO will facilitate linkages between farmers, processors, traders, and retailers to coordinate supply and demand and to access key business development services such as market information, input supplies, and transport services etc. Based on the emerging needs, the FPO will keep on adding new services periodically to provide enriched services to their members. The set of services include Financial, Business and Welfare services. An indicative list of services includes;

- i. Financial Services: The FPO will provide loans for working capital/seasonal and machinery and equipment.
- ii. Input Supply Services: The FPO will provide quality inputs at a subsidized price to member farmers including seeds, fertilizer, agro-chemicals etc.
- iii. Procurement and Packaging Services: The FPO will procure agriculture produce from its member farmers; will do the storage, value addition and subsequent packaging.
- iv. Marketing Services: The FPO will do the direct marketing after procurement of agricultural produce. This will enable members to save in terms of time, transaction costs, weighing losses, distress sales, price fluctuations, transportation, quality maintenance etc.
- v. Insurance Services: The FPO will provide various insurance like Crop Insurance, Electric Motors Insurance and Life Insurance.
- vi. Technical Services: FPO will promote best practices of farming, maintain marketing information system, diversifying and raising levels of knowledge and skills in agricultural production and post-harvest processing that add value to farmer produce.
- vii. Networking Services: Making channels of information (e.g. about product specifications, market prices) and

viii. other business services accessible to rural producers; facilitating linkages with financial institutions, building linkages of producers, processors, traders and consumers, facilitating linkages with government Programmes etc.

99. Sub-Component 1.2 Public Private Producers Partnerships (4Ps) . The objective of the subcomponent is to promote value chain development particularly for high value crops, and livestock. Based on (i) the experience developed in Pakistan (ETI-GB) and Sri-Lanka (NADEP) as well as the evident interest of some investors to partner for satisfying the market, the project will develop 20 "4Ps", with a minimum of 2000 (on average) producers per 4P. The project will make a call for proposals, open to local, national and multinational private firms/companies already in the business and with financial capacity as well as demonstrated market share.

a) Introduction to 4Ps & Rationale 1

100. Producer-Public-Private Partnerships (4Ps) involve cooperation between a government, business, agents and small-scale producers, who agree to work together to reach a common goal or carry out a specific task while jointly assuming risks and responsibilities, and sharing benefits, resources and competencies. It is a holistic win-win platform where multiple partners could leverage their investment in selected value chains led by private companies facilitating access to markets, knowledge, technology and capital for smallholder rural poor farmers. In addition, such platforms could strengthen create employment opportunities in rural areas as such jobs would perform as value chain actors within the same business eco-system. A classic 4P is based on;

- i. Private-sector involvement is planned early on so that it becomes part of project design and implementation, and partnership results are systematically monitored and evaluated as part of the project's results framework.
- ii. To the extent possible and relevant, the private-sector partner is selected through a competitive or rigorous selection process that ensures transparency and objectivity, and meets the project's social, economic and environmental objectives.
- iii. Producers play an active role in the negotiations and partnership arrangements (both formal and informal), governance and monitoring.
- iv. A 4P is a true partnership in which each partner has clear roles and responsibilities, and shares risks and benefits. Private-sector partners are expected to allocate matching financial resources.
- v. Linking with the private sector through a 4P ensures that interventions are sustained beyond the project lifetime because they follow business logic and all involved parties' benefit. A 4P should be seen as an entry point to scaling up project results through private-sector investment.²

b) 4Ps under KP-RETP

101. The project will encourage; Private Agribusiness companies/SMEs who are already established in the province with prior experience of working with individual farmers/FOs/PFOs or with indirect/direct presence in the province through other means by sourcing, value addition and creating market linkages. These entities would be considered as "promoters" under 4Ps. Underlining principle of these partnerships should be to increase the incremental income of farmers and integrating them in the selected value chains.

² How to do, Public-Private-Producer Partnerships (4Ps) in Agricultural Value Chains, (IFAD, 2016)

Table 1. Key actors/entities directly involved in establishment and implementation of 4Ps

Actor/Entity	Level of Establishment	Key Role/Engagement
Farmer/Producers	Village Level	<ol style="list-style-type: none"> 1. Responsible of forming the PFOs ³on common commodity lines/Selected value chains. 2. Equity contribution to PFOs. 3. Pay back the cost of inputs provided by PFOs after harvest at a fair interest rate. 4. In kind contribution in the form of Labor 5. Commitment to not side sell in case of forward sales agreement is reached between other 4P actors. 6. Participate and undertake technology transfer to enhance production quality and quantity. 7. Horizontally collaborate with producers in their vicinity to gain mutual benefits. 8. Participate in AGM and FPO activities (Leadership roles).
FO/PFO	Village/Valley (2000 farmers on average per PFO)	<ol style="list-style-type: none"> 1. Arrange input supply on credit from Farmer Service Centers (FSCs) established in District level. 2. Production planning based on demand and supply advice from the respective FSC. 3. Aggregate farmers produce and engage in primary processing activities (cleaning, sorting, weighing & packaging etc.) 4. Realization of scale and brokering with wholesalers/SMEs/Large agribusiness entities (local & multinational). 5. Collection of cash after the harvest from producers and paying back to the district FSC on an agreed interest rate 6. Conduct AGM having elected seven (7) Board of Directors (BODs) from Producers. 7. Management of PFO with recruited staff.
Farmer Service Centers (FSC)	District Level (1 FSC per District, 35 in total)	<ol style="list-style-type: none"> 1. Act as an APEX body of the related PFOs in the respective District. 2. Provide farm inputs based on the demand from each PFOs on credit basis at a reasonable interest rate. 3. Provide inputs to other medium/large scale farmers in the district on commercial basis. 4. Provide services to PFOs/Medium & large-scale farmers including certification, rental of essential machinery and equipment etc. 5. Establishment of a Business Development Unit (BDU) to broker 4P partnerships on behalf of PFOs with SMEs/large scale agribusiness companies. 6. Management to be done by professional staff recruited externally. 7. Direct linkage and coordination with regional PMU in the respective districts
4P Promoters (SMEs & Large Scale Private Agribusiness Companies)	Village, District, Provincial and National Level	<ol style="list-style-type: none"> 1. Secure the market for farmer/FPO aggregated produce through forward sales contracts with PFOs. 2. Support PFOs to disseminate technology related to productivity & quality enhancement of farmer produce through training & development (extension support). 3. Establishment necessary infrastructure to facilitate market access and value addition of farmer produce. 4. Assist PFOs/FSCs to obtain related quality certifications as per the market standards.

³ These PFOs will be in addition to the ones established under sub-component 1.

Actor/Entity	Level of Establishment	Key Role/Engagement
Financial Institutes (FIs)	District & Provincial Level	<ol style="list-style-type: none"> 1. Facilitate fund/credit delivery to PFOs/FSCs and make member farmers bankable. 2. Develop partnerships with 4P promoters and route payments for farmer produce through bank accounts. 3. Provide training support for PFOs and their members on financial literacy and household budget management. 4. Facilitate payments for procurement related activities through FPO bank accounts.
Public Sector Services	District and Provincial and National level	<ol style="list-style-type: none"> 1. Facilitate infrastructure for proposed new/re-structured FSCs. 2. Training & development, extension support through Ministry of Agriculture and related line agencies. 3. Certification support. 4. Favourable Policy and Conflict resolution

102. The project will establish 20 Producer Public Private Partnerships (4Ps)—each covering an estimated 2,000 producers. For this purpose, well-qualified and experienced private partner shall be selected through a competitive process for value chain development. PMU would act as the initiator to invite expressions of interest (Call for proposals) to engage Private Agribusiness companies/SMEs in 4Ps, who are then short listed and selected based on a set of criteria and commitment and interest in pro-poor development. These partners are subsequently requested to submit proposals in the form of Business Development Plans (BDP) which include an investment plan and an implementation plan.

103. In this early stage, the Business Development Unit (BDU) established under BMPs/SPs will be responsible for promoting, sensitizing and brokering match making/engagement and a first contact with the partners. As the process progresses, the AMP continues its brokerage role and facilitates the negotiations and fine-tuning the proposals

104. Upon BDP submission, the PMU will conduct feasibility study confirming marketing, technical, management and financial viability. The BMPs/SPs will be responsible for BDP closely working with the company/SME and farmers/PFOs (reassuring financial and economic benefits to farmers). The PFOs are also pre-identified by the FSC/IP). The BP then undergoes a final appraisal by the BDU under FSC/IP team, and is forwarded to the Business Proposal Evaluation Committee (BPEC) of which three permanent members are appointed by the Project Management Unit (PMU) who undertakes further field visits, if necessary to validate the appraisal and comments on proposes further adjustment. And final plan is submitted to IFAD for NO objection. At this stage, economic, social and environmental feasibility and pro-poor strategy of the proposal is validated and approved by the committee. During BPEC evaluation, all finalized and duly approved specifications endorsed by respective experts/line agencies for agreed machinery/equipment, and also drawings and BOQs of infrastructure etc. should be submitted by the company/IP for technical evaluation and recommendations. Procurement will be carried out by the PFOs and facilitated by the AMP.

105. Legal documents would be finalized at that time and signing of tri-party Agreements between the promoter, Farmer organizations (different PFOs than the comp 1.1) and the project shall be commenced. Subsequently, a baseline survey/orientation meeting and targeting survey is undertaken by the PMU/RCUs via BMPs/SPs, as well, the promoter undertakes the mobilization, organization and sensitization of the pre-identified PFOs in collaboration with the or as FSC as the case may be. In general, the 4P promoter provides technical assistance and extension services to improve farm productivity, coordinates and facilitates the input/equipment supply, and agrees to procure farmer produce or output through collection or processing centres established under PFOs. If the established partnership requires further support, RCU would facilitate and assist the provision of technical assistant & the extension services through IP/FSC or related agencies.

106. Capacity development of PFOs, 4P mobilization support and monitoring & evaluation (M&E) activities of the established partnership would be undertaken by PMU with the assistance of BMPs/SPs through the coordination of RCUs & district field offices (DFOs) where applicable. Number of field officers to be appointed for each 4P will be negotiated at an early stage of BDP. Training on agri-business, including business ethics, financial management, quality standards, technical know-how, social enterprise development principles and practices and Good Agricultural Practices (GAP) are part of the overall package to be based on need assessed linked to business model. This will be provided by IPs and coordination would be done by the partners with the

assistance of the PMU/RCUs. However, the 4P business plan should clearly identify the need for additional support that could be provided by provincial or district level public agencies, and how this support could be mobilized; it is however expected that the PMU/RCUs would play an important mediator and coordination role, ensuring the multiple and relevant public institutions are mobilized and connected to the project interventions, providing support where necessary. Monitoring and evaluation and the 4P implementation is a shared responsibility by PFOs and the companies, with guidance and oversight provided by the PMU/RCUs via FSCs. Entire process of partnership development and implementation is explained in details below.

c) Identification & Selection of Promoters

107. Expression of Interests (EOIs)/Call for Proposals from Private Agri-business companies/SMEs intended to participate in the component activities would be invited. Such entities would be selected on the basis of parameters and criteria acceptable to the GOKP and IFAD as mentioned below;

- i. Be incorporated in Islamic Republic of Pakistan or should be a multinational having registered operations in Pakistan and willing to work with FOs/PFOs.
- ii. Minimum of five (5) years of direct involvement in Agri-business ventures specialize in agriculture, processing of agricultural commodities and/or deal in agricultural products or services.
- iii. Sound financial position as evidenced by its' balance sheets with unqualified audit opinion for minimum of 2 (two) previous financial years.
- iv. Capacity to provide significant co-financing and technical expertise and demonstrated long term marketing capability. In the case SMEs, Volume of produce to be brought should be secured through a bank guarantee to avoid last minute default in terms of not being able to buy or payment delay.
- v. Reputation of fair dealing and empathy with farming communities and the poor, sound management and corporate governance systems.
- vi. Comply with the relevant environmental regulations and agricultural practices.

d) Identification and selection of FOs/farmers

108. Identified FOs/farmers should undergo a capacity development Programme through BMPs/SPs prior to 4P commitment with Private Agribusiness Companies to ensure the sustainability of the partnership. Such entities should be registered under Registrar of Cooperative Societies, GOKP or with any other acceptable Government organization and would be assessed and selected on the basis of the criteria given below; In addition to the selection criteria mentioned in the above paragraph maturity assessment would need to be conducted to select the prior to 4P commitment with the project.

e) Present Status of the PFOs

109. Major issues identified with regards to FSC include; (i) Legal status; (ii) Membership; (iii) Scope; (vi) Vision and mission; (v) Date created; and, (vi) Financial status. Other issues are summarized below;

110. Governance

- i. Selection of executive committee
- ii. Arrangements of meetings and AGM
- iii. Decision making process
- iv. Record keeping
- v. Membership participation in meetings

111. Involvement in Economic activities

- i. Activities related to agriculture development carried out in the recent past
- ii. Relationship with other Government and private sector organization in promoting agribusiness activities
- iii. Services provided to membership in relation to Agri-development

- iv. No. of members benefitted
- 112. Involvement in Social activities
 - i. Services provided to membership
 - ii. Benefits for the membership
 - iii. Activities carried out during recent past

- 113. Management of accounts
 - i. Membership fee
 - ii. Fund accumulation
 - iii. Fund utilization
 - iv. Auditing / availability of audit reports

- 114. Feasibility of the proposed project intervention
 - i. Number of members benefitted
 - ii. Scale of operation
 - iii. Investment capacity of the FO/PO/COOP Society/Producer group
 - iv. Proposed arrangement for establishing market linkages

f) Partnership Development

(1) Step 1 - Inviting Expression of Interest

115. Invite EOIs in the form of “Concept Paper” through an advertisement in all the two languages (Urdu and English) languages in mostly circulated (among business community) newspapers. In addition, the advertisement will be posted in online portals including KP-RETP official website, social media sites. Promotion through official forums would also be entertained. All the EOIs, as per the prescribed format (Annexure 5), in response to advertisement would be required to be submitted, together with the supporting documents, directly to the PMU/RCUs within the prescribed time period mentioned in the advertisement. EOI acknowledgement letter should be sent to respective parties within a week.

- 116. The advertisement should provide the following basic information.
 - i. Brief description about overall Programme and objectives.
 - ii. Components and scope
 - iii. Eligibility criteria
 - iv. Desired outcome
 - v. Reference to the concept note template (Detailed template for the concept note will be available to download in programs' official online portals or/and can be obtained upon prior request through an email or via post.)
 - vi. Required supporting documents.

- 117. Concept note should highlight following key areas;
 - i. Description of proposed 4P project: Selection of the commodity, potential for value addition at producer level and for premium product differentiation (trademarks, labelling, certification, organic). Importance in buyers' overall activities, prospects in final or retail market. Export potential etc.
 - ii. Target group description: Farmers with at-least 80% of land holdings below 12.5 Ac of extent with priority needs to be aligned with targeting strategy.
 - iii. Geographical coverage: Agro-ecological, commercial and/or social reasons for choice of area highlighting the importance to the area as well as to the country as a whole due to intervention.

- iv. Present production and market situation in the selected area: Key statistics of national & regional production of selected commodities, current market situation with import and export data and relevance for import substitution and national economy.
- v. Proposed 4P project activities: Establishment/expanding of partnerships with PFOs, promotion of primary processing at the PFOs level, Development of infrastructure to facilitate post-harvest handling and collection or equity sharing with FOs/PFOs through process modernization and value addition at factory/Processing level etc.
- vi. The farmer selection criteria;
 - 1. 80% of the rural farmers having land parcels less than 12.5 Acres.
 - 2. Willingness to share experiences with other farmers
 - 3. Willingness to work with private Agribusiness companies.
 - 4. Trustworthiness
 - 5. Past experience in Agribusiness would be an added advantage
 - 6. Existing Member or willingness to work in groups/join PFOs
- vii. Implementation plan: Clear timeline for partnership implementation including time frame for proposal development & relevant approvals, farmer selection, group formation, creating bank linkages, supplier selection and procurement for goods and services, field level implementation according to crop seasons and patterns etc.
- viii. Cost of the project and financing plan: Proposed investment for the partnership including contributions from each partner (companies, farmers and KP-RETP) and financing plan aligned with proposed activity/implementation plan.
- ix. Benefits of the project: Desired outcome of the partnership in terms of economical (incremental income of farmers), social and environmental aspects due to proposed intervention.
- x. Impact of the partnership: Overall impact of the partnership in long run aligning with Sustainable Development Goals (SDG) highlighting the effect on economic, social and environmental aspects and the attainment of KP-RETP objectives.
- xi. Sustainability of the partnership: Propose long term sustainability mechanism of the partnership with a clear exit strategy from KP-RETP.

g) Step 2 - Seek detailed proposals

118. Selected private Agribusiness companies/SMEs based on their EOIs are requested to develop detailed proposal with the support of BMPs/SPs according to the proposal development template (Annexure 6) provided. The template can be obtained from BDU or can be downloaded from programs' official online portals. At the same time, shortlisted companies/SMEs would be invited to present their concept to PMU/RCUs while an awareness session would be conducted by the BDU experts. The awareness session would comprise of;

- i. Overall awareness and guidelines about the proposal development
- ii. Guidance for implementation of the 4P projects.
- iii. Guidance for selection of works, goods & services including endorsement requirements by relevant parties, after sales service, disbursement procedure ownership of utensils, equipment, machinery and infrastructure facilities etc.
- iv. Circulation of guidelines, templates for PFOs registration.
- v. Guidelines for fund disbursement mechanism and legal requirements
- vi. Implementation guidelines/M&E/Audit including ownership/ responsibilities of each partner would be explicitly shared during the session.

119. The awareness session would be conducted as an interactive session with practical scenarios for better understanding for promoters as well as for PFOs leaders. Promoters need to be given 4 (four) weeks to prepare and submit finalized BPs and in meantime, respective BDU under FSC/RCUs and IPS who are assigned for specific

partnerships by the project would assist promoters to develop the BPs according to the standard which is prescribed by IFAD/ KP-RETP as mentioned below;

- i. Focus should be to increase farmers income by at least USD 600 – 1,000 per year by “on farm” productivity development of farmers, engagement of PFOs in primary processing and value addition. Infrastructure development for collection, post-harvest handling, process modernization and value addition at factory level is considered under company contribution under 4P model. However, project will consider such developments under matching grant facility for regional SMEs.
- ii. Approximately average of 150 USD per beneficiary could be allocated through the investment plan. Based on the value addition capacity this allocation can be varied. Rest will be from farmer/PFOs and promoter contribution accordingly. Nevertheless, special consideration would be given for the innovative projects which have the potential to be implemented at large scale.
- iii. The matching grant by IFAD would not exceed 50% of investment in a 4P—the remaining 50% shall be provided by the private sector. The average investment per 4P is estimated at US \$500,000 per 4P with each farmer/beneficiary getting around USD 500.
- iv. The matching grant would be provided as a complimentary to own contribution of the farmers & private sector investment and strictly targeting farmers.
- v. Proposal should encourage and incorporate climate resilience approaches, nutrition sensitive interventions, GAP, GMP with special focus to gender and youth accordingly.

120. In the event of the promoter is not competent to develop the proposal, PMU would provide technical assistance in BP development through the BDU/IP. Moreover, BDU established at IP/RCU/FSC would act as a broker for the development of the proposed intervention, with key roles embedded in different stages of partnership development and implementation and closure.

h) Step 3 - Evaluated detailed proposals against criteria

121. Once the proposal is developed and submitted to PMU/RCU via BMP/SP/FSC—as the case maybe, the initial evaluation and appraisal would be conducted following a feasibility study by the in-house team (BPET) which will be part of the PMU. The BPET team can be comprise of;

- i. Value chain/business development expert/specialist
- ii. Finance expert/specialist
- iii. Gender, youth and nutrition, environment expert/specialist
- iv. Agronomist/Agro Economist

122. However, the composition of the team will vary depending on the project profile. The team would be led by value chain/business development expert/specialist, and the final report would be a compilation of individual assessments by above mentioned team and should be submitted to Programme management within 14 (fourteen) days after submission of proposal.

123. Depending on the feasibility assessment, program management would decide to go ahead with the proposed partnership, however, if it does not meet the required ratings, PMU would communicate to the promoter/IP highlighting the concerned areas accordingly. Further, PMU/RCUs would allow the promoter to rectify the concerned areas and resubmit the proposal within 21 (Twenty-one) days.

124. Once the approval is obtained for the Initial Appraisal Report (IAR), the value chain/business development expert/specialist is responsible to produce a final appraisal report to PMU/RCUs management within 10 (ten) days from the approval date. The appraisal report should comprise of;

- a. Promoter company due-diligence: Background and experience in the industry, reputation, profitability, infrastructure availability to support the proposed intervention and previous experience of working with rural farmer/smallholder communities/donor funded agencies.
- b. Farmer beneficiary analysis: Geographical locations of beneficiaries, classification according to their income level, production, gender, youth etc., existing income activities, accessibility to banking and credit facilities, previous involvement in any donor funded projects etc.

- c. **Product analysis:** General description of the product/products (Outputs) through proposed intervention, cost of production breakdown, availability of raw materials, future trends towards the output/product etc.
- d. **Financial Inclusion Analysis:** Analysis with regard to equity and credit inclusion would be carried out. Proposal should include how the company and the farmers anticipate to use affordable financial products and services (grants & credit) to meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way.
- e. **Risk analysis:** Risk factors involve in the proposed intervention according to probability of occurrence and the severity (Impact).
- f. **Investment plan analysis:** Financial plans will be appraised on case-by-case basis. BPs will be appraised against Programme objectives and using an economic and multi-criteria analysis such as;
 - i. Overall profitability of the company, FPO and farmers under with and without project scenarios.
 - ii. Overall evaluation on proposed equipment, machinery, other infrastructure facilities, their requirement and comparison of proposed cost based on the market rates.
 - iii. Poverty reduction potential: proportion of poor (small) farmers participating: incremental net margin, incremental benefit/cost ratio by producer, rate of return at farm level if applicable, return per labor, return per acre, incremental household income.
- g. **Comments of appraiser:** Overall summary of the report highlighting the pluses and minuses of the proposed intervention.

i) **Step 4 - Seek IFAD's No Objection for selection**

125. Once the internal evaluation is completed, PMU/RCUs would forward the proposal together with endorsed specifications for necessary capital assets to IFAD for NO objection.

126. Duly completed final appraisal report including comments of BPEC & PMC would need to be forwarded to IFAD for NO objection. Once the BPEC recommendation, evaluation and approval given, PMC will send the proposal for IFAD No Objection Clearance (NOC), the preparation of the necessary legal documents should start as soon IFAD's NO objection is obtained. The draft agreement should be shared with the legal department/ legal retainer for their comments before finalizing it.

127. IFAD would provide No Objection after review based on the information and holds the right to seek clarification and even alteration of the developed proposal. In such event, PMU would need to communicate promoter/BMP/FSC and alter the proposal accordingly.

128. However, based on the Financing Agreement, Letter to Borrower (LOB) and general conditions, PMU/RCUs shall ascertain whether or not the proposed expenses are ineligible for financing.

j) **Step 5 – Inception of Implementation**

129. Once the IFAD's approval is given implementation work will be initiated, including orientation, targeting strategy, organization and strengthening of farmers including farmer mobilization and formation of PFOs, registration, opening of bank accounts, tax registration etc. Since the equipment, machineries and infrastructure facilities to be given and implemented is finalized, and approved, purchasing process can be initiated following the standard operating procedures (SoPs) approved by project.

k) **Step 6 – Contract/Agreement**

130. Following IFAD's approval, finalization of the legal documents should be done within a weeks' time and signing of agreements between the stakeholders need to be arranged. Agreements are supposed to add legal framework to partnerships where stakeholder are obliged for their roles and responsibilities. Agreement defines the budget and financing arrangements: KP-RETP matching grant, private company co-financing, FO/FPO contribution etc. together with specific legal obligations enforced by the GOKP.

131. PMU could seek the assistance of an external legal consultancy firm for the development of the legal agreement which needs to be reviewed for the final consent.

132. Agreements could be mostly tripartite agreement between private Agribusiness companies/SMEs, KP-RETP and the selected PFOs especially for the 4P model. However, there could be exceptions for different models such as hybrid model, where more than 3 (three) parties are involved under equity sharing concept. (Ex: KP-RETP /LPA, Other donors, PFOs, Private Agri-business companies, Provincial line departments/institutions etc.).

I) Partnership Implementation

133. Project Agreement would be signed subject to IFAD' No Objection. Within 14 days, PMU/RCUs should conduct an orientation programme for representatives of private Agribusiness company/SME, PFOs & related Government Institutes (Extension etc.) who are directly involved in partnership implementation including the BMPSP—if involved, followed by several beneficiary mobilizations sessions depending on the number of beneficiaries under the partnership on terms and conditions of the Agreement for smooth implementation of the partnership.

134. In addition to the formal training and development in relation to operational/agronomic practices which are proposed in the proposal, special consideration should be given to preparatory training sessions aligned with mobilizations sessions in relation to financial literacy, household budget management and entrepreneurial development etc. The BMP is responsible for conduct Training of Trainers (TOT) to train field officers and supportive staff on these aspects.

135. The farmer list cleared by FO/FPO with the support of IPs should be submitted to PMU/RCUs for registration. After obtaining the PMU approval, the related BDU at IP/RCUs/FSCs would register the farmers in its MIS and the lists will be shared with field officers for detailed data collection and registration.

136. If promoter engage directly with beneficiaries, all the beneficiaries/or if the promoter works directly with PFOs, both respective eligible entities and individual farmers should open a bank account in selected bank where all the transaction would be carried out through the account including fund transfer.

m) Audit & Inspection

137. Based on the arrangement 4P, if private sector is managing the fund the accounts should be audited by the reputable charted accounting firm acceptable to the Fund or in case of PFOs, the audited report of cooperative department would be required.

2. Sub Component 1.3 –Farms Service Companies

138. Building on GoKP investments in the development of the Farm Service Centres (FSC), the KP-RETP will invest in making these institutions more responsive to the needs of the farmers in terms of input supply (fertilizers, seeds, pesticides etc.) and services (mechanized labor, technical advises, certification and marketing etc.) in order to complement and make fully operationalize the sub component 1 (PFOs) and 2 (4Ps). The KP-RETP objective will be transform these FSCs into functional, autonomous and sustainable New Farm Service Companies (FSC) per district, with PFOs and individual farmers as shareholders. The reorganised FSC will be registered under the companies act and managed as a private company. The companies are envisaged to enhance agricultural productivity of PFOs and other farmers

139. Farm Services Companies (FSCs) would act as a hub for knowledge diffusion and technology dissemination as well as marketing of the agricultural and livestock commodities in order to facilitate the members. The companies are envisaged to boost up agricultural productivity of PFOs and having the mandate to create opportunities of cooperative farming and cooperative marketing or contract farming. Moreover, farm services centres would be able to resolve issues of common interest particularly in agriculture through developing collective linkages with government line agencies.

140. The existing FSCs will be strategically identified to cover all the geographical zones/regions of the project. In total 35 FSC will be supported to have on average 1000 – 2000 shareholders with an expected outreach 20 000 members per FSC. In addition to converting the existing FSCs into companies, the project shall consider establishing new companies or branches/franchisee/agents network to expand the outreach of these companies..

141. The companies would be registered under the Companies Act, 2017 having PFOs and farmers as their members/shareholders. All members will constitute the general Body. The companies will have 9 Board of directors, 7 of them elected from the shareholders, 2 independent board of director (one charted accountant

and one lawyer). The Board will recruit professional management staff to handle the operation of the companies and it would be run as a professional business entity.

142. The network of companies will meet at least twice every year to share experience and exchange their respective needs. Furthermore, the companies would explore possibility of leveraging collective economies of scale in terms of procuring or negotiating with large seed companies. At the mid-term the MPU will undertake feasibility and market study to explore the possibility of creation of Apex of NFSC.

143. The key activities of the companies will be as follows:

- i. The Companies will assess the demand before each agricultural season, the needs of their members, in terms of improved seeds, fertilizers and pesticides as well as in terms of mechanized works. The management unit of the NFSC will procure directly or through the companies network (composed of the 35 companies) their seasonal inputs. The NFSC facilitated through the Nodal agency would procure the goods and sales to PFOs/ individual farmers through their outlets/ stores.
- ii. The companies members may provide inputs on credit to the PFOs. Otherwise, farmers will have to provide a collateral acceptable to the companies. The delivery of the inputs will be done at FPO level. The distribution will be done by the FPO. The reimbursement of the in-kind loan will be done by the farmer to the companies through the FPO.
- iii. The companies will select through a call for interest, some young local men / women interested to develop their own agricultural mechanized company. They will provide training, list of the PFOs / farmers interested, working capital and one equipment on long term lease. The young entrepreneurs will have to follow a training (component 2) in order to master the use and maintenance of the equipment. Payment will be done by FPO to NFSC for farmers members of PFOs. The companies will deduct all the leasing and working capital expenditures before transferring the due amount to the young entrepreneur.
- iv. The companies may market / process some staple or cash crops if requested by members and if business opportunities calculation demonstrates significant interest both at farmer and NFSC level as well as acceptable risks.
- v. The companies will enter into long term contract farming / support with Research Center and seed producers / nurseries in order to guarantee the diversity, the quality and the quantity of the seeds deliver by companies to the farmers. A dedicated credit line will be allocated under KP-RETP in order to pre-finance some seed production / plants and/or to import some new germplasms / varieties. Policy paper and/or waiver in terms of the current KP / GoP regulations related to the current seeds / germplasm importation will also be financed / requested before the start of this activities.

a) Business Planning

144. Business Planning will be carried out by each companies for a period of 5 years. Using a variety of tools and systematic collective reflections, a business plan with proper FIVE (5) year projections on various aspects with clear breakeven point (expected with 3 years maximum), skill identification and cost of the professional management needs (farmers/PFOs will be shareholders but management will be done by professionals, recruited on test / experience). The final company BP proposal will be reviewed by the PMU and subsequently endorsed by IFAD. A detailed list of content is provided in Annexure 8.

b) Profitability

145. The NFSC is expected to become financial self-sufficient in fourth year of operation and operational self-sufficiency by third year. Based on business plan, each Farm Services Center (that will convert into companies as stated earlier) will have an estimated investment of PKR 156 million (USD 1.0 million) with 50% contribution by the project of which not more than 5% could be utilised for the administrative and operational cost, whereas 95% will be used for procurement of inputs and other goods to be provided on credit basis to members as a working capital. Of the initial investment 50% will be contributed by shareholders/member farmers. It is anticipated that based on the first year of operations, the FSC would be able to leverage commercial sources of financing from the second year of its operation. The FSCs are expected to become financially self-sufficient in the fourth year of operation and operational self-sufficiency by the third year. It is expected that

based on the first year of operations, the NFSC could able to leverage commercial sources of financing from the second year of its operation

c) Brokering role

146. NFCS could play a major role in brokering 4Ps between PFOs and prospected private sector Agribusiness Companies/SMEs. Such activity should be coordinated with PMU or respective RCUs through official communication.

d) Management System Development

147. BMP/SP/PMU/RCUs should facilitate the development of management systems in the existing Farr Services Centers to gradually transform them into commercially viable enterprisesFSCs . Guidelines for management systems should be able to address all requirements related to financial services, input and output management services. Systems related to management of finance, human resources, stock and inventory, procurement and quality management, marketing, internal audit, internal conflict resolution and other important functional areas should be developed. Standard operating procedures (SOPs) for the same should be established.

e) Assessment & Audit

148. The BoD should appoint one internal auditor and should undertake an external audit annually. The internal auditor should report the chairman of the BoD and should share all its findings to the external auditor. The external audit report should be presented to the general assembly and should be made available to IFAD/ PMU and other government stakeholders.

3. Sub-Component 1.4: Institutional Support Services

149. The main objective of the sub-component is to provide demand driven institutional services to PFOs/4Ps/FSCs, to meet the market demand and buyers requirements. The PMU will enter into multiple results based MoUs with the relevant public/Government departments (academic, research and extension services) for different activities with clear responsibilities and deliverables. The scope of work will emerge from the aggregated needs of PFOs/4Ps/FSCs and will be translated into work plan, timeline and cost estimates. The engagement plan will be developed by PMU and approved by PSC as and when the need arise on a rolling out basis. Performance assessment will be done on an annual basis and presented for review to PSC. Below is not an exhaustive list of potential institutional services but are typical needs assessed during project design;

- a) Directorate of Agriculture Extension: (DAE): Based on the need assessed, PMU will engage for provision of support regarding training and advisory services (using existing App),
- b) Directorate of Agriculture Research (DAR): The project will engage Additional collaboration will be in the areas of reforms related to seed/planting material import and multiplication and other related policy domains.
- c) Training Providers: Based on the training type and need, several performance based MoUs may be signed with training providers such as Agriculture Training Institute (ATI), Agriculture and Engineering Universities, Training Institution under TEVTA and specialised facilities related to agriculture/agribusiness. The assessed need for workforce in agribusiness component is 25,000 which will be trained, tested and certified through these partnerships.
- d) Additional/Other Partnerships: Several other MoUs may be executed as per the need with different institutions. The terms of partnership will include investment in capacities of the institutions, delivery of the services and overheads.

B. Component-2 – Skills Development and EmploymentPromotion

1. Purpose, Objective, Outcome and Output

150. The project design recognizes that in order to effectively engage young rural people, an innovative, dynamic and integrated investment approach is required to create the right incentives for productive engagement of youth, to address their growth challenges. In view of the current state of agriculture regarding productive employment and TVET challenges and barriers to rural youth employment and business

development, the project adopts a multi-dimensional, coordinated and integrated approach of generating employment and services opportunities through Agribusiness component of the project and take into consideration the supply gap for emerging sectors of the provincial economy. to address diverse supply and demand constraints and keeping in view the diverse regional level market demands for labour. One of the key constraints of the existing TVET in addition to the stereotypical and traditional trainings methods, is that it does not prepare the trainees for productive employment and entrepreneurship. The project approach, therefore, focuses on competency-based trainings including opportunities for business development skills, managerial capacity building and promoting non-cognitive skill building; apprenticeship for on-the-job training; and mechanism for public private partnership for job placement.

151. The objective of the component is creation of productive employment and self-employment opportunities for 110,000 rural women and men in the farm, off farm and non-farm sectors. The component approach will focus on employability for employment and self-employment/entrepreneurship in agriculture and other emerging sectors in the province through a range of activities tailored to the needs and interests of different target groups. The project design recognizes that in order to effectively engage rural people, an innovative, dynamic and integrated investment approach is required to create the right incentives for productive engagement of rural people, to address their growth challenges. The project approach provides for competency-based training including opportunities for business development skills, managerial capacity building and promoting non-cognitive skill building; apprenticeship for on-the-job training; mechanism for public private partnership for job placement; and linkage for access to financial services for start-up for self-employment.

152. The Skills Development and Employment Promotion Component consists of three mutually supporting sub-components the scope and technical parameters for each subcomponents are described below for guidance and compliance:

2. Sub-component 2.1: Vocation and entrepreneurship skill training

153. This subcomponent will focus on the technical, financial, managerial, or business skills needed to ensure the management, development, success, profitability, and sustainability. A total of 60,000 trainees will benefit from the reorganised approach of TEVTA. The number includes more than 25,000 beneficiaries belonging to (i) the 550 Professional Farmers Organizations, (ii) the 20 Public-private-producer partnerships (iii) the 35 New Farm Service Centres and (vi) and some others who would be working for the service providers to be used under this component as depicted below:

Table-2: Estimated Number of Potential Workforce

Type	PFOs	4Ps	FSCs	Service Providers	Total
Staffing Need	2 750	400	280		3 430
Workforce Need	19 250	1 200	875	260	21 585
Total	22 000	1 600	155	260	25,015

154. Thean overall objective will be to improve or to develop the skills of individuals (approx. 5,000 per year – 145 per districts per year), staff or members, based on the active and effective roles of the individuals in the institutions supported and the personal needs expressed / assessed (backed by the business plan and capacity building plan of the institutions supported). Special focus will be given to the youth and women with a minimum quota of 30% each. The training need will emerge from the business plans of PFOs/4Ps/FSCs and the capacity building investment will be incorporated in the same.

155. The overall implementation of Component 1 and consequently subcomponent 2.1 will be progressive (phasing approach). Each implementing partner in charge of Component 1 (agri-business development) will also be responsible for the implementation of subcomponent 2.1 (skill development for agribusiness entities). The implementing partner will either directly train the beneficiaries or (for very specific areas) will engage service providers at provincial or national level. The implementing partner will be responsible for the quality and efficiency of the training and will consequently manage the contractual relationship with the ‘skill development’ service providers subject to No Objection from the PMU.

156. The IPs will census the individual skills needed based on (i) the requests of the institutions (when already operational), (ii) the IPs' own needs assessment for PFOs, 4Ps or NFSCs to reach optimum performance and (iii) the guidance of the approved BP. Based on an approximate target of 25 000 trainees, the maximum (all-inclusive) cost of training per individual will be USD 160 for the duration of the project. The IP(s) Component 1 IPs will be also responsible for ensuring the first level of progress reporting of component 1 and sub-component related to agribusiness skills development under component 2. Monitoring and evaluation will be the responsibility of this subcomponent 2.1, which will be complemented by the KP-RETP M&E staff as well as complemented through periodic external evaluations. At least 30% of the trainees shall be youth and women to ensure availability of staff and workforce for achieving the targets of agribusiness development under Component 1. The implementation of the Subcomponent will follow the business development and capacity building plans for each FPO and FSCs in progressive and phased manner under component I. Training curricula will include a general orientation on nutrition, social, environmental and climate change in addition to technical theme.

157. **Implementation Arrangement/Training Providers:** KP-TEVTA will be responsible for implementation of the subcomponent either in its own public sector institutions or in case of non-availability of courses, through outsourcing to public sector institutions like Animal Husbandry In-Service Training Institute (AHITI), Agriculture Training Institute (ATI), Universities (Agriculture/Engineering/Livestock) or by hiring relevant training providers (firms or qualified individuals as appropriate). Based on the training type and need, several performance based MoUs may be signed with training providers. The trainees will be tested and certified through these partnerships. The BMPs will be responsible for skills need assessments and selection of trainees as part of the business development planning process and will ensure that assessment is based on (i) needs identified and requested by PFOs, participants of 4Ps and FSCs after their establishment; (ii) the BMP own needs assessment for PFOs, 4Ps or FSCs; (iii) the guidance and needs identified for capacity enhancement of small farmers/members of PFOs/4Ps by participating private business partners/companies; and, (iv) need for skilled service providers. The maximum (all-inclusive) cost of training per individual is estimated at PKR 15,000 (USD 100). Following is the summary of the workforce to be trained under this sub-component.

3. Sub-Component 2.2: Start-up capital for employment promotion

158. The overall objective of this subcomponent 2.2 will be (i) to create jobs (including self-employment) for the ultra-poor and poor households having limited access to land, with a specific focus on youth (50%) and women (25%), and (ii) to facilitate the employability and the active integration in the economy of newly graduated students. Pakistan produces around 450 000 new graduates each year – 70 000 annually in KP province. The project will provide start up grants to enable graduates to initiate self-employment and entrepreneurship. Service provider(s) will be selected to implement this subcomponent as provided in this manual.

159. The implementation will be delegated to five several Vocational/Entrepreneurial Training Organizations (VOETO) as training/ service providers (SPs) in charge of the social mobilization, selection of the candidates, organization of pre-training, training as well as post-training support including; , coaching, mentoring, and guidance in support of the beneficiaries to ensure that the income and employment objective is reached.

160. The five VOETOs service provider(s) will be recruited on a competitive basis (one service provider per sub-office (4) and regional office (1)). Each VOETO service provider(s) will have a 3-year framework contract renewable based on performance and will be assessed / confirmed every year. The VOETOs service provider(s) will handle aspects related to both employment / self-employment and post-graduate economic integration. In areas where the service providers will not be able to obtain the GoP NOC to intervene, the PMU through its regional office will directly intervene using its own staff field consultant and GoKP line departments. as GoKP public services are permanently authorized to intervene in these areas.

161. This subcomponent 2.2 will be developed based on the SPPAP effective and successful model / methodology of rural employment and self-employment. The VOETOs service provider(s) will develop the skills of the target group to become employable or to create their own employment / business and consequently improve their livelihoods in a significant and sustainable manner (the objective being a minimum monthly net income of 15 000 PKR). Based on the SPPAP experience, around 70% of the beneficiaries of this subcomponent would develop their own self-employment / business.

162. The beneficiaries will be pre-identified through the updated BISP Poverty Score Card (data available) after the necessary social initial mobilizationscreening / consultation organized by through the village/Tehsil

councils or functional existing community organisationse VOETOs. The applications of beneficiaries will be validated by the PMU after due diligence related to the poverty score card and endorsement by the village/tehsil council. Based on the SPs' assessment of the employment market and the demand expressed locally by the potential beneficiaries, the SPs will organize various consultations in order to match the market offer and the beneficiaries' demand.

163. The type of skills to be acquired will vary and could cover different sectors depending on the gender, the location of the district and its business / labour comparative advantage / demand. Gender and youth will be identified as per SPPAP methodology. Vocational and Entrepreneurial trainings will aim at developing sustainable and profitable businesses (mechanics, tailoring, shoe or handicraft production, beauty shop, mobile or solar panel repair, brewery, masonry, hostelry, cloth design, heavy machinery operation, electricity, steel fixing, plumbing, etc.) – see list of the 49 activities proposed in PIM.

164. The duration and location of the training will be adapted based on the target group (particularly for women) and the topic. Generally, the duration envisaged is 2 / 3 months per training, sanctioned by an official and recognized diploma or certificate. The overall cost (training + stipend + support for CV and search of employment) would be around USD 300 per trainee and would allow her or him to exceed to average earnings of USD 125 per month (which corresponds to the estimated amount needed in rural areas to sustain a family).

165. The service providers in charge of this subcomponent will be responsible for the quality of the training provided and the results obtained (in terms of sustainable employment ratio and level of income). A special partnership will be developed with TEVTA to handle most of the technical training. TEVTA will be supported to assess and adapt their trainings (if necessary) to the most recent market requirements and / or to add some training modules to their existing curricula. TEVTA will also be supported to develop partnerships with a network of entrepreneurs willing to offer internships or to participate in vocational cooperative education programmes (with trainees alternating between theory and practice).

166. The trainees will be progressively identified and supported based on the phasing approach of KP-RETP. Around 30% of the trainees will respond to the local, provincial, national, or even international employment market (e.g. GCC countries). The other 70% who have demonstrated interest, willingness and capacity will be supported to become self-entrepreneurs with an additional package (start-up capital and management coaching/mentoring) averaging USD 300 per person, expected to yield an average income of USD 180 to 200 per month. The start-up capital may be provided in kind (necessary equipment / tools) and/or in cash (working capital). Each beneficiary will be requested to open a bank account using either of the commercial/MFI or branchless banking option. KP-RETP will link with the provincial banks to facilitate / negotiate the financial inclusion of these poor households (with PSC scores of 0 – 34) who are not normally eligible for loans, through (i) brokering attractive loan conditions with support from GoKP and (ii) valorising the KP-RETP support as collateral.

167. **Implementation Arrangements.** A special partnership will be developed with KP-TEVTA, and support provided to ensure implementation of vocational training within the parameters of project design. TEVTA will be supported to assess and adapt to the most recent market requirements in terms of training and / or to add additional demand-based trainings to their existing trainings. TEVTA will also be supported to develop partnerships with local industry/entrepreneurs/businesses for assessing demand and developing apprenticeship for job placement. In addition, KP TEVTA shall be supported in establishing partnership with public and private service providers to design and deliver the trainings currently not available at TEVTA.

168. Within the framework of the project design and under the overall supervision of PMU, the implementation arrangements will include:

- i. *Training of youth men and women and provision of apprenticeship support to trainees will be the responsibility of KP-TEVTA through on-going ADP schemes. The PSC will provide necessary modifications and flexibility, if required, to align the existing ADP programmes with the project framework and approach.*
- ii. *In case of non-availability of the market demanded courses and training identified at KP-TEVTA own institutions, KP-TEVTA will organise such courses through outsourcing to public or private service providers or qualified individuals.*

- iii. *KP-TEVTA will also ensure organising training for women at local level where the women could conveniently commute on daily basis, either through its own institutions or by engaging suitable public and/or private service providers.*
- iv. *Based on institutional assessment, availability of necessary facilities and outreach, the Directorate of Social Welfare Merged Areas could be one such pre-identified public sector service provider for vocational training of young women and men for employment and self-employment in the Merged Districts. The Directorate of Social Welfare Merged Areas will be engaged by KP-TEVTA through a MOU. KP-TEVTA will provide financing for training of women through the leveraged ADP funding, while financing of start-up capital will be provided by PMU through service provider. The trainees shall be awarded certificates by KP-TEVTA. The number of beneficiaries and financial requirements will be determined mutually by the Directorate of Social Welfare Merged Areas, KP-TEVTA and PMU.*
- v. *KP-TEVTA shall direct funds from out of its ADP for outsourcing specialized trainings currently not offered by KP-TEVTA and local level trainings for women where KP-TEVTA has no outreach.*

4. Sub-Component 2.3 Job placement of graduated students

169. Pakistan produces around 450 000 new graduates each year including 70 000 annually in Khyber Pakhtunkhwa and yet the market cannot productively absorb this supply. This has led to graduate's unemployment and the graduate unemployment rate is estimated at 16.5%⁴ - 7.3% for male and 41.1 for female.

170. The project will support about 25,000 graduates of universities through a public private partnership to enhance their employability skills and potential. The graduates will be engaged for up to one year as interns in both private and public sector and within the project for different functions based on the demand. Priority will be given to those coming from the poorest family. Women graduates will constitute 50% of the target. The initiative will provide opportunities for young fresh graduates to get experience as well as develop their skills in the respective domain which will improve their employment opportunity within the agriculture and rural development sector. The initiative will also provide exposure to the graduates to understand the requirements of the receiving organisations.

171. Amongst the numerous tasks that will be allocated to the young graduates, could include assisting government line departments and Service Providers in the implementation of their respective activities and/or could strengthen the M&E capacities of the PMU.

172. Each graduate will have the possibility to do 2 internships of 6 months each. The recruiting public sector institution and enterprise will be allowed to keep the same student for a second period of 6 months only if it provides a formal offer of employment to the student. In case of non-compliance, the enterprise will no longer be eligible to participate in the programme. Each enterprise will have a maximum of 2 students at the same time. Around 145 interns per district and per year will be eligible to this programme. Annual assessments of this activity will be conducted and the approach will be adjusted if needed. It is expected that 30% of the interns will remain employed in the enterprises after completing their internship period, 50% will find a job after their second internship (in a different enterprise) based on the experience acquired and 20% will set up their own business or still be looking for a job after 6 months.

173. Service provider(s) through call for proposal (twice a year), will identify interested public and private institutions in consultation with PMU, for placement of induction of skilled youth for a period of 6 months. At the same time, the SPs will regularly take a census of the district youth, male and female, interested in participating in this post-graduate economic integration programme. A web site will be created under the KP-RETP to match the demand and the offer (on line permanent enrolment, negotiation, and contract). Every quarter and in each operational district, one-to-two-day workshops will be organized by the PMU / SPs to (i) facilitate an in-situ selection process through meetings between the post-graduate candidates and the public or private enterprises and (ii) promote exchanges on the various experiences and needs of both students and public or private entities (thematic / debates).

⁴ Employment Trends, 2018, Ministry of Statistics, Government of Pakistan

174. After due diligence done by the SP, an internship contract will be signed between all the parties. The remuneration during the induction period is estimated to be PKR 15 000 PKR per month of which PKR 12,000 will be provided by the programme and PKR 3,000 by the institutions/enterprise. On the 25th of each month, the enterprise will transfer its share to KP-RETP (this will also serve as proof of attendance by the intern) and on the 30th of each month, KP-RETP will transfer the total salary of 15 000 PKR to the intern. The SPs will be responsible for the progress reporting to the PMU. It is expected that 30% of the interns will remain employed in the enterprises after completing their internship period, 50% will find a job after their second internship (in a different enterprise) based on the experience acquired and 20% will set up their own business or still be looking for a job after 6 months. A joint assessment but objective assessment will be done of the incumbents at the end of the induction period for confirmation of successful completion of the induction/probation period.

5. Institutional Strengthening Support under Component 2

175. The project support will be extended to Department of Industries, Commerce and Technical Education and Department Zakar-Usher, Social Welfare, Special Education and Women Empowerment and TEVTA through several service providers, training institutions, universities and individual as technical assistance for improving curricula, training delivery, training facilities, testing and certification aspects. The support will also strengthen the facilities for emerging sectors and putting in place state of the art skills development facilities around key economic zones. The policy support will particularly focus, during the initial project years, on developing an extended competency based testing framework covering agribusiness and women empowerment; developing framework for skills development fund to cover start up capital for self-employment, and developing capacity for job market assessments and development of job market outlook on a continual basis. The project will also provide technical assistance to facilitate curricula, testing and certification of skills training by TEVTA under the overall umbrella of the National Vocational and Technical Education Commission (NAVTEC).

176. Some other areas where institutional support may be extended include i) market assessment and release of job market outlook on a continual basis to enable adoption of training programme, (ii) establishing training hubs (3 hubs linked to economic zones, product clusters and emerging sectors); and, (iii) policy reforms related to testing and certification. The technical support needs will be assessed once the job market assessment is completed. The PMU will develop scope of work and will engage one or several technical service providers for training mainly for thematic and geographical areas which are not currently covered by TEVTA. Selection of service providers will be undertaken following competitive process while public sector institutions may be engaged through a performance-based MoU.

177. As stated earlier, component 2 shall be largely implemented by KP TEVTA and the Business Mobilization Partner/Service Provider engaged under Component-1 shall also be involved in implementation under Component 2. KP TEVTA may engage more Service Providers (SPs) to meet capacity gaps within its institution.

C. Eligibility and Other Parameters for Trainings

178. The identification of trainees will have three approaches; (i) demand driven regular intake by TEVTA; (ii) intake through the Social Welfare Department - women empowerment linked to women centres in merged districts; (iii) needs identified by service providers in areas not covered by TEVETA to enhance outreach. The service provider(s) will particularly assist KP-TEVTA in implementation of training of women at local level who have cultural constraints of mobility. The overall coordination and oversight will be provided by PMU. The PMU will also facilitate the linkages between the service provider and private banks for provision of interest free and low-cost financial services of the federal and provincial government. In this regard formal MOUs will be signed between the PMU/service provider and private banks.

179. The service provider will work closely with Village/Tehsil Council to facilitate identification of trainees using BISP-PSC (band of 0-34 on priority). The service providers will also develop partnership (with public, private and civil society organisations) for the job induction programme.

180. Each service provider and MoU partners will have a 3-year framework contract/result-based MoU renewable based on performance assessment undertaken every year. The service provider(s)/partner(s) will handle aspects related to both employment / self-employment and job induction. In areas where the service providers will not be able to obtain the GoP NOC to intervene, the PMU through its regional office will directly intervene using its own staff and line departments.

181. The beneficiaries pre-identified (using PSC data obtained from BISP) by the service provider(s)/partners will be validated by Village/Tehsil Councils and PMU after necessary due diligence.

182. The KP-RETP M&E staff as well as periodic external evaluations will inform adjustment in the approach.

183. Successful candidates with demonstrated interest, willingness and capacity will be provided start up support either in kind or capital whichever is deemed essential for the trade

184. The table exhibits component-wise major activities, project targets, and eligibility and technical requirements to be complied with in project implementation under this component:

Table-3: Eligibility and Technical Parameters for Training Interventions

#	Major Activities	Target	Eligibility and Technical Parameters
1	Skills Development for Job Market and Self-Employment	60,000	<ul style="list-style-type: none"> i. Ultra-poor and poor households with limited to no access to land with poverty score within the band of 0-34. ii. TEVTA will be supported to assess and adapt to the most recent market requirements in terms of training and / or to add additional demand-based trainings to their existing trainings. iii. TEVTA will also be supported to develop partnerships with local industry/entrepreneurs/businesses for assessing demand; iv. KP TEVTA shall be supported in establishing partnership with public and private service providers to design and deliver the trainings currently not available at TEVTA at the recommendation of the Business Mobilization Partners (BMPs) v. For women, KP-TEVTA will also ensure organising training at local level where the women could conveniently commute on daily basis, either through its own institutions or by engaging suitable public and/or private service providers. The network of Directorate of Social Welfare (Merged Districts) could be used for reaching out to the women in these districts subject to a MOU between the project and the SWD. vi. Where KP-TEVTA outsources trainings to public/private institutions, it will pay for the cost of trainings from out of its ADP programs, while the start-up capital shall be provided by PMU. KP-TEVTA shall give certificate to the trainees.
2	Skills Development linked to Agribusiness Development Component	25,000	<ul style="list-style-type: none"> i. Business Mobilization Partner (BMP) engaged under Component-1 shall lead this activity; ii. Ultra-poor and poor households with limited to no access to land with poverty score within the band of 0-34. iii. Minimum 30% of trainees should be youth and women from rural areas. Most of those trained shall be recruited as the staff of technical service providers, and skilled workforce of PFOs/4Ps/FSCs; iv. Training curricula will include a general orientation on nutrition, social, environment, and climate change in addition to technical/functional aspects;
3	Employment Promotion	18,000 of the 60,000 mentioned against # 1	<ul style="list-style-type: none"> i. Ultra-poor and poor households with limited to no access to land with a poverty score within the band of 0-34. ii. Minimum 30% youth, and minimum 30% women; iii. KP TEVTA establish a system to continuously engage with Chamber of Commerce and Trade, enterprises, and others to assess their demands and respond through CBTs; iv. Competency Based Training (CBT) shall be delivered; v. KP TEVTA shall be supported to in-house institutional capacity to design and deliver CBTs; vi. Apprenticeship/on-job training shall be integral part of this approach—funded through KP TEVTA's ongoing apprenticeship initiatives. Each

#	Major Activities	Target	Eligibility and Technical Parameters
			<p>vii. apprentice shall be paid PKR 10,000 (USD 64) per month for three to six months.</p> <p>viii. Trade selection subject to gender, demand for skills in district (Annexure—xx has list of eligible trades);</p> <p>VOETOs will also be supported for job placement initiatives at local rural areas</p>
4	Self-employment/Enterprise Development	42 000	<p>i. Ultra-poor and poor households with limited to no access to land with a poverty score within the band of 0-34</p> <p>ii. Minimum 30% youth, and minimum 30% women;</p> <p>iii. Start-up capital (USD 300) per beneficiary to be provided; Linkages to be established with ongoing microfinancing initiatives like Kamyab Jawan Program etc. for the trainees to augment start-up capital;</p> <p>iv. Trade selection subject to gender, demand for skills in district (Annexure—xx has list of eligible trades);</p> <p>v. TEVTA shall leverage ongoing programmes under ADP for this purpose;</p> <p>vi. Trainees shall also be given coaching in business planning & development, financial education, financial management, market access and access to existing financial services and business incubation in the form of hand holding during the initial period of enterprise/business establishment.</p> <p>vii. In the first 2-3 years, IFAD will pay for the start-up capital, generate the evidence of effectiveness self-employment/enterprise development model it is testing in this project. KP TEVTA shall develop a PC-1 for wider replication of this self-employment approach 3-4 years based on its successful piloting from IFAD funds.</p>
5	Job placement/Induction	25,000 graduates for up to one year	<p>i. Ultra-poor and poor households with limited to no access to land with a poverty score within the band of 0-34.</p> <p>ii. Around 145 interns per district per year;</p> <p>iii. Minimum 50% of beneficiaries should be women;</p> <p>iv. Each intern can get up to two (2) internships each for six (6) months. The second internship shall be provided if the employing entity offers a firm offer for appointment to the intern requesting the second internship term;</p> <p>v. Each intern shall get PKR 15 000 PKR per month of which PKR 12,000 will be provided by PMU and PKR 3,000 by institutions/enterprise.</p> <p>vi. Annual assessments to fine tune the approach</p>

1. Indicative Type of Trainings

185. Appropriate type of training courses will be offered to meet the demand created by the Agribusiness Development component for farm and off farm employment, businesses and services and to fill the labour and services supply gap for the emerging sectors of the province like manufacturing, hospitality, construction, mining and services. About 50% of the trainees will be women. Trainings for women will be carried out at local level by service providers. The training for self-employment/enterprise development will be accompanied by start up capital either in kind or in money form through the project resources and through linkage with bank for accessing the government soft loan for youth entrepreneurship. Typically, the duration of trainings will be between 3 to 6 months.

186. Based on available analysis of skills gap in the province, the trainings could include :

- a) Crop and livestock agribusiness (under component 1) including skills and knowledge to engage in high value commercial agriculture production, value addition and off-farm activities and services aim at delivering agriculture support services to farmers and at adding value to agricultural products through processing, food manufacturing, logistics and trading including animal health and reproduction, nurseries, pruning and pesticide application etc.;

- b) Agriculture and rural development professional skills for graduates for employment or self-employment; and,
- c) For bridging labour supply gap for emerging sectors, an indicative list of sector-wise training is being proposed to be covered under this component. The list is provided at **Annexure 11** to this manual.

2. Target Group and Geographic Focus

187. The main target group of the component will be the poor household in BISP-PSC band of 0-34. BISP-PSC criteria will be the main instrument for selection of beneficiaries. However, since the updated BSIP-PSC data is not yet available, the selection of beneficiaries will be validated by existing community organisation and allowance and flexibility for any errors and omissions will be made. Additionally, unemployed and fresh graduates from poor families will be provided internship opportunities for enhancing their employability skills.

188. The component will cover all the 35 districts of the province with focus on regions/divisions with high poverty rates like the NMDs, agribusiness clusters and region/ districts with specific labour supply gaps such as: manufacturing mainly in Peshawar, Marda Kohat and Swat Divisions; construction in Peshawar, Hazara, Swat, Mardan, Kohat and D.I Khan Division; hospitality in Hazara and Swat Division, and services sector in all divisions/districts.

189. Within the main poverty target groups, the youth supported by the project will broadly fall into the following main categories:

- i. Farmers and young women and men aspiring to take advantage of the enumerative employment opportunities created by the Agribusiness Development Component of the project and the emerging sectors of the province through employment in agriculture and non-agriculture sectors.
- ii. Famers young women and men looking for opportunities for remunerative livelihoods through self-employment/micro and small enterprises and services opportunities available as a result of Agribusiness Development and the emerging sectors. The trainings for this group will be backed up by start-up capital from project resources and through linkages with private banks for accessing the government soft loans for youth enterprise development.
- iii. Young women and men graduate from local faculties who require further capacity building through on the job training/internship in their education qualification related trades particularly related to agriculture and food sector to improve their employability.

190. A combination of vocational training, access to low interest loans, apprenticeship and internship packages will be offered for different sub target groups based on assessment of potential of beneficiaries carried out by service provider. Since certain type of trainings are contingent on education levels, an education level based criteria are also applied. The Kamyab Jawan soft interest loans will be leveraged (where possible) across bands for Poverty Scores 0-23 based on demonstrated interest, willingness and capacity of successful beneficiaries of vocational trainings and internships.

Table 4. Eligible Households (per PSC) and Interventions

PSC range	Sub-PSC Range	Education Level	Intervention Type	Institution
0-34	0-34 but Preference for 0-16.7 (BISP Beneficiary)	Less than 8 years (primary)	Vocational Training mainly for self-employment Link to Kamyab Jawan low interest loan	VOETO. Mostly district/location-based trainings for women.
	0-34	More than 8 years (middle) and upto 12 years (intermediate)	Vocational Training for employment. Could also include self-employment. Apprenticeship Like to Kamyab Jawan low interest loan	KP-TEVTA vocational institutes.
	0-34	Graduates and above	Internship for employability. Could also include self-employment for services like processing, food manufacturing, logistics, trading, animal health and reproduction, nurseries, pruning and pesticide application etc. Like to Kamyab Jawan low interest loan	PMU/partner government line departments and private sector partners.

3. Implementation Arrangement

191. Implementation of the component will be the responsibility of the provincial TEVTA in public sector intuitions and five regional Vocational/Entrepreneurial Training Organization (VOETO) specializing in social mobilisation and technical and vocational skills within house capacity and ability to organize training at local level particularly for women who have cultural constraints of mobility. The overall coordination and oversight will be provided by PMU. The PMU will also facilitate the linkages between the service provider and private banks for provision of interest free and low-cost financial services of the federal and provincial government. In this regard formal MOUs will be signed between the PMU/service provider and private banks.

192. The VOETO will be selected on competitive basis by PMU for implementation of Employment Promotion subcomponent including the graduate internship programme. The selected VOTETO will be a specialised organization and the criteria for its selection given herein will be strictly followed.

193. The VOETO will work closely with existing community-based organisation like CO/VO/LSO to facilitate identification of trainees from BISP-PSC band of 0-34. The VOETO will also facilitate the provincial TEVTA in selection of candidates for training in public sector institutions based on their eligibility criteria. Once identified, the VOETO will assess the capacity and suitability of the women and men selected to utilize the training particularly identifying potential entrepreneurs from among those who receive vocational training and finalise the list of participants for each type of training after screening. The VOETO will design training courses that are tailored to the needs of the target group identified in terms of timings, content and delivery methodology. The VOETO in collaboration with KP-TEVTA will provide those who complete their training course with apprenticeship support in seeking employment.

194. Successful candidates with demonstrated interest, willingness and capacity will be provided start up support either in kind or capital whichever is deemed essential for the trade.

4. Summary of Eligibility Criteria for Participants

195. The eligibility criteria for the candidates selected for vocational training will be the following;

- i. All participants from households with a score of between 0-34 on the BISP-PSC will be eligible. However, preference will be given to candidates from PSC-PSC band of 0-16.7 (BISP beneficiaries) for training conducted by VOETO.

- ii. Unemployed and fresh graduates for poor households.
- iii. Final selection of participants validated by the COs will be made by the VOETO for all training (VOETO and KP-TEVTA) based on assessment of willingness, qualifications, ability and potential for productive utilization of the training for employment or self-employment.

5. Type of Support of Participants

- i. Orientation of existing Community Organization and selection of beneficiaries: The VOETO team will brief the communities on purpose and selection criteria, select beneficiaries based on BISP-PSC criteria and carry out validation by CO. Pending the availability of updated BISP-PSC data, allowance for errors and omissions in the exiting data could be made in consultation and validation of CO.
- ii. Potential candidates will be assessed and assisted by VOETO in selection of training course based on willingness, qualifications and potential.
- iii. All participants will be provided training of a duration which is adjudged by specialists to be sufficient to enhance the level of skill and knowledge of the trainee and can enhance his/her employability or productivity. Generally, the training courses will comprise of 3 to 6 months durations.
- iv. Candidates will receive Support for transport and all out of pocket expenses incurred in attending the training course.
- v. Support for board and lodging for all overnight training programmes.
- vi. Women will be provided trainings locally by VOETO.
- vii. Candidates for graduate internship programme will be provided monthly stipend.
- viii. Eligible candidates for self-employment/enterprise development will be provided start up support either in kind or in the form of capital according to the type of trade.
- ix. The self-employed candidates will be provided business incubation in the form of hand holding during the initial period of enterprise/business establishment.
- x. Apprenticeship assistance including stipend (through a fund created under TEVTA with 20% contributions from participating private entities, in collaboration with KP-TEVTA for those who candidates who wish to pursue remunerative employment.

6. Eligibility Criteria for VOETO

196. The eligibility criteria for the VOETO will be as follows;
- i. Social mobilisation and technical and vocational skills development as core business and experience in implementing gender and youth sensitive participatory rural development programmes.
 - ii. Should have a minimum of five years' experience of delivering vocational training and in house capacity for providing services in the project area/region.
 - iii. Previous experience of working with the government and/or on donor funded projects and programme.
 - iv. Shall have women staff on its team in order to gain the confidence of women trainees and ensure the provision of training at local level in an environment which are appropriate, safe and secure for women trainees.
 - v. Previous experience and presence in the programme area and existing social capital
 - vi. Registration under relevant laws of the country.
 - vii. Previous three-year corporate audit reports

- viii. Availability of appropriate number of permanent management and technical staff at HQ and in the field.
- ix. Should have the capacity to develop an MIS for monitoring and evaluation of the Vocational Training Programme.
- x. Should have the ability to critically evaluate its training and provide regular progress reports and information on both output and outcome indicators.
- xi. Should be able to institute a system which provides feedback from graduates on the overall impact of the training on employability, productivity and increase in incomes.

7. Contracting and Reporting

197. The PMU will work out modalities with KP-TEVTA for training to the selected candidates by the project/VOETO through the committed leverage fund of the government on-going programmes and placement of successful candidates for apprenticeships. In this regards all role responsibilities and agreed actions will be documented in the form of a MOU. Similarly, PMU will also enter into agreement with private banks for provision of low-cost loan from the federal government youth enterprise development programme.

198. PMU will follow for competitive process following IFAD procurement guidelines for engagement of services of 5 regional VOETOs with competency and capacity in providing vocational skills training. Initially a 3 year Performance based contracts will be offered which could be renewed based on performance and assessed /confirmed every year. An indicative Terms of Reference for VOETO implementing the vocational Employment Promotion subcomponent is given in **Annexure 12**.

199. The PMU will also contract a third-party random survey in mid-project to assess the relevance, effectiveness and economic and social benefits of the vocational skill development programme.

D. Exist and Sustainability Strategy

1. Component-1 Agri-business Development

200. The specific strategy for successful exit under component 1 revolves around 3 main elements namely 1) establishment/restructure of autonomous new farming service centers (NFSCS) 2) establishment of self-sustain 4P partnerships and 3) gradual transformation of newly established/restructured FPOs. All three (3) elements are interlinked and the success of the exit strategy depends on the coherence and interdependence between each element during subsequent implementation.

201. Under first element, the establishment/restructure of autonomous NFSCs, it's a pre-requisite that the established NFSCs would run as independent entities with a professional management. Ideally, the NFSCs should run as private sector entities and the role of PMU is to empower the established entities as much as possible to develop a self-functional structure (Administration, finance and operation) to build greater autonomy. Therefore, the recruitment of professional staff is key for the development of such autonomous structure as NFSC will play an integral role in procurement & delivery of quality inputs/services and market linkages/coordination etc. It's expected that NFSCs to handle all transactions with respective FPOs through bank accounts which would develop a healthy credit history with banks/financial institutes. Such mechanism would enable them to obtain financial services through banks even after the project period which highlights the gradual transformation in to formal banking sector. Further, PMU would encourage those individuals whom have completed the training under component 2 (Skill development & employment promotion) to take up specific roles under NFSCs & FPOs to create more ownership and loyalty towards such roles.

202. Similarly, FPOs would be strengthened through a capacity development program to ensure those entities would possess greater bargaining power and to perform better under business related partnerships or even 4Ps. As in the case of NFSCs, the established FPOs will develop a strong credit history with financial institutes as they continue to conduct transactions with NFSCs and prospected buyers which would enable them to access formal lending facilities upon completion of the project. In addition, the FPOs will be able to develop a substantial revolving fund within the entity itself by expanding their member base and to continue the lending operation as multi-purpose cooperatives. Moreover, PMU would assist FPOs to develop their own identity/brand through the proposed training support by service providers which would create strong presence/demand in respective markets.

203. Finally, the establishment of 4Ps will promote establishment of rural infrastructure (Collection centers, dryers etc.) in villages as private sector may invest in such facilities to streamline their supply/value chain activities. PMU would encourage FPOs or even NFSCs to involve in management of such facilities with the support of private sector promoters on a commission/equity based sustainable models. This would enable technology transfer from private sector to grass root levels in a healthy manner. In addition, it's expected that farmers, FPOs and NFSCs would develop greater understanding during the implementation of those 4Ps which would develop loyalty and trust among respective partners to continue the partnership even after project period. Further, the strategy promotes continuous engagement in provincial government support through extension/R&D activities where partners will be able to access laboratory facilities, new germplasms on a continuous basis through memorandum of understanding (MOU) between NFSCs/4P promoters which would run even after the project period.

2. Skills Development and Employment Promotion

204. The project seeks to transform KP TEVTA into a dynamic technical and vocational education providers that reads market trends and has capacity to design and deliver such courses effectively. The project will enhance Institutional capacity at KP TEVTA to conduct labour market assessment and design and deliver such courses promptly. The project would train about 25,000 people for new jobs at new entities i.e. PFOs, 4Ps, and FSCs that would continue requiring these people beyond the project's life.

205. All technical and vocational trainings shall be based on labour supply gaps and where viable—complemented with start-up capital to enable trainees to have sustainable self-employment. Further, trainees shall be linked with government's low-cost microcredit programs i.e. Kamyab Jawan Program to facilitate further business development/expansion as appropriate. Fresh graduates shall be facilitated to get internships with potential employers under contracts which would require the latter to offer regular jobs upon the completion of the internships. Most fresh graduates don't get jobs because their degrees don't prepare them for the job market. The internship opportunity would address this gap. The government is committed to replicating this internships-led-sustainable-job-creation model once it shows impact.

206. All MOUs/contracts with partner organizations shall establish requirements for service providers to facilitate trainees in finding jobs after training. Co-financing requirement under contract with potential employers would ensure that most internees continue working for the employers where they are placed.

3. Project Management and Policy Support

207. The project design elaborates on the roles and responsibilities of various stakeholders; focuses on institutional reforms and strengthening; and enhancing partner government department's capacity. The policy and institutional development initiatives of the project are not only aimed at ensuring successful implementation and exit strategy of the project but also to mainstream and institutionalise the project approaches and models in the functioning of public sector institutions for scaling up and to adapt to market realities for taking advantage of the 3 unique and diverse agro-climatic conditions of the province which provides great potential for agriculture development and the youth bulge, on long term sustainable basis.

- i. Farm Services Centres: The existing and new Farm Services Centres (established under the project) currently under the Department of Agriculture will be reformed to become private companies with FPO or individual farmers as shareholders and managed by professionally recruited staff instead of the field staff of the DOA. The reform will help the FSCs to increase outreach and become more responsive to the needs of the farmers in terms of goods and services like input supply, farm machinery, technical services and support and marketing etc.
- ii. Agriculture Extension: To enable the Extension Directorate of the Department of Agriculture to support project implantation and reorientation for demand-based service delivery in an efficient manner, support will be provided to strengthen its capacities through provision of equipment, training and mobility of staff. A special programme of internship will also be developed to beef up the field level capacity of the MOA and provided a first experience to young graduated.
- iii. Agriculture Research: The agriculture research and development system has not kept pace with the changing market scenarios and climate change and require developing capability and capacity. The Department of Agriculture Research will be assisted to improve production of quality seed and plant material and strengthen the capacity for seed certification and production certification particularly for

- export. Assistance will also be provided for rehabilitation and privatisation of tissue culture labs, importation of new germplasm and review of the 2014 seeds act and production of all necessary papers to make more operational and amend this act.
- iv. Integration of ICT4D: The project will provide assistance in integrating ICT4D specifically on digital business plan development for PFOs (AgriPlan - developed by IFAD to formulate, edit, evaluate, approve and monitor business plans for producers' organisations), e-commerce, digital money and e-advisory. Digital systems may also be used to develop a credit history/ scoring of farmers under the PFOs. Institutional support will be provided in these respects on cost-recovery and sustainable manner.
 - v. Technical and Vocational Training: The Skills development and Employment Promotion component builds mainly on the existing public and non-government organizations' capacities of TVET and consolidate them where required, rather than creating new, programme-driven structures. This is aimed at supporting sustainability and ensuring that project innovations will be mainstreamed into the province institutional framework, replicated and scaled up. Additionally, since the Skills development and Employment Promotion component will be financed through the government contributions in the form of leveraging existing TVET programmes, annual development programmes and implemented mostly by KP-TEVTA, the hand on experience of developing and implementation of innovative models addressing challenges experienced by young people in the rural economy, will also contribute to the present and future youth skills development programme effectiveness, institutional efficiencies, and scaling up, and will influence policies and strategies for youth development.
 - vi. Nutrition. Special attention will be made to supporting the provincial government in developing a comprehensive nutrition and food security policy and action plan. Among other things, the policy and action plans shall set out guidelines related to selection of nutrition sensitive value chains, creating nutrition related awareness, and promoting nutrition sensitive labelling and packing thus impacting both producers and consumers. At the start-up phase, the districts will be formally mapped and consequently, based on FAO and WFP existing programme, KP-RETP will adjust and complement these activities in order to reach the objective described in the log-frame. This exercise will be repeated annually and assessed at MTR and before completion date.
 - vii. Agriculture Marketing System: The Provincial government also requested assistance for the review of the Agriculture Marketing System and the formulation of the regulatory and operational framework, necessary to provide for dynamic, growth-oriented and efficient agriculture markets that incentivize growers and ensure a better deal for consumers.
 - viii. Cooperative Societies Ordinance: Assistance will be provided for the review and necessary amendments in the existing Cooperative Societies Ordinance for the smooth functioning of PFOs as per the project approach and their long term institutional sustainability and profitability.

E. SECAP Compliance

208. KP-RETP focuses on agribusiness development involving 550 PFOs, 20 Producer Private Public Partnerships (4Ps) and 35 FSCs under Component-1 to be implemented with support from provincial Agriculture (Research and Extension) Department. Component 2 on economic graduation and skill development will create about 60,000 employment opportunities in the province. These skills will include technical, financial, managerial or business skills for 25 000 trainees as per market requirements for the sustainability of Component 1. Component 3 will look after project management, policy and institutional support.

209. The project does not include activities of size or scale that would have significant negative social and environmental impacts rather, there will be positive impacts on the livelihoods and economic wellbeing of the community. PFOs members will also include poor and women to ensure that the benefits are shared and livelihoods are improved. Moreover, the interventions do not involve any infrastructure or civil works to warrant any economic displacement or resettlement of the communities. No diverse impact is foreseen on the flora and fauna and biodiversity and, therefore, the social and environmental risk assessment suggests the project to be of Category B.

210. The BMPs/SPs will be developing business plans for PFOs in consultation with selected farmers' representatives after a thorough diagnostic study for identifying potential interventions, market assessment and skills requirement. These business plans will be developed with proper projections on various aspects for five

years and will be implemented and managed by professional managers recruited on competitive basis. Technical viability, skills and technology requirements of hardcore activities (e.g. processing plants, drying and packaging facilities) proposed under the business plan will be assessed for SECAP assessment and compliance. Mitigation measures as provided in ESMP will be implemented to avoid or minimize any social and environmental impacts.

211. Climate risk. The project areas exposure to climate change is high to substantial but the nature of interventions is such that its impact on beneficiaries, targeted areas, ecosystem and community resilience will not be very significant and, therefore, the Climate Risk Category is assessed as Moderate. Any proposed future interventions by PFOs and 4Ps will be subject to screening and will be implemented under appropriate guidelines and SOPs.

212. To guide the project teams—at PMU/RCUs as well in BMPs/SPs levels, this document includes an Environment and Social Management Plan (ESMP). The ESMP indicates main themes (i.e. mobilization of farmers into PFOs), social/environment/climate risks, and mitigation actions that could be taken. The Environmental and Climate Change Specialist in PMU will look after and monitor SECAP related compliance under the project. The Specialist will check and assess every relevant activity in the business plan and prepare a report recommending or rejecting the proposed intervention with proper justification and reasoning. Regular monitoring of activities with physical visits and feedback from regional offices should be carried out with proper record and report to be summarized in the project progress reports including compliance status, challenges and issues. Detailed guidance for PMU/RCUs/BMPs/SPs etc. is provided in **Annexure-13**.

V. HUMAN RESOURCE MANAGEMENT

A. General

213. The project shall develop standard employment contract for each category of personnel so as to ensure that all personnel are recruited on identical terms and that employment conditions are adequate to meet the requirements of the project. The project will hire the below categories of personnel:

- Project personnel who are core members of the PMU team; this includes: professional, operations and support staff.
- Temporary professionals and support staff hired locally to replace an absent staff, to cater for a temporary increase in workload, or to fill a vacant post temporarily.
- Individual consultants hired nationally or internationally to carry out a specific short-term assignment.
- Internship contract offered to university graduates or entry level job seekers for initially 3 months extendable for 3-6 months with stipend. Unpaid internship also offered to students coming from an academic setting who serve as intern for 6-8 weeks as part of their degree Programme.

214. The recruitment of senior staff within the project will be carried out with technical assistance (as needed) and oversight of IFAD. At the start of the project, P&DD shall handle the recruitment of the core project staff. Once the senior personnel recruited, the PMU is in charge of staff recruitment and contract administration. Generally, the recruitment of senior staff within the project personnel is carried out with technical assistance (as needed) and oversight by IFAD.

215. The recruitment and personnel administration differ according to the category of personnel and the type of contract used. However, all personnel of the same category benefit from the same treatment. Project staff are normally subject to the Pakistan labor laws. However, wherever rules or procedures contained in the financing agreement and/or in the present manual are in contradiction or incompatible with the national labor laws, the financing agreement and/or labor laws of the land shall prevail.

B. Preparation for recruitment

216. The identification and selection of candidates must be carried out in an objective and transparent manner, using a competitive process so as to identify and select the candidate best qualified to fulfill the function. It is therefore critical that the personnel selection and recruitment process be fully documented.

217. Terms of reference, (ToR) or job descriptions are required prior to advertising any vacancy for the KP-RETP Project. The supervisor/section head at PMU is responsible for preparing the ToR or job descriptions for the personnel required. These documents are used for describing the work that will be performed by the individual hired; they also provide the basis for the identification of potential candidates as well as the necessary information for determining the level of the functions and the appropriate remuneration. Once the position is filled, the ToR or job description also provides the basis for supervising and evaluating the performance of the incumbent's work.

218. The Job Description (JD) for key positions shall include following information:

- i. Functional title of the position
- ii. Title of the supervisor(s)
- iii. Duty station(s)
- iv. Classified level of the post;
- v. A detailed description of the tasks/functions/work to be accomplished;
- vi. Indication of staff to be supervised by the incumbent (if any).

C. Advertisement & Selection

219. The second step in the selection process is the publication of the vacancy announcement (VA), prepared together by the DFA and the MAHR from the TOR/job description and containing:

- i. The reference number of the vacancy announcement (sequential numbering);
- ii. A short description of the Programme, including information on the IFAD and the GoP;
- iii. The title of the post, duty station, type and duration of contract.
- iv. A summary of the duties and responsibilities of the function;
- v. The minimum experience and qualifications (both academic and professional) required for the post
- vi. A clear distinction shall be made between “minimum requirements”, the absence of which would lead to automatic disqualification of the applicant,
- vii. The list of documents to submit as part of the application (CV, cover letter, copies of diplomas
- viii. A contact person and address for the submission of application closing date for applications;

220. Job notice should be widely advertised in the print media and on the website of the project/provincial government. A committee should be constituted for review of application, short-listing and recommending best candidate for recruitment against the available position. The process should be properly documented. IFAD's No Objection should be sought invariably for all key positions before initiating recruitment and issuing offer letters.

D. Recruitment of individual consultant/consulting firms

221. The recruitment of individual consultants/consulting firms shall be subject to the procedures and prior review of IFAD as spelled out in the financing agreement and the Letter to the Borrower. Details are provided in the project Procurement Manual for recruitment of project staff and consultants/consulting firms and procurement of goods and services under the project.

E. Remuneration Package

222. The level of a function is determined on the basis of an evaluation of the complexity of the tasks, the level of responsibility, and the degree of expertise required to perform the job. The level of remuneration of the incumbent is determined based on the level of the function and the relevant experience and qualification of the individual.

223. The remuneration in the salary scales are given in the cost tabs (expressed as gross salaries that are inclusive of income taxes and Employee's Old-age Benefits Institute-EOBI withholdings). All adjustments or increases in salary on annual basis shall be proposed by PMU for IFAD no objection, afterwards to be submitted for PSC approval. In case of difference in proposed salary increment, decision of PSC shall prevail. Salary increment is separate from performance bonus based on appraisal. If IFAD and PSC approve increment, it should be across-the-board due to inflation. The salary of project staff/consultants shall be subject to annual review as part of annual performance evaluation of staff/consultants. During Mid-Term Review, salaries of all staff would be subject to revision. All salaries are payable in Pakistani rupees.

224. According to national legislation, salaries in Pakistan are subject to deductions for EOBI (employee contribution) and income tax. The Programme makes these deductions at source. The employer contribution on EOBI is paid from Programme funds. All full time Programme staff below the age of sixty must be registered with the EOBI institute.

225. Project staff are entitled to 24 working days of annual leave per year, not convertible in cash (except upon contract termination). On contract termination a maximum of thirty 30 days annual leave only shall be paid in cash; any leave balance above 30 days is lost.

226. All Programme Personnel are entitled to life insurance coverage and Health Insurance (covering also their spouse (s) and children below age of 18 years) upon entry on duty and until contract termination. Health insurance only provides coverage for hospitalization costs.

F. Performance Evaluation

227. Performance evaluation of project staff/consultants should be based on the job descriptions. The process must also serve to appreciate the staff's professional qualities, competence, and productivity, work attitude (team spirit, relationship with colleagues and partners, etc.) and leadership skills (creativity, sense of initiative, supervisory skills, etc.). The evaluation should consider the following six (6) parameters:

- i. Evaluation by the direct supervisor based on the objectives set at the beginning of the year, and the main duties and responsibilities mentioned in the TOR, as well as complementary evaluation if applicable;
- ii. Self-evaluation based on the objectives, with an indication of constraints and difficulties faced during the year, and areas to be improved;
- iii. Overall score and recommendations by the direct supervisor (and complementary evaluator, if any) on the renewal of the staff's contract. This section may include comments from the staff, if any;
- iv. Objectives for the coming year (based on the AWPB and staff TORs) in order of priority, with a summary of tasks to carry out, expected results and timing for implementation;
- v. Training & development plan based on results of the evaluation (if needed);
- vi. Final comments and recommendation by the evaluator for contract renewal, salary increase, etc.

228. The evaluation is discussed during a meeting between the staff and his/her direct supervisor. The performance evaluation form must then be signed by the staff member, the supervisor and, if applicable, the complementary evaluator. In case of disagreement, the staff member may write down his/her comments on the form before signing it.

G. Renewal of Contracts

229. Employment contracts of project staff shall be subject to annual performance evaluation and renewal. All decisions of renewal/changes in terms of contracts shall require subject to IFAD's No Objection after the approval of the PSC.

H. Leave Policy

230. The project staff is entitled to up to 12 days of casual leave subject to prior notice and approval by his or her supervisor. The casual leave shall be admissible only in extra-ordinary circumstances such as death and/or serious medical condition of the employee's spouse, child and parent. PMU shall follow the normal rules and procedures of leave applicable to provincial government employees.

I. Procurement Management

231. The main purpose of this procurement manual is to enable Rural Employment and Agribusiness Promotion Khyber Pakhtunkhwa KP-RETP implement procurement activities in accordance with the guidelines of the Khyber Pakhtunkhwa Public Procurement Regulatory Authority (KP-PPRA)⁵ Rules and Regulations 2014/KP-PPRA and⁶ IFAD Procurement Guidelines and IFAD "Policy on Preventing Fraud and Corruption"⁷ in activities and operations".

232. The module describes the rules and procedures applicable to the procurement of goods, works and services for KP-RETP. Procurement financed from IFAD funds shall only be carried out during the Project implementation period, i.e. from project effectiveness to project completion. The applicable procurement modalities will be defined in the Financing Agreement and Letter to the Borrower. This manual describes the modalities and procedures to be used for implementation of the Project. It also provides a comprehensive set of guidelines, tools and templates/formats, to facilitate project implementation and management from inception through to closing. It covers all procurement aspects i.e. procurement planning to contract awards,

⁵ http://www.kppra.gov.pk/kppra/legal_docs?docid=rules

⁶ <https://www.ifad.org/en/project-procurement>

⁷ www.ifad.org/anticorruption_policy

contract management & monitoring, selection of project staffing and their responsibilities. Therefore, it requires compliance on the part of project management and staff.

233. The project provides for a qualified and experienced team of Procurement Specialist, and Contract Management Officer to lead the procurement function. In addition to these permanent positions, the project design envisages that partners/service providers—that will be engaged to support implementation shall have a strong technical capacity for procurement and financial management. This is critical since these partners will use IFAD's funds and therefore they must comply with the applicable fiduciary requirements. PMU and RCUs will ensure effective facilitation, oversight and monitoring of these partner organizations.

J. Principles of Procurement

234. The PMU must comply with the following principles:

1. Ethics

235. The guiding principles of ethical behavior are impartiality, independence and integrity. No person or entity shall use his/her/ its authority, position or office for personal gain, which will be defined as soliciting, accepting or otherwise benefiting from anything of material value, in any form, either in person or indirectly through close relatives or associates, as a result of procurement financed by IFAD.

236. The Project Management Unit (PMU) staff have a duty to:

1. Maintain the highest standards of honesty and integrity in all relationships;
2. Develop the highest possible standards of professional competence;
3. Maximize the use of IFAD funds and other resources for which they are responsible for the purposes for which these funds and resources were provided to the Project;
4. Comply with both the letter and the spirit of the Financing Agreement, the laws and regulations of Government of Pakistan/Balochistan, accepted professional ethics and contractual obligations;
5. Declare any personal interest that may affect, or might reasonably be deemed by others to affect, impartiality in any matter relevant to their duties (conflict of interest). In a situation of this nature, the official concerned will not participate in any way in the procurement process, to avoid mis-procurement; and
6. Respect the confidentiality of information gained in the course of duty and not uses such information for personal gain or for the unfair benefit of any bidder, supplier or contractor. Information given in the course of their duties shall be true, fair and not designed to mislead.
7. Accountability. PMU is accountable to IFAD for all actions and decisions in relation to Project-funded procurement. This includes, but is not limited to, ensuring that:
 - a) The funds are used solely for the purpose for which they were provided; and
 - b) Procurement is undertaken in accordance with this Module.

2. Competition

237. Full, fair and legitimate competition among eligible suppliers and contractors is the foundation on which project-funded procurement activities will be based. The most common method of seeking competition is through a competitive bidding process, and, in this regard, KP-RETP specifies that all goods, works and services will be obtained through an agreed procurement process involving at least three separate suppliers or contractors whose business is directly related to the procurement being undertaken.

- i. The project will therefore promote genuine competition at every opportunity and will provide evidence of:
- ii. fair and genuine competition in the compilation of shortlists and in the solicitation of bids; and
- iii. the effectiveness of competition during the bidding process

- iv. Single sourcing and direct contracting do not provide the elements of competition required by IFAD. Only in exceptional circumstances will these approaches be considered and approved in procurement plans agreed with IFAD.
- v. Notwithstanding the above, PMU recognizes that it is neither practical nor efficient to advertise internationally for low-value contracts for goods, works or services, and the degree to which the principle of competition is required for each procurement activity will be outlined in the procurement method approved by IFAD within the approved procurement plan for each year.

3. Fairness

238. PMU expectation is that Project-funded procurement will be open to as many eligible bidders as is practicable in order to meet the requirements of competition. KP-RETP will ensure that all prospective bidders are:

- i. Managed with a consistent approach and application of laws, regulations and requirements in respect of the procurement process;
- ii. Offered a level playing field on which to genuinely compete offered a level playing field on which to genuinely compete; and
- iii. Treated in a fair, impartial and unbiased way, so that principles of impartiality and equal opportunity can be demonstrated in all procurement activities.
- iv. In striving for fairness in its procurement operations, the Project will:
- v. Not tolerate exclusion of, discrimination, bias or prejudice against, or favoritism or inequality towards any potential supplier or contractor, either directly or indirectly through manipulation of any part of the procurement process, including, but not limited to, the preparation of technical specifications, evaluation criteria or bidding requirements; where any such activity is suspected or proven, PMU reserves the right to take any preventative, corrective or punitive action it considers appropriate;
- vi. Seek to address, any impositions that may deter or impinge on the attainment of fairness within the procurement process.

4. Transparency

239. Because a lack of transparency can be perceived as an attempt to withhold information, which in turn may make the fairness and integrity of the procurement process suspect, the Project will ensure the highest degree of transparency and openness within the procurement processes it undertakes. Transparency within procurement relates to disclosing, in the public domain, information for parties involved, interested in or affected by the process, including but not limited to information on:

- i. the availability of potential and existing procurement opportunities;
- ii. where to access relevant data;
- iii. the processes by which the procurement is being undertaken;
- iv. the mechanisms by which contracts will be awarded;
- v. contract award data; and
- vi. appeal procedures
- vii. Modes of communication/publication of such information will vary depending on the nature of the data but will generally be through existing means of public information (e.g. government websites, public notice boards or media) or in the procurement documentation relevant to an individual procurement activity (e.g. bid notices and bidding documents). The Project will act openly, predictably and in accordance with the information provided.

240. Efficiency, Effectiveness and Economy. KP-RETP will demonstrate efficiency and economy in undertaking Project-related procurement, to avoid undue implementation delays and to achieve value for money. Procurement will be well organized, carried out correctly with regard to quantity, quality and timeliness, and at the optimum price, in accordance with the appropriate guidelines, principles and regulations. Processes

will be proportionate to the procurement activity, so that the overall cost of conducting the procurement process is minimized and tailored to the size of the budget for the activity being undertaken, while upholding the guiding principles. Efficiencies may be obtained through a combination of methods. For example, a strategic approach can be taken to planning, combining and conducting procurement activities so as to minimize loss of time and resources.

241. **Value for Money:** Underpinning all of the above is the need to obtain value for money for all Project procurement activities through the optimum combination of several factors, including:

- i. applying sound, internationally recognized procurement principles;
- ii. ensuring that the goods, works or services procured meet the requirements for the task and are not over specified;
- iii. ensuring that the goods, works or services are contracted on the best possible terms, taking into account their expected life cycle; and
- iv. ensuring that the provider/supplier of the goods, works or services is qualified, legally entitled and competent to execute the contract.
- v. Best value does not necessarily mean the lowest initial price option, but rather represents the best return on investment, taking into consideration: the unique and specific circumstances of each procurement activity; the balance of time, cost and quality required; and the successful overall outcome of the contract in meeting its original objectives.

242. **Good Governance and Accountability Policies.** IFAD Procurement Guidelines and Anti-Corruption Policy, will be adapted to this Project through the Financing Agreement, require zero tolerance to corrupt and fraudulent practices. Therefore, the procurement process also requires a strict adherence to KP-PPRA/PPRA and IFAD Guidelines and Policy.

243. **Prohibited Practices.** The Borrower (including the all-implementation parties, and oversight agencies), as well as bidders, potential bidders, suppliers, contractors and consultants financed through the proceeds of this project, shall observe the highest standard of ethics during the selection and execution of such contracts.

244. Pursuant to this policy, the following provisions shall be applied throughout the project implementation:

- i. The Borrower and IFAD will reject a proposal for award if it determines that the bidder or consultant recommended for award, or any of its personnel. Or its agents, or its sub-consultants, subcontractors, service providers, suppliers and/or their employees has directly or indirectly engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for the contract in question;
- ii. IFAD will declare misprocurement and cancel the portion of the loan allocated to the contract if it determines at any time that representatives of the borrower or of a recipient of any part of the proceeds of the loan engaged in corrupt, fraudulent, coercive, collusive or obstructive practices during the procurement or implementation of the contract in question without the borrower having taken timely and appropriate action satisfactory to the DP to address such practices when they occur, including failing to inform the DP in a timely manner at the time they knew of the practices.
- iii. IFAD will declare a consultant or firm ineligible, either indefinitely or for a stated period of time, to be awarded a future IFAD financed contract if it at any time determines that the bidder, supplier, contractor, service provider or consultant has engaged in corrupt, fraudulent, coercive, collusive or obstructive practices in competing for, or in executing, an IFAD-financed contract; and
- iv. All contracts financed out of the proceeds of KP-RETP will have a provision requiring supplier, contractor or consultants to permit both the Borrower and IFAD to jointly or separately inspect their accounts and records relating to the performance of the contract and to have them audited by auditors appointed by the Borrower and/or IFAD.
- v. All staff involved in the procurement process has a duty to report to the Project Director and IFAD (i.e. through its Country Director/ Country Program Manager) for any suspected instances of fraud, corruption and collusive or coercive practices when identified.
- vi. In the case of collusive behavior, if the evidence suggests that all or some of the bidders or consultants are involved, the evidence should be jointly reviewed by the Project Director and the representative of

P&DD, GoKP, and if necessary, the procurement process is cancelled, and all of the involved firms or individuals are sanctioned which could be up to the debarment. If the procurement is still in process, then the procurement must be cancelled and reinitiated only after the matters have been addressed properly.

245. Conflicts-of-Interest. A firm/entity/individual participating in a procurement process under the KP-RETP shall not have a conflict-of-interest. Any firm/entity/individuals found to have a conflict-of-interest shall be ineligible for award of a contract.

246. A conflict-of-interest is a situation in which a party has interests that could improperly influence that party's performance of official duties or responsibilities, contractual obligations, or compliance with applicable laws and regulations, and that such conflict of interest is not acceptable under the KP-RETP. The Borrower will take appropriate actions to manage such conflicts-of-interest which may include rejecting a proposal for award if it determines that a conflicts-of-interest has flawed the integrity of any procurement process. A firm shall be considered to have a conflicts-of-interest in a procurement process if:

- (a) such firm is providing goods, works, or non-consulting services resulting from or directly related to consulting services for the preparation or implementation of a project that it provided or were provided by any affiliate that directly or indirectly controls, is controlled by, or is under common control with that firm.; or
- (b) such firm submits more than one bid, either individually or as a joint venture partner in another bid, except for permitted alternative bids. This will result in the disqualification of all bids in which the Bidder is involved; or
- (c) such firm (including its personnel) has a close business or family relationship with a professional staff of the Borrower (or of the project implementing agency, or of a recipient of a part of the loan) who: (i) are directly or indirectly involved in the preparation of the bidding documents or specifications of the contract, and/or the bid evaluation process of such contract; or (ii) would be involved in the implementation or supervision of such contract unless the conflict stemming from such relationship has been resolved acceptable to IFAD throughout the procurement process and execution of the contract; or
- (d) such firm does not comply with any other conflicts-of-interest situation as specified in the Bidding Documents relevant to the specific procurement process.

247. It is the duty of all project staff and any other public employee directly or indirectly involved with the procurement process and particularly the preparation of bidding documents, bid evaluation, contract negotiations, contract management and payments to avoid any potential conflicts-of-interest. A conflicts-of-interest arises when the individual has a direct or indirect relationship with a bidder, consultant, contractor, service provider or supplier.

- a. In the event that a project staff or a member of the procurement committee or an employee who is directly involved with the procurement process feels that there is the potential for a conflicts-of-interest they shall declare it to the procurement committee and remove themselves from the procurement process.
- b. Audit Arrangements. The audits (both internal and external) under this Project will be performed by the Auditor General of Pakistan or separate audit firms, which will be hired by PMU. In addition, IFAD will conduct its regular annual supervisions to review the implementation progress, including reviewing the procurement aspect. Accordingly, it is important that PMU maintains contract registers as well as the documentation pertaining to procurement in the project files.
- c. Standard-of-Business Ethics. All project staff and consultants involved in procurement activities covered by this Manual shall observe the Code-of-Business Ethics as outlined below:
 - a) No individual shall use his/her authority or office for personal gain. Personal gain includes accepting or requesting anything of material value from bidders, prospective bidders or suppliers for the individual, his or her spouse, parents, children or other close relatives, or for other persons from whom the individual might gain direct or indirect benefit of the gift.
 - b) An individual shall seek to maintain and enhance the reputation of the Government by:

- c) Maintaining the highest standards of honesty and integrity in all relationships both inside and outside the Entity in which he works;
 - d) Developing the highest standards of professional competence; and
 - e) Using funds and other resources for which he/she is responsible to provide the maximum benefit to the Government
- d. Declare Conflict-of-Interest. An individual shall declare any personal interest that may affect or might reasonably be deemed by others to affect impartiality in any matter relevant to their duties.
 - e. Disclosure of personal relationships. an individual shall declare any relationship with a bidder, supplier, contractor, service provider or consultant and shall take no part in either the decision-making process or the implementation of any contract where such a relationship exists. A personal relationship is defined as consanguinity or affinity up to the third civil degree.
 - f. Confidentiality and Accuracy of Information. An individual shall respect the confidentiality of information gained in the course of duty and shall not use such information for personal gain or for the unfair benefit of any bidder, supplier, contractor, or consultant.
 - g. Information given by an individual in the course of their duty shall be true, fair and not designed to mislead.
 - h. Competition. All bidders, suppliers, contractors, and consultants shall be treated with fairness and impartiality and avoid any business arrangement that might prevent the effective operation of fair competition.
 - i. Business Gifts. No business gifts will be accepted from current or potential Government suppliers unless such gifts are of very small intrinsic value (normally below USD 100 equivalent).
 - j. Hospitality. An individual shall avoid any business hospitality would be viewed by others as having an influence in making a government business decision as a result of accepting that hospitality.
 - k. Reporting. All individuals have a moral and ethical responsibility to report any unethical conduct by a colleague, a bidder or a supplier to their superiors, oversight agencies, IFAD or to the auditors.
- I. Examples of Unethical Conduct. The following are examples of the type of conduct prohibited by this Code of Ethics:
 - (a) Revealing confidential or “inside information” either directly or indirectly to any bidder or prospective bidder;
 - (b) Discussing a procurement with any bidder or prospective bidder outside the official rules and procedures for conducting procurements;
 - (c) Favouring or discriminating against any bidder, prospective bidder or consultant in the Preparing of technical specifications, terms of reference or standards or the evaluation of bids and proposals;
 - (d) Destroying, damaging, hiding, removing, or improperly changing any formal procurement document;
 - (e) Accepting or requesting money, travel, meals, entertainment, gifts, favours, discounts or anything of material value from bidders or prospective bidders, suppliers, contractors or consultants;
 - (f) Discussing or accepting future employment with a bidder or prospective bidder, suppliers, contractors or consultants;
 - (g) Requesting any other person to violate the public procurement rules or procedures;
 - (h) Ignoring evidence that the Code of Ethics has been violated; and
 - (i) Ignoring illegal or unethical activity by bidders or prospective bidders, suppliers, contractors, service providers or consultants, including any offer of personal inducements or rewards or otherwise.

- m. Mis-procurement. Any procurement of goods, works or services that is at variance with the provisions of the KP-PPRA/PPRA Regulations, and IFAD Procurement Handbook and Guidelines, will be construed as mis-procurement. Proceeds of the IFAD financing will not be used to finance such procurement. In such cases, IFAD may, in addition, take other remedial action under the financing agreement, including cancellation of the amount in question from the loan and/or grant account by declaring it ineligible. Even if the contract was awarded following IFAD's "No Objection" statement, the Fund may still declare misprocurement if it concludes that this statement was issued on the basis of incomplete, inaccurate or misleading information furnished by the borrower/recipient, or that the terms and conditions of the contract had been modified without IFAD's approval.
- n. Fraud and Corruption. It is government's policy to require that procuring entities (including any beneficiaries of the funds), as well as bidders, suppliers, and contractors and their agents (whether declared or not), personnel, subcontractors, sub-consultants, service providers and suppliers under government-financed contracts, observe the highest standard of ethics during the procurement and execution of such contracts. in pursuance of this policy, government:
 - (a) defines, for the purposes of this provision, the terms set forth below as follows:
 - (i) "corrupt practice" means the offering, giving, receiving, or soliciting, directly or indirectly, of anything of value to influence the action of a public official in the procurement process or in contract execution;
 - (ii) "fraudulent practice" is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation;
 - (iii) "collusive practice" is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party;
 - (iv) "coercive practice" is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party;
 - (v) "Obstructive Practices" mean: deliberately destroying, falsifying, altering, or concealing of evidence material to the investigation or making false statements to investigators in order to materially impede an IFAD investigation into allegations of a corrupt, fraudulent, coercive, or collusive practice; and/or threatening, harassing, or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation; or acts intended to materially impede the exercise of the IFAD's inspection and audit rights.
 - (b) will reject a proposal for award if it determines that the bidder recommended for award has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for the contract in question;
 - (c) will cancel the portion of the loan allocated to a contract if it determines at any time that representatives of the Government or of a beneficiary of the loan engaged in corrupt, fraudulent, collusive, or coercive practices during the procurement or the execution of that contract, without the Government having taken timely and appropriate action satisfactory to IFAD to address such practices when they occur; and
 - (d) will sanction a firm or an individual, at any time, in accordance with prevailing IFAD's sanctions procedures, including by publicly declaring such firm or individual ineligible, either indefinitely or for a stated period of time:(i) to be awarded a IFAD-financed contract; and (ii) to be a nominated subcontractor, consultant, manufacturer or supplier, or service provider of an otherwise eligible firm being awarded a IFAD-financed contract;
- o. In further pursuance of this policy, Bidders shall permit the IFAD to inspect any accounts and records and other documents relating to the Bid submission and contract performance, and to have them audited by auditors appointed by the IFAD.

- p. Dispute Resolution. Where there is a dispute between the KP-RETP and a bidder or contractor, the process for dealing with this dispute will be as outlined in the bidding documents, contract and/or national legislation, as applicable. In these circumstances IFAD will not be appointed as an arbitrator or be asked to appoint an arbitrator.
- q. IFAD Monitoring and Review. To ensure that the procurement processes are carried out in conformity with KP-PPRA/PPRA and IFAD Procurement Guidelines and with the agreed procurement plan, IFAD will review arrangements for procurement of goods, works and services proposed by the PMU including:
 - a. Contract packaging;
 - b. Applicable procedures and procurement methods;
 - c. Bidding documentation;
 - d. Composition of bid evaluation committees;
 - e. Bid evaluations and award recommendations; and
 - f. Draft contracts and contract amendments
- g. The extent to which these review procedures will be applied to the Project is contained in the letter to the Borrower/Recipient.
- r. Legal Framework. The procurement of goods, works and services by KP-RETP follows KP-PPRA Rules and Regulations as well as the modalities set out in the Letter to the Borrower and this PIM and specified each year in the procurement plans for each individual procurement. The below table summarizes the procurement modalities and prior review thresholds applicable to the project.

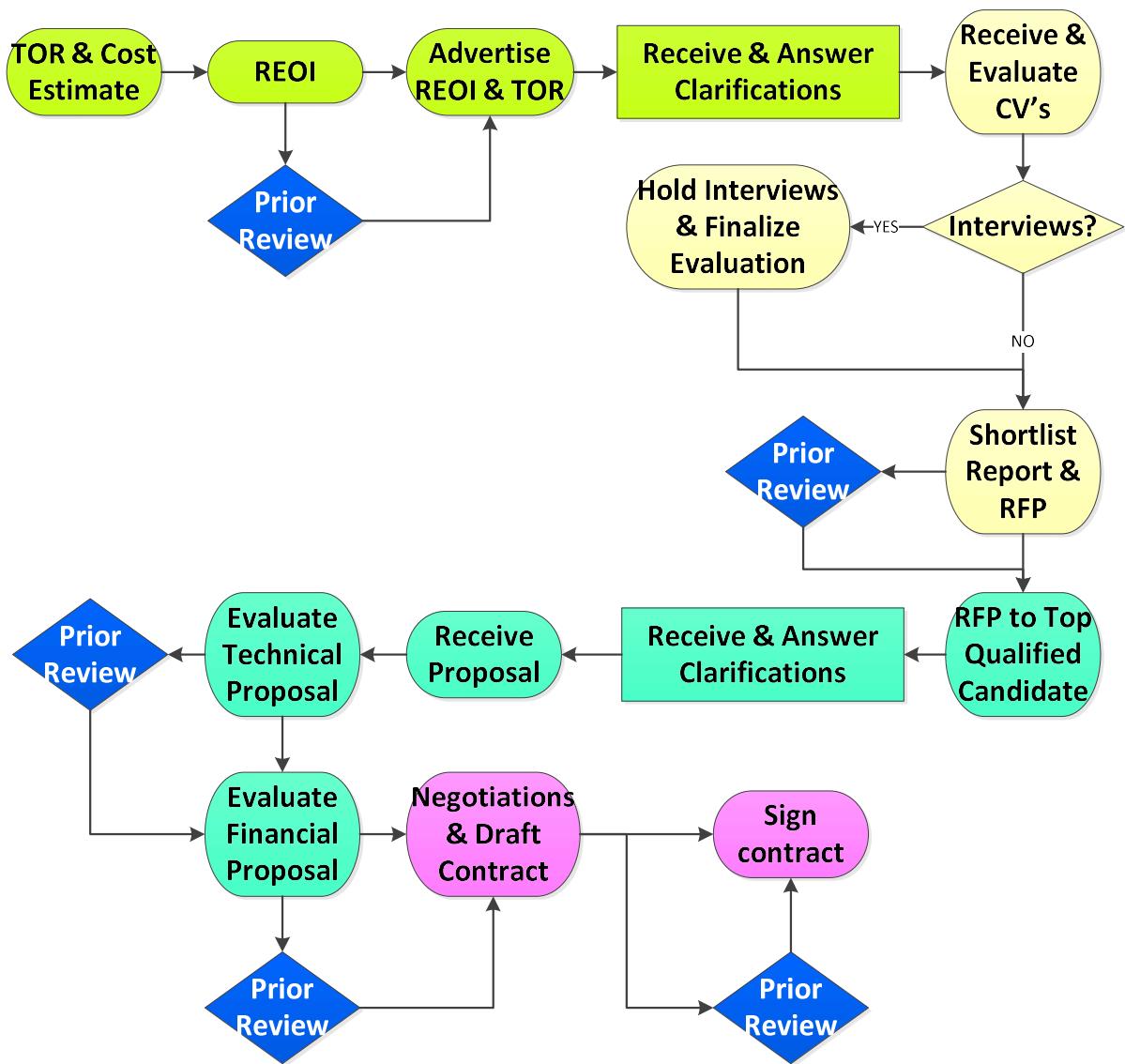
Table 5: procurement methods allowed for KP-RETP

GOODS & WORKS	SERVICES (FIRMS AND INDIVIDUALS)
International Competitive Bidding (ICB)	Quality and Cost Based Selection (QCBS)
National Competitive Bidding (NCB)	Fixed Budget Selection (FBS)
International Shopping (IS)	Least Cost Selection (LCS)
National Shopping (NS)	Selection based on Consultants' Qualification (CQQ)
Direct Contracting or Direct Procurement	Selection of Farmer Organizations (SFO)
Procurement from UN/ GoP Agencies	Selection of individual consultants (ICS)
Procurement with community participation/farmers organizations/ 4Ps	Single-source selection (SSS)

- s. Types of Goods, Works and Services. It is anticipated that the following goods, works and services will be procured for KP-RETP:
 - Goods – Vehicles, motorcycles, office and IT equipment, software, furniture, generators, supplies, etc.
 - Works – Irrigation infrastructure, Land Development and Farm to Market roads.
 - Services - Audits, Studies and Surveys, Consultancies (from specialized consulting firms or individuals), Seminars and Workshops, Technical Assistance, Training and other services.
- t. Distribution of Roles: Except for certain small value, the PMU is responsible for carrying out the Project's procurement process. As a procuring entity for KP-RETP, the PMU has established a procurement unit in charge of, inter alia, procurement planning, handling of the bidding process, conducting bid openings and evaluations of bids, and procurement/contract monitoring.
- u. IFAD-Funded PMU/RCUs Staff Selection: The procedure to recruit IFAD-funded staff to join the Project Management Unit/Regional Coordination Units will be the Individual Consultant Selection procedure (ICS) described in IFAD Procurement Handbook. This does not apply to staff seconded by government. The selection of PMU/RCUs staff or changes to staff shall be coordinated in advance with IFAD. All staff selection shall be subject to the No Objection by IFAD. The PMU shall estimate the cost covering the remuneration for the full remaining duration of the project as per the

Financing Agreement and Letter to the Borrower. All staff recruitment shall feature in the relevant Procurement Plan.

- v. The selection process shall follow the ICS procedure with the following highlights adapted for the particular case of selecting PMU/RCUs staff:
 - Preparation of ToR using IFAD SPD Template – ToR;
 - Preparation of REOI using IFAD SPD Template – Request for Expressions of Interest (REOI) Advertisement;
 - If interviews with the shortlisted applicants are foreseen to help identify the most qualified applicant,
 - o the interview as well as the related criteria should be explicitly specified in the REOI and ToR; this means that the interview requirement must be known in advance and announced to the public as well;
 - o the interview competencies required should be assigned a weight in addition to the weights for other qualification criteria;
 - o competency criteria should be formulated in a clear and objective manner;
 - o interviews should be based on the same set of competency questions used with all candidates;
 - o all applicants passing the minimum score (for CV evaluation) shall be invited for interview;
 - o interviewees should be given sufficient time in advance;
 - o interviews should be held online in case of obstacles to physical meeting are present;
 - o In addition to competency questions, PMU may test interviewees to validate their knowledge and experience through one or more “technical questions” which also shall be standardized and common to all interviewees;
 - o PMU shall consult with IFAD in advance for setting up the competency-based interview questions as well as the technical questions for each position; apart from such a consultation, the questions shall remain strictly confidential;
 - o the interviews shall be fully documented as well as the resulting scoring within the evaluation report;
 - for the recruitment of long-term PMU/RCUs staff funded by IFAD, competency-based interviews [shall consistently be required OR are recommended];
 - The flowchart below depicts the main steps in the ICS procedure.
- w. In exceptional and duly justified cases identified in the Handbook, Individual Consultants may be selected on a sole-source basis:
 - tasks that are a continuation of previous work that the consultant has done and for which the consultant was competitively selected;
 - certain assignments expected to last less than three months;
 - emergencies arising from natural disasters;
 - when the individual is the only consultant qualified for the assignment; and
 - when the individual consultant assignment budget is below the predefined low value threshold for SSS.
- x. In such cases, the PMU will launch a SSS through NOTUS including detailed justifications.
- y. Recruitment of Civil Servants is subject to IFAD's Policies. Whenever Operational Policy and Results Division (OPR) issues a new update, the PIM will need to be updated accordingly.



Flowchart procedure for selection of IFAD-funded Project Staff

248. Roles & Responsibilities. The below table clarify the roles and responsibilities of all stakeholders especially those entrusted with one or more functions of the procurement cycle.

Table6 : responsibility of task with different steps in the procurement process at PMU level

Tasks	Responsible staff/unit
Procurement planning	Procurement Team/Procurement Specialist & Contract Management Officer
Preparation of advertisements	Procurement Team/Procurement Specialist & Contract Management Officer
Review of advertisements	Manager Finance and Administration
Approval of advertisements	Project Director
Preparation of bidding documents	Procurement Team/Procurement Specialist & Contract Management Officer
Review of bidding documents	Manager Finance & Administration/relevant Sector Specialist
Approval of bidding documents	Project Director IFAD (No Objection)
Bid opening	PMU bid opening committee
Bid opening minutes and attendance sheet	Procurement Team/Procurement Specialist & Contract Management Officer
Rejection, cancellation, extension of bids	Project Director IFAD (No Objection)
Bid evaluation	PMU bid evaluation committee
Preparation of evaluation report	Procurement Specialist (as secretary of the evaluation committee)
Approval of evaluation report	Project Director IFAD (No Objection)
Contract's award (based on approved evaluation report)	Project Director
Signature of contracts	Project Director
Contract monitoring	Contract Management Officer
Record Keeping/Filing	Procurement Team/Procurement Specialist & Contract Management Officer

249. The PMU is allowed to conduct procurement for goods, works and non-consulting services when the value is below USD 1,000. The Contract Management Officer will prepare the requests for quotations, under the supervision of the Procurement Specialist. A small evaluation committee is set up to evaluate quotations received from bidders. The PS prepares the evaluation reports (as secretary of the evaluation committee), which are approved by the PD, who delegates his/her powers to the purchase committee for the award and signature of the purchase orders. With regard to implementing partners, PMU representation will be at all stages of procurement, from planning, advertisement, short-listing to Purchase Order/Award of the Contract. In addition to ensuring adherence to applicable procurement rules, the Procurement Specialist and Project Director are responsible for reporting procurement activities and submitting related data to IFAD and the P&DD Government of the Khyber Pakhtunkhwa.

250. IFAD plays an important role in the support, monitoring and control of the Project's procurement. IFAD's No Objection must consequently be obtained at certain stages of the procurement process, on the basis of prior review thresholds specified in the LTB. In the case of a query or rejection of a No Objection/approval request by IFAD or by the Project Director, the procurement unit is required to (i) suspend the procurement process, (ii) address the issue raised (by answering the query or correcting the faulty documents), (iii) re-submit the request and obtain the No Objection/approval and (iv) resume the procurement process. The above table summarizes the responsibilities of each of the parties involved in the procurement of goods, works and services for KP-RETP.

K. Procurement Monitoring System

251. The PMU uses a database system developed on Excel to monitor the project procurement actions and status on a continuous basis for each individual procurement case. This Procurement Tracking System (PTS), which includes the procurement plan, also records the following data (in addition to planned amounts):

- a. Requisition date and number (sequential number generated automatically to identify each procurement case) and name of requesting staff
- b. Component, sub-component Annual Work Plan and Budget (AWPB) activity, expense category, district and financier
- c. Full description of goods, works or services and estimated cost
- d. Shortlists (names and country of suppliers)
- e. Date of issuance and number of bidding documents (ITB, RFP, RFQ, etc.) or date of IFAD's No Objection in the case of a waiver of competitive bidding
- f. Date of evaluation and name of selected supplier
- g. Date of IFAD's No Objection for contract award
- h. PO or contract amount, date and number (and subsequent amendments, if any)
- i. Amount of advance paid, if any
- j. Date of delivery and Receiving and Inspection Report date and number
- k. Invoice amount, number and receipt date
- l. Payment date(s).
- m. Any relevant comments may also be included in a special column.

252. This system also allows procurement data to be sorted by project component/subcomponent, by expense category, by contract number or date, by country of origin of the selected suppliers, by financier, by district, etc. Reports and statistics can then be issued according to any of those criteria and for any period requested. The Procurement Specialist is required to input each procurement action into the PTS on a real time basis. The information inserted into the database enables to generate monitoring reports for the PMU, P&DD-GoKP, and IFAD as needed.

L. Procurement Cycle

253. Procurement includes the planning, purchasing, delivery and final hand-over of goods, works and services. The procurement cycle includes the following steps:

- a. Procurement planning
- b. Requisitioning
- c. Identification of suppliers by advertising and short-listing (where applicable)
- d. Competition process (via ITB, RFP, RFQ, Quotation etc., or waiver of competition in exceptional circumstances)
- e. Selection of supplier (following an evaluation process)
- f. Award of contract (including the issuance of the purchase order or contract)
- g. Contract administration and monitoring
- h. Delivery of goods, works or services
- i. Reporting.

254. The procurement cycle is described in detail in the following sections. Throughout this cycle, the Procurement Team and Project Director are responsible for ensuring that the Rules and Procedures of the GoKP and IFAD (where applicable) are fully complied with, in conformity with the project basic documents and the KP-PPRA Rules.

255. Procurement Planning⁸. As soon as possible after project commencement, the Project team shall be prepared using IFAD's template, shall be fully aligned with AWP&B, and submitted to IFAD for No Objection. The

⁸ https://www.ifad.org/documents/38711624/39421018/proc_handbook_e.pdf/2febc53a-4244-4447-a788-d06a632fd3b5

procurement plan shall be prepared annually and submitted to IFAD for review and expression of No Objection. No procurement activity shall start unless it is present in a PP that received a No Objection. The PP shall be updated with actual dates/figures and shall be upgraded for any changes in the procurement methods, addition of activities, elimination of others, increases in the budget, etc. Any upgrade to the PP shall also be submitted for No Objection. Procurement activities and their respective methods and timelines shall be strictly adhered to. All procurement plans and their updates or modifications shall be subject to the IFAD's Prior Review and No Objection before implementation. When preparing the procurement plan, an accurate and realistic planning and prioritization of needs is an essential prerequisite to effective procurement and a key tool for monitoring project implementation. The plan will be agreed between the borrower and the IFAD during negotiations. The procurement plan will be updated annually or as required to reflect the actual project implementation needs and improvements in institutional capacity. Items procured outside the procurement plan and the related AWPB will be declared mis-procurement and the related expenditure will be deemed ineligible. For each individual procurement item, the PP shows separate planned vs. actual dates lines and contains the following information:

- a) Project component and AWPB activity code
- b) Expense category
- c) Procurement case number (from the PTS)
- d) Nature of procurement, description and quantity of goods/works/services
- e) Procurement method and IFAD review requirement
- f) Pre-qualification or post-qualification requirement (for goods, works or non-consulting services)
- g) Estimated cost, including transport and insurance, if applicable
- h) Planned dates for the entire procurement process, i.e. expression of interest or pre-qualification (if applicable), bidding document preparation, publication, bid opening, bid evaluation, post-qualification (if applicable), contract signature, including IFAD No Objection (for each step where applicable)

M. Planned Completion or Delivery Date

256. Once it is completed, the procurement plan is submitted to the Finance and the PD by the end of April each year for review. While reviewing the procurement plan, the Finance and PD must ensure that (i) the information contained in the plan adequately reflect the AWPB, (ii) the cost estimates are reasonable, (iii) funds are available to conduct the procurement actions and (iv) the anticipated procurement methods are in conformity with the provisions of the national rules and the Letter to the Borrower. The Procurement Specialist makes corrections to the procurement plan as requested by the Finance Unit and PD. Once the plan is validated, the Procurement Specialist makes a proposal for grouping goods, works and services to be procured into sizeable bid packages so as to permit the optimal use of competitive bidding. The finalized procurement plan is an integral part of the AWPB. It is therefore submitted to the PSC for approval with the AWP&B, by Mid-May. After approval by the PSC, the procurement plan and the proposal for grouping are forwarded to IFAD for review and possible No Objection by last week of May. Observations from IFAD are discussed among the Project Director, team and the Procurement Specialist will integrate in the plan. In the absence of a reply from within 30 days of sending it, the procurement plan is deemed approved by IFAD. It is then shared with the relevant PMU/Components Specialist staff.

257. Every time a step is completed in the procurement process, the Procurement Specialist updates the procurement plan by inserting in the corresponding column, the actual date on which the step was completed. The PP is updated every time there is a revision of the AWPB (usually at half-year); the PP is then reviewed by the team and PD and re-submitted together with the AWPB – to the approval of the Project Steering Committee (PSC), as well as to IFAD for No Objection.

258. Purchase Requisition. The purchase requisition is the document that initiates the procurement action. It is prepared by the requesting staff contains the following information:

- a. AWPB activity code
- b. Description of goods, works or services requested

- c. Cost estimate (including transport⁹, insurance and incidental costs)
- d. Date of required delivery
- e. Justification for waiver of competitive bidding, if applicable.
- f. Technical specifications/TOR must be attached to the requisition.

259. The requisition is signed by the requesting staff and forwarded to the Manager Finance and Administration (MFA) who indicates the expense category and account numbers and verifies that:

- a. The procurement request is included in the procurement plan; if not, s/he asks the requesting staff for justification and notes it on the requisition.
- b. Funds are available under the component/AWPB activity and expense category; s/he prints out a budget statement and attaches it to the requisition.
- c. The MFA consults with the Procurement Specialist as needed to ensure that the requisition is complete and the information adequate.

260. After verification by the MFA, the requisition goes to the Project Director who ensures that:

- a. Proposed items are in accordance with the approved procurement plan; if not, s/he ensures that the justification provided by the requesting staff is acceptable¹⁰.
- b. Estimated cost is reasonable and within the budget for the current year.
- c. Proposed goods, works or services are technically appropriate.
- d. Potential bidders have been identified.
- e. Information on the form complies with procurement rules, policies and procedures adopted for the Project.
- f. If funds are not available, the Project Director decides whether to postpone the procurement or to reallocate the budget and informs the requesting staff and MFA accordingly. Once approved the requisition the requester shall submit it to procurement unit. The Procurement Specialist determines the appropriate method for the procurement of goods, works or services on the basis of threshold and input in PTS.

261. Upon receiving an approved purchase requisition, the Procurement Specialist must:

- a. Input the information on the requisition into the PTS
- b. Note the system-generated sequential number on the requisition, and
- c. Create a procurement file.

262. The Procurement Specialist then updates the procurement plan by entering the file number. All documents related to a particular procurement case are kept in the same file. In order to facilitate filing and search, the same number, preceded by the appropriate prefix (e.g. ITB, RFP, RFQ, PO, etc.) will be used to identify the competition document and corresponding contract.

263. Technical Specifications and Terms of Reference (ToR). The technical specifications (for goods and works) or terms of reference (for services) attached to the purchase requisition are normally prepared by the requesting staff (under supervision by the component head) and checked by the Procurement Specialist for quality and suitability. However, assistance from specialized technical experts may be needed to develop complex specifications (including specific packaging/shipping requirements) or terms of reference.

264. Technical Specifications. Specifications are based on relevant technical characteristics and/or performance requirements. The specifications must clearly and fully describe the goods or works required, as accurately as possible and in generic terms. The use of brand names, catalogue numbers or similar classifications that could favor a particular supplier must be avoided. Where there is no choice but to use a brand name or catalogue number of a particular manufacturer in order to clarify an otherwise incomplete specification, then it

⁹ For purposes of estimating the cost on the requisition, airfreight is assumed to represent 30% and ocean freight 15% of the cost of goods.

¹⁰ If the purchase is authorized, the Procurement Specialist will amend the procurement plan as part of the next update

shall be complemented with the words “or equivalent”. The specifications must be drafted to allow the evaluation of offers for goods or works which have similar characteristics and which provide performance at least substantially equivalent to those specified.

265. There are three types of specifications, which may be combined:

- a. Functional specifications. Define the function or duty to be performed and focus on what the product is to do. Less emphasis is given to materials or dimensions.
- b. Performance specifications. Define the performance and results required of the product.
- c. In order to assure quality of the goods/works, relevant product standards (international or national) and environmental standards (energy star ratings, recyclable materials, etc.) should be included. Where certain standard specifications are referred to, a statement should follow that other international or national standards that promise to confer equal or better quality will also be acceptable.
- d. Design requirements specifications. The exact dimensions, materials or characteristics must be provided. It should be noted that this type of approach might exclude certain suppliers (and hence, lessen competition) because of differences in engineering practices.
- e. Dimensions should always be quoted using the metric system.

266. Standards and technical specifications quoted in bidding documents should promote the broadest possible competition, while assuring the critical performance or other requirements for the goods or works under procurement. As much as possible, the requesting staff should try to specify internationally accepted standards such as those issued by the International Standards Organization (ISO) with which the equipment or materials or workmanship shall comply. Where such international standards are unavailable or are inappropriate, national standards specified by Pakistan Standards Quality and Control Authority may be specified. In all cases, the bidding or proposal documents shall state that equipment, material, or workmanship meeting other standards, which promise at least substantial equivalence, will also be accepted.

267. Terms of References (ToRs). are normally used for the services contracts. They detail the objective, scope and nature of the assignment, and form an integral part of the contract. The following information must be included in the ToRs:

- a. The background of the Project, including objectives and main components/activities;
- b. A description of the required services. The activities to be performed or services to be rendered must be described in detail: for example, modalities of a survey (defining area, data needed, means to be employed); organization of a training course (defining target group, curriculum outline, training materials, course duration);
- c. A comprehensive list of the tasks and standards to comply with;
- d. Coordination arrangements (including the list of documents and/or services to be provided by the PMU or the end-user in order to facilitate the execution of the assignment);
- e. Modalities for monitoring and control of progress by the PMU;
- f. A detailed work schedule, i.e. duration of activities/services from inception to completion, indicating any factors influencing that timeframe, such as seasonal considerations, schedule for initial submission, review/approval time, etc.;
- g. A clear definition of expected outputs/results and the final products to be submitted (e.g. survey completed, maps drawn, research undertaken, data collected/elaborated, workshop conducted), and
- h. Reporting requirements (for example, specification of format and content for interim and final reports, periodicity and deadlines, number of copies, recipients, etc.).

268. Identification and Shortlisting of Suppliers. The identification and shortlisting of suppliers for the KP-RETP procurement is normally carried out by means of a competitive process, in compliance with the national procurement rules. This competitive process may be more or less open depending on the provisions of the KP-PPRA Rules and the IFAD LTB.

269. The table below summarizes the procurement modalities and the IFAD review requirements for the various categories of procurement and related thresholds:

Table 7: Threshold for Procurement of Goods, Works and Services

Thresholds for Procurement and Review Methods Expenditure Category	Contract Value Threshold (US\$)	Procurement / Selection Method	Contracts Subject to Prior Review/ Post Review
Works	≥ 1,000,000	ICB	Prior Review
	≥ 20,000 < 1,000,000	NCB	Prior Review
	< 20,000	National Shopping	(Post review)
	All values	Direct Contracting	Prior Review
Goods	≥ 200,000	ICB	Prior Review
	≥ 20,000 < 200,000	NCB	Prior Review
	≥ 1,000 < 20,000	National Shopping	(Post review)
	All values	Direct Contracting	Prior Review
Consulting Services – Firms	≥ 200,000	QCBS (International)	Prior Review
	≥ 20,000 < 100,000	(QCBS/FBS/LCS)	Prior Review
	< 20,000	CQS	Post Review
	All values	SSS	
Consulting Services - Individuals (ICS)	≥ 100,000	IC- International	Prior Review
	< 100,000	IC –National	Prior Review
	All values	ICS – SSS	Prior Review

Where:

ICB.	International Competitive Bidding	NCB.	National Competitive Bidding
QCBS.	Quality and Cost Based Selection	CQS.	Selection Based on Consultants' Qualification
FBS.	Fixed Budget Selection	LCS.	Least Cost Selection
SSS.	Single Source Selection	DC.	Direct Contracting
ICS.	Individual Consultant Selection		

270. Open Competitive Bidding – ICB or NCB (Goods & Works). As indicated in the table above, open competitive bidding may be done at the national or international level, depending on the value of the procurement. International bidding is appropriate for high value or complex procurement and where the goods, works or services by their nature or scope, are more likely to be of interest to international suppliers. National competitive bidding is the procedure normally used for public procurement in Pakistan; it is most appropriate for goods or works of smaller value, which are not likely to attract adequate foreign competition. In both cases, the selection of the supplier is carried out on the basis of an invitation to bid, using national standard bidding documents. Procurement of goods and works on open competitive bidding is subject to validation from the Project Director. IFAD prior review is required for goods and works valued at USD 20,000 or more. Both ICB and NCB procurement is conducted exclusively by the PMU.

271. Pre-qualification. For high value and/or complex procurement of goods, works or non-consulting services, the PMU may decide at planning stage to go through a prequalification process in order to;

- a. identify potential bidders that have the required capacity, resources and experience for the contract. This procedure, which limits the actual bidding process to a limited number of qualified suppliers/contractors, is particularly useful when:
 - b. Bidders may be discouraged by the high cost of preparing bids and would be more willing to invest resources in bid preparation knowing that they are competing against a limited number of bidders,
 - c. Evaluating a high number of bids would be very costly and time-consuming for the PMU and/or
 - d. Contractor's qualifications are key for the satisfactory performance of the contract.

272. The Procurement Specialist prepares the pre-qualification documents using the IFAD standard templates, including a short description of the Project, a description of the goods, works or non-consulting services, the pre-qualification criteria and the details for submission of applications (name/address, deadline, submission modality, and information/documentation required to verify the applicant's eligibility or qualifications). The Procurement Specialist then drafts the pre-qualification invitation, which is published in the KP-PPRA and KP-RETP websites, and in at least 2 daily newspapers (Urdu and in English) based on the required KP-PPRA thresholds. Sufficient copies of the pre-qualification documents must be ready for sale at the PMU (by the Procurement Specialist) on the first day of publication of the notice. The price charged must only reflect the actual cost of production of the pre-qualification documents. The Procurement Specialist records in a dedicated register, the name and address of all applicants who purchase a prequalification document.

273. On the submission deadline, the Evaluation Committee augmented with the relevant technical expert or consultant, meets to evaluate the applications received against the criteria defined in the pre-qualification document and to attribute a score to each application. The evaluation report prepared by the Procurement Specialist (as secretary of the committee) identifies the applicants that are qualified, and those that are not qualified, and states the reasons. The pre-qualification report is signed by all committee members, approved by the PD and sent to IFAD for No Objection along with the bidding documents.

274. Invitation to Bid. The Procurement Specialist prepares the ITB using the IFAD Standard Bidding Documents. The ITB package must contain the following elements:

- a. ITB letter and Instructions to bidders (clearly outlining the required validity of bids as well as the criteria for bid evaluation and selection of the lowest evaluated bid);
- b. Information on the deadline and location for bid submission, and public bid opening;
- c. Bid submission sheet, including sample formats for bid security, if applicable;
- d. Model contract or PO, including general and special terms and conditions;
- e. Detailed list of goods or description of works (including norms, standards and/or methods to comply with);
- f. Technical specifications, list of goods, bill of quantities and/or drawings (provided by the requesting staff);
- g. Place and time of delivery or completion schedule; insurance requirements;
- h. Description of penalties or bonuses;
- i. Anticorruption compliance statement and/or permission for IFAD to inspect bidders' accounts/records relating to the bid submission and contract performance, and to have them audited by IFAD-appointed auditors;
- j. Guidance on complaint filing procedures;
- k. Financial provisions (payment modalities, advances, bank guarantees, etc.).

275. The Procurement Specialist used IFAD standard document for bid advertisement, which contains the following:

- a. The bid number;
- b. A brief presentation of the Project and the funding source (refer to IFAD Procurement Guidelines/SBD for the appropriate text to use);

- c. A description of goods/works to be procured, and name of the contracting authority;
- d. The preference given to goods/works manufactured in Pakistan or in developing countries, as well as the eligibility criteria for this preference;
- e. The method and criteria to be used for the evaluation and comparison of bids;
- f. The place, contact name and modalities for retrieving the ITB package;
- g. The name of the person to contact for queries;
- h. The place and deadline for submission (date and time);
- i. The place, date and time for the bid opening.

276. The ITB and advertisement are reviewed by the project technical/sector specialist for validation, and approved/signed by the PD. When required, IFAD's No Objection on the bidding documents must also be obtained prior to publishing the advertisement (the Procurement Specialist must enter the date of the IFAD No Objection in the PTS). The Contract Management Officer (under supervision of the Procurement Specialist) is responsible for organizing and monitoring the advertising process. PS is in charge of the distribution of ITB packages to prospective bidders. Sufficient copies of the bidding documents must be ready for sale at the PMU by the first day of publication of the ITB. The price charged must only reflect the actual cost of production of the bidding documents. Prospective bidders are allowed to briefly inspect the bidding documents prior to purchasing them. For each ITB package purchased, the Procurement Specialist (i) delivers a receipt to the bidder, (ii) records the name and address of the bidder in a register, (iii) obtains the bidder's signature on the declaration of ethical conduct and (iv) obtains written acknowledgement from the bidder that samples have been inspected (if the bid is subject to conformity with samples).

277. The CMO acts as petty cash custodian for the cash received from the sale of bids. The cash is kept in a petty cash box and locked in a safe. It is used to pay for expenses related to the preparation of bids, the bid opening ceremony and the bid evaluation meetings. The Contract Management Officer keeps a petty cash register to account for these monies, under the supervision of the MFA. There are no major procedural differences between ICB and NCB apart from the language, advertising media used and length of publication. International bids must be advertised (in English) in international newspapers, specialized websites¹¹ and through local representatives of member countries whose firms may potentially be interested. In addition, a longer time must be allowed before bid closing to reflect the slower communications involved. National bids, on the other hand, are advertised in the KP-PPRA and KP-RETP websites or bulletin boards, and in at least 2 daily newspapers (one in Urdu and one in English) according to KP-PPRA Rules and thresholds.

278. National Shopping (NS) (Goods USD >1,000 to ≤ 20,000; Works ≤ USD 20,000). When using the national shopping procedure, the competition is limited only to pre-identified suppliers who are known to be qualified to furnish the goods, works or services required. This is the preferred procurement method for readily available off-the-shelf goods, standard specification commodities, simple civil works of small value and standard, low value non-consulting services. National shopping may be carried out at PMU level for small value contracts (under USD 1,000), as agreed by the Procurement Specialist and authorized by the PD, and under the supervision of the Procurement Specialist.

279. Identification of Suppliers and Shortlisting. In order to facilitate the procurement process when national shopping is used, the PS with support of CMO develops and maintains a roster of suppliers sorted by industry and area of expertise (i.e. types of goods, works and services proposed). This database is maintained and updated by the PS with assistance from the CMO; it must contain the following data for each potential supplier:

- a. Name of company
- b. Details of supplier (address, telephone, fax, email, website, etc. - the country should be input in a separate field for reporting purposes)
- c. Industry or area of expertise
- d. References (other projects or KP-RETP partners which have contracted the supplier in the past)

¹¹ United Nations Development Business (UNDB) online, or Development Gateway Foundation (Market). IFAD's assistance may be sought for the publication of Specific Procurement Notices in these websites.

- e. Remarks (e.g. evaluation of supplier's performance).
- f. Many sources are available to the KP-RETP in order to identify potential suppliers, including:
- g. IFAD headquarters and the IFAD Asia network
- h. The GoP, GoKP and affiliated institutions
- i. Other donor-funded projects in Pakistan, development partners and other KP-RETP partners, embassies of IFAD member countries in Pakistan
- j. Specialized procurement websites (e.g. UN Development Business, Development Gateway Foundation, Development Ex, Compass, etc.) and search engines
- k. Professional organizations or associations
- l. Business seminars, visitors, trade representations
- m. Trade publications, professional journals, catalogues, and other commercial media
- n. Local telephone directories.

280. A background check should be conducted on all entities that have never worked for IFAD previously. When launching a restricted bid under national shopping, the PS, in collaboration with the technical staff, is responsible for identifying a good mix of qualified candidates with the appropriate expertise from the above sources, and preparing an official shortlist.

281. The shortlist is prepared on the basis of set criteria such as the technical and financial capability of the supplier, capacity to supply the goods/complete the works/provide the services in the required timeframe, past performance, etc. The shortlist should contain 3 to 4 suppliers for very small value contracts or individual consultants, and 5 to 7 suppliers for larger value contracts. The shortlist is reviewed by the technical team as well as MFA and approved by the Project Director. Requests for quotations are prepared and issued to different vendors on their request/demand and award framework contract with the lowest evaluate vendor for the whole year through this process. Framework agreement shall be generally adopted in the following cases:

- a. Goods that can be procured off-the-shelf, or are of common use with standard specification;
- b. Non – Consulting services that are of a simple and non-complex nature and may be required from time to time.
- c. Small value contractor for works under emergency operations.
- d. Selection of vendors for the whole year for purchase of expendable items such as stationery, printer tonner, office utilities, repair of vehicles, vehicles lubricants, fuel for vehicles, vehicles services etc.
- e. The CMO shall check availability of required goods form stores under any existing frame work agreement;
- f. The Procurement team shall contact the existing vendor with whom arrangements are made under the framework agreement;
- g. The CMO shall convey the requirements to procurement unit through approved purchase requisition form.
- h. The PS shall convey the requirements through formal purchase order to the vendor.
- i. The PS will place the order detailing the nature and amount of procurement(s) made, date of placing order and contact details of vendor (conditions are already agreed with the vendor/supplier under the frame work contracting mechanism for each delivery of goods and services being made).

282. Request for Quotation. The RFQ selection procedure consists of comparing price quotations obtained from at least 3 shortlisted suppliers. The RFQ is prepared by the Procurement Specialist and should contain the description and quantity of the goods, specifications of works, or description of services, and the desired delivery/completion place and date. It is reviewed by the MFA and signed by the Project Director. After the RFQ is approved, a personalized invitation to submit a quotation is addressed directly to each shortlisted firm; a written receipt of acknowledgement is obtained from each firm.

283. Restricted Bidding (Non-consulting services). Limited international or national bidding procedures are used for non-consulting services above USD 100,000. The procedure is similar to the open competitive bidding described above, except those invitations to bid are directly addressed to pre-identified bidders instead of being advertised. This is also an appropriate method of procurement (i) for goods and works of a very small value, (ii) in emergency situations, (iii) when the number of potential suppliers is very limited, or (iv) when an open competitive bid has failed to result in an award of contract.

284. Force Account. Force account work Force account work (such as construction, equipment installation and non-consulting services) is work performed by a government department in the borrower/recipient country using its own personnel and equipment. In certain circumstances, this may be the only practical procurement method. The force account method requires the borrower/ recipient to set maximum aggregate amounts for use of the method, for which IFAD shall give its NO, and apply the same rigorous quality checks and inspection as for contracts awarded to third parties. Use of the force account method shall be justified and may be used, subject to IFAD's NO, only under any of the following circumstances:

- a) the quantities of construction and installation works involved cannot be determined in advance;
- b) the construction and installation works are small and scattered or located in remote areas where qualified construction firms are unlikely to bid at reasonable prices;
- c) the construction and installation works must be undertaken without disrupting ongoing operations

285. Further the force account submission to IFAD for its No Objection shall be for the following procurement files and documents:

- a) Justification Report for using Force Account (if not already submitted along with PP);
- b) Solicitation Document for Public entity to be engaged on Force Account basis;
- c) Negotiation report evidencing verification of resources, capacities, and competence;
- d) Draft Agreement duly filled;
- e) Signed agreement (for information and record);
- f) Agreement amendments exceeding 10% of the original value; and
- g) Agreement extensions exceeding 25% of the original duration.

1. Consulting Services (QCBS, FBS, LCS, and CQS)

286. Expression of Interests (EOIs). Whether from consulting firms or individual consultants, 'intellectual' consulting services may warrant the need for an expression of interest (EOI), which is the equivalent of the pre-qualification process for consulting services and presents the same advantages. The EOI is similar to the pre-qualification procedure described above. The main difference in the content of the EOI notice is the indication of whether the EOI is for consulting firms or individuals. The evaluation process is the same, and once the Evaluation Committee members sign the evaluation report, it is approved by the PD and sent to IFAD for No Objection along with the request for proposals document.

287. Request for Proposal (RFP): RFPs are issued for the procurement of consulting services valued (as per the given thresholds). The RFP is prepared by the Procurement Specialist and consists of four documents:

- a. Letter of invitation (brief description of Project, funding source, summary of services required, specific conditions or criteria, currency of submission, name of contact person for queries, date/time/address for submission of proposals) Information to consultants (evaluation criteria and modalities, level of key staff inputs or total budget, clause of preference for developing countries firms, proposal validity period, and any other relevant information or instruction)
- b. TOR provided by the requesting staff
- c. Model contract.

288. The RFP is validated by the technical team and approved by the PD. The prior review of IFAD is required for services valued (see above threshold table), as well as for all services procured through sole-source-selection,

regardless of the value. After the RFP is approved, a personalized invitation to submit a proposal is issued directly to each shortlisted firm; a written receipt of acknowledgement is obtained from each firm.

289. Individual Consultants. Individual consultants are selected on the basis of a comparison of CVs from at least three shortlisted individuals. IFAD's prior review is required irrespective of value. The following criteria are taken into account for the selection:

- a. Technical capacity of consultant
- b. Academic qualifications and professional experience of consultant
- b. Knowledge of the region/country
- c. Proficiency in local languages or other criteria deemed relevant regarding the ToR. Based on a review of CVs by the selection committee (including the DPDs, the Monitoring and Evaluation (M&E) Specialist and the requesting staff/section head), the PS establishes a selection report and submits it to the PD for contract award (after IFAD No Objection as required).

290. Sole-Source Selection (SSS)/Direct Contracting (DC). SSS/DC of the consulting firm lacks the benefits of competition in terms of quality and cost. It is not transparent in selection and may encourage unacceptable practices. Therefore, SSS should be used only in exceptional circumstances and only after securing IFAD's NO. Any request for SSS/DC by a borrower/recipient must be accompanied by a detailed justification, which will be carefully examined by IFAD to ensure that no alternative selection methods can be used. To receive IFAD's NO, it must be demonstrated that there is a clear advantage to SSS over competitive selection. Lack of time to conduct competitive procurement is not an acceptable justification for the use of SSS/DC. The SSS/DC may be used in the following cases:

- a) tasks that are a natural continuation of previous work done by the consulting firm;
- b) situations in which rapid selection is essential, such as an emergency;
- c) selections of low value as agreed with IFAD and as defined in the letter to the borrower;
- d) only one firm is qualified or has the necessary experience for the assignment.
- e) All SSS/direct contracting processes are subject to prior review by IFAD.

2. General Procurement

291. Enquiries from Bidders. To maintain the integrity and transparency of the process, potential bidders may only clarify or seek additional information related to the relevant bidding or proposal documents in writing and not by telephone or in person. In the same way, the PS, after consultation with the requesting staff is necessary, shall only provide clarification in writing and to all invitees (unless the clarification is clearly only applicable to the invitee who asked the question). The clarification shall be written in such a way as to maintain the anonymity of bidders and without mentioning the name of the firm that asked the question(s).

292. Bid Extension and Cancellation. Based on a recommendation from the procurement, the PD may propose an extension of the closing date for submission of bids for any practical or justifiable reason, such as: modification to the bidding documents after issue; need for additional research/effort by bidders to submit a responsive bid; request for a time extension by two or more bidders; and unforeseen administrative issues requiring a postponement of the proposed bid opening. Proposals for extension of the bid deadline shall be referred immediately to the Evaluation Committee and the IFAD Country Director (through the PD) for a decision. If the extension is granted, the extension shall be notified to all prospective bidders at the same time and in writing. Notification of the extension must be copied to the procurement file and the new dates entered into the PTS.

293. A bidding process may be cancelled at any time before the deadline for receipt of bids subject to the proposal of the Procurement Specialist, and the approval of the PD and IFAD. Justifications for cancellation are:

- a. The procurement need has ceased to exist or changed significantly;
- b. Insufficient funding is available for the procurement;
- c. There is a significant change in the required technical details, bidding or contracted conditions, such that the recommencement of proceedings is necessary;

- d. There is evidence of collusion among bidders; or
- e. Cancellation is deemed to be in the interest of national security.

294. The Procurement Specialist will in such a case notify prospective bidders, refund fees paid for the purchase of bidding documents, return any submitted bids unopened and notify all other involved parties of the cancellation. The cancellation must be documented in the procurement file and recorded in the PTS.

295. Waiver of Competitive Bidding. There are certain circumstances in which competition may not be possible or practical. These are exceptional cases where direct contracting for goods/works or single-source-selection for consultants presents a clear advantage over competition. These exceptional cases are listed in the KP-PPRA and in IFAD's Procurement Handbook. Should the PMU be required to use this procurement modality, a request for waiver of competitive bidding would need to be addressed to the Project Director and to IFAD, regardless of the contract value¹². The request for waiver must include the following information:

- a. Description of goods, works or services
- b. Full justification for waiver request
- c. Detail of costs and demonstration of reasonableness of costs
- d. Demonstration of the competitiveness of the retained proposal or quotation
- e. Past experience with the retained supplier.
- f. The procurement process will only be pursued if IFAD's No Objection is secured.

296. Blacklisting of Suppliers and Contractors. As indicated in the KP-PPRA, any supplier or contractor that consistently fails to provide satisfactory performances or is found to be indulging in corrupt or fraudulent practices shall be permanently or temporarily barred from participating in KP-RETP procurement proceedings. The supplier or contractor to be blacklisted is given the opportunity of being heard before such barring action is publicized and communicated to the KP-PPRA and to IFAD.

297. Selection of Suppliers – Bid Opening and Evaluation Committees. The KP-RETP PS will oversee organizing bid opening procedures and evaluation committee meetings. The PMU bid opening committee is composed of 5 members: a) a Project Director (as Chairperson), b) M&E Specialist c) Agribusiness/Training Officer/4P Specialist, d) the relevant component heads, and e) Representative of relevant end-user entity and the PS who serves as the Secretary. The PS is therefore responsible for maintaining the attendance sheets and preparing the minutes of the bid opening meetings. Due to the nature of the procurement handled at regional level, there is normally no bid opening at PMU.

Table 8:PMU evaluation committee consists of five members

Title	Role
Project Director	Chairperson
M&E Specialist	Member
Agribusiness/Training Officer/4P Specialist	Member
Heads of relevant component	Member
Representative of relevant end-user entity	Member
Procurement Specialist	Secretary

298. In addition to the above, the Committee may co-opt non-members (such as consultants or advisors with special expertise) to its meetings, on an as-needed basis, particularly in the case of complex procurement. The PS is not a member but serves as Secretary to the Committee; as such, s/he is responsible for guiding the evaluation process, ensuring that applicable rules and procedures are correctly followed, and drafting the evaluation reports. For low value procurement at PMU level, the evaluation committee is reduced to three members, including the PD/Deputy Project Directors (DPDs), the MFA and the requesting staff or component head. The Procurement Specialist serves as the Secretary for the committee and is responsible for drafting the bid evaluation reports.

¹² Except for petty purchases not exceeding PKR 50,000 (or USD 323 equivalent), for which direct cash purchase is allowed without a waiver

299. Submission, Receipt and Opening of Bids. The time allowed for the submission of bids varies according to the size and complexity of the contract. Starting on the date of publication of the ITB, a minimum of 6 weeks is generally allowed for ICB, while at least 4 weeks are allowed for NCB. Bidders may send their offers or proposals in a sealed envelope by mail or hand delivery to the KP-RETP. The PS (or the CMO at the PMU) receives the bids, stamps the envelopes with the day's date and registers them in a special dedicated logbook. The representatives of the bidders submitting a bid are requested to sign the logbook. All bids are kept in a tender box located in a locked cabinet until the bid opening date. The offers or proposals received after the submission deadline are returned unopened to the bidders.

300. The bids¹³ are opened in public, preferably on the day of the submission deadline, in the presence of members of the bid opening committee and representatives of the bidders. The chairperson of the committee is responsible for opening each bid and reading aloud the following information¹⁴:

- a. Sequential number attributed to the bid
- b. Name / country of origin of the bidder
- c. Currency, unit price and amount of the bid, and discounts offered, if any
- d. Amount of bid security, if any¹⁵.

301. This information is recorded in the bid logbook by the Procurement Specialist and signed by the chairperson of the committee. Bids that are obviously not responsive (e.g. no or inadequate bid security) are rejected at this stage. The representatives of bidders are requested to sign the attendance sheet and are then invited to leave, and no further communication may take place between the bidders and the KP-RETP bid opening committee or evaluation committee until the contract award is announced. The Procurement Specialist is responsible for preparing minutes of the bid opening meeting, which are signed by the chairperson and members of the committee.

302. In the case of RFQs, quotations may be sent directly to the PS by mail or hand delivered. Even though no public opening of the quotations submitted is required, all quotations must be opened on a predetermined date and time to avoid the opportunity for any invitee to become aware of the prices quoted by other invitees.

303. Cancellation of Bids after Bid Opening. ITBs, RFQs and RFPs may be cancelled after the bid opening date by recommendation of the Procurement Specialist, following validation of the evaluation committee and PD approval, and subject to IFAD's No Objection, in the following instances:

- a. Only one (or no) bid was presented or after rejection of all other bids only one (or no) bid remains for consideration;
- b. The bids were presented with unacceptable reservations and conditions; or
- c. The evaluation committee confirms that the lowest priced bid is higher than the budgetary provision.
- d. In such a case, the procurement unit will:
 - e. Obtain approval of the evaluation committee and the PD for cancellation of the ITB/RFQ/RFP;
 - f. Notify all bidders that the ITB/RFQ/RFP process has been cancelled and return any bid securities;
 - g. Depending on the causes, decide whether the procurement is to be cancelled or resumed, and by what method.
 - h. If the procurement is to be resumed, resubmit all documents to the requesting staff for preparation of revised specifications/TOR, or prepare new bidding documents appropriate to the new procurement method proposed.

304. Extension of bid validity. If, due to unforeseen circumstances, the contract award cannot be completed within the duration of bid validity specified in the bidding documents, the Procurement Specialist may request a bid validity extension from the responsive bidders, upon instruction from the PD. The additional time required

¹³ In the case of two-envelope bidding where separate technical and financial bids are submitted, only the technical bid will be opened for evaluation at the initial bid opening. The financial bids are retained unopened pending a second public opening of those bids achieving more than the minimum technical score

¹⁴ The head of the committee may request the assistance of the Procurement Specialist or decide to delegate this task to another member of the committee or to the Procurement Specialist.

¹⁵ All bid securities are given to the Procurement Specialist for review, registration and safekeeping.

to complete the evaluation, obtain the necessary approvals, and award the contract is estimated by the Procurement Specialist and a new bid validity date is determined accordingly. Bidders who refuse this request may withdraw from the bid without incurring any penalty. However, bidders who agree are required to extend their bid securities to the new validity date. The quoted price and other conditions of their bids must remain unchanged.

305. Evaluation of bids. Bidders' offers, and proposals are evaluated based on the criteria and procedures specified in the bidding documents and in conformity with national procurement rules and IFAD guidelines. The first step in the evaluation process consists of ensuring that (i) the bids received meet the eligibility requirements of the national procurement laws and IFAD requirements, (ii) the bids do not contain any material computation error, are properly signed and are in conformity with the bidding documents, and (iii) the required bid securities are attached. Material deviations from, or reservations to the terms, conditions, and specifications in the bidding documents, are causes for rejecting a bid or proposal.

306. Evaluation of offers. Offers from responsive bids are evaluated exclusively based on the criteria spelled out in the ITB. Under the single envelope bidding system, the evaluation committee conducts the technical evaluation followed immediately by the financial evaluation, in one stage. The evaluation criteria are assigned weights in order obtain an adequate score. Besides the quoted price (for which the preference margin must be taken into account, if specified in the ITB), the following criteria may be considered in the evaluation:

- a. Conformity of goods/works to specifications and/or drawings
- b. Product quality, i.e., conformity to national/international standards
- c. Manufacturers or distributor's authorization where applicable
- d. Delivery or completion time
- e. Compliance with KP-RETP General Terms and Conditions
- f. Local after-sales service
- g. Spare parts availability
- h. Technical and financial capacity of the supplier.

307. The evaluation committee tabulates all bids on a summary sheet. Only bids meeting or exceeding the specifications of the ITB shall be considered as acceptable. The lowest evaluated responsive bid is normally recommended for contract award.

308. Evaluation of Proposals. The RFP method normally calls for using the two envelopes bidding system, i.e. seeking both a technical and financial proposals in two separate envelopes. The evaluation process is therefore, split into two separates stages. The weighting to be given to each proposal must first be determined. Usually, the technical proposal is given 70%-80% of the overall score, and the financial proposal 30%-20%. The more complex the assignment and the more significant the end product, the less comparable the proposals and the less influence price should have on the selection; thus, the points allotted to the financial proposal would be lower. On the contrary, for tasks of a more straightforward nature, price can play a significant part in the selection process, provided that the other criteria are also met.

309. To achieve best value for money and to avoid any bias, it is preferable to develop a detailed list of pre-defined evaluation criteria. Points are assigned to each selection criterion, including the price. The evaluation committee must follow the process and criteria indicated in the RFP. Proposals are to be opened accordingly (first technical, then financial proposals). The bidders should be considered qualified and responsive if they score at least 70-80% marks (or as stated in the RFP) on the technical component. The bidders who do not meet this minimum score must be rejected as being non-responsive and their financial proposals are not to be opened. Approval on the technical evaluation is sought from the PD prior to proceeding with the financial evaluation. The financial proposal of only those bidders who meet the qualifying threshold during technical evaluation should be opened and examined. The proposal should provide the detailed cost estimate such as daily fee rate, number of workdays and travel cost estimates. The evaluation committee prepares a sheet summarizing the results of the evaluation for both the technical and the financial proposals.

310. In the case of procurement using the QCBS method, recommendation for award of contract is normally made to the bidder whose technical proposal and financial proposal, when taken together, achieve the highest overall score. In the case of the fixed budget selection method, the consulting firm that scored the highest

technical points within the limits of the budget is selected. In the case of the least cost selection method, the firm with the lowest financial proposal is selected, provided that it has attained the minimum technical score.

311. Post-qualification of Bids. Prior to finalizing the evaluation report, the evaluation committee should conduct a post-qualification¹⁶ of the lowest evaluated responsive bidder to determine whether it has the resources, experience and qualifications to perform the contract in a satisfactory manner. Using the criteria specified in the bidding documents, this review should include an assessment of the bidder's financial and physical resources available to undertake the contract (including his current workload), based on the evidence requested in the bidding documents and submitted by the bidders. If the lowest evaluated responsive bidder fails post-qualification, his bid should be rejected¹⁷, and the next ranked bidder should then be subject to post-qualification examination. If successful, this bidder should receive the award based on the PD's approval and IFAD's No Objection (if required). If not, the process continues with the other bidders. The results of the post-qualification exercise must be included in the evaluation report, as well as the reasons for disqualifying any bidder.

312. Evaluation Report. The summary evaluation sheets are used as the basis for the PS to prepare a bid or proposal evaluation report describing the evaluation process and justifying the recommendation for award of contract. All members of the evaluation committee must sign the evaluation summary sheet and the recommendation of award. They are attached to the bid evaluation report and, together with the minutes of the bid opening, are forwarded to the PD for approval. They are then transmitted to IFAD for No Objection.

313. Evaluation of Quotations. In the case of quotations received through an RFQ, the evaluation is based on the following factors:

- a. Conformity to specifications/TOR
- b. Product quality, i.e. conformity to national/international product standards
- c. Promised delivery time
- d. Compliance with KP-RETP General Terms and Conditions
- e. In-country after-sales maintenance facilities
- f. Landed price.

314. A three-member evaluation committee as described above carries out the evaluation. The Procurement Specialist prepares a sheet summarizing all examined quotations. The quotation that is compliant with the requirements of the RFQ and offers the lowest price is recommended for award of contract or purchase order. No post-qualification is conducted due to the low value and lack of complexity of the contract. The recommendation for award is indicated at the bottom of the summary sheet, which is signed by all members of the evaluation committee. The award decision is made by the Project Director (who may delegate his authority to the DPDs at PMU).

315. Award and Signature of Contracts. The approval authority for contract awards is the PD. When reviewing the evaluation report submitted by the evaluation committee, the PD ensures that (i) there are no inaccuracies in the report, (ii) the evaluation was conducted in accordance with applicable rules, procedures, and provisions of the bid documents, and (iii) the award recommendation is consistent with the evaluation. Before giving approval, the PD also ensures that any written complaints made by bidders concerning the procurement process have been reviewed and responded to¹⁸. The PD may issue a full or a qualified approval to the award of contract or the action recommended by the evaluation committee. In case of a qualified approval, the evaluation committee has 3 working days to make corrections to the report or provide clear explanations before final issue. Once approved, the PD addresses a request for No Objection to IFAD, attaching the bid opening minutes, the evaluation report and summary sheet of bids/proposals, and the award recommendation. Only once IFAD's unconditional No Objection is received should the contract award procedure be commenced.

¹⁶ If pre-qualification was conducted, the lowest evaluated responsive bid should be recommended for the award of contract, unless the bidder's qualifications have since materially deteriorated, or if the bidder has since received additional work that reduces the available capacity.

¹⁷ The rejection of a bid for reasons of qualification requires substantial justification, which should be clearly documented in the evaluation report.

¹⁸ If the complaint reveals a serious breach of procedures or ethics, or if directed by the independent Procurement Review Panel, the Committee shall reject the evaluation report and call for re-bidding.

The Procurement Specialist can then enter the evaluation date, name of selected supplier and date of IFAD's No Objection in the PTS, and update the procurement plan accordingly.

316. Once IFAD's No Objection is obtained, the Procurement Specialist informs the unsuccessful bidders in writing and sends a notice of award to the winning bidder who is invited to come to the PMU to confirm the terms and conditions of the contract prior to the document being drafted. Award notices are published on the KP-PPRA websites or bulletin boards as soon as the evaluation process has been completed and the contract has been awarded.

317. Complaints from Bidders. Aggrieved bidders are allowed a maximum of 15 days after announcement of the bid evaluation report to file a complaint. In order to investigate the complaint(s), the KP-RETP constitutes a special committee (different from the evaluation committee and comprising an odd number of persons) that has 15 days to make a decision. Any unsatisfied bidder may then lodge an appeal in the relevant court of jurisdiction. There are three distinct types of complaints that are typically found in a Project; i.e., (a) complaints concerning bid protest from aggrieved contractors, suppliers, service providers and consultants, which are addressed during or immediately after the bid process, (b) performance disputes, which are governed by the General Conditions of Contract (GCC) and Special Conditions of Contract (SCC), and, (c) non procurement related complaints from any parties, which are addressed in the PIM. A complaint is any notification regarding an alleged illegal or improper procurement action and/or conduct of procurement officials, consultants, and/or sub-contractors directly or indirectly supporting a project or associated with its implementation, which the complainant believes is wrong, either under the law or on the grounds of unacceptable behavior.

318. The PMU shall ensure the confidentiality of any complainant and shall hold harmless any person reporting a complaint, oftentimes referred to as a "whistle blower", with provisions to shield complainant(s) or public official(s) from retaliation when they provide information that they reasonably believe to be a violation of the provisions of the agreed procedures. All procurement related complaints shall be addressed to the PMU/Project Director, to which the PMU shall respond within 15 days. If PMU needs more time due to complex investigation related to the complaints, then it shall state so in writing to the complainants, but in any case, a complaint shall be put into closure within 25 business days. The complainant need not be personally aggrieved or impacted, and may be acting merely in accordance with a sense of civic duty, such as an NGO or private citizen, in bringing an occurrence to the attention of project authorities. All complaints, whether notified by persons who feel personally aggrieved or acting out of a sense of civic duty, will be acknowledged and acted upon by responsible authorities in accordance with the procedures specified in this section. Concerning bid protests, from time to time, with and without justification bidders, suppliers, contractors, service providers and consultants may choose to lodge a complaint concerning some aspect of the contract award process. In the event the contract has been awarded and a contractual relationship exists between the parties, there are established dispute mechanisms in the GCC that shall be followed, up to and including judicial review. A formal mechanism to satisfactorily respond to bid protest complaints must be followed, consistent with this Manual and the steps to be followed by aggrieved bidders, suppliers, contractors and consultants in the complaint's procedure will be specified in the Bid/Request for Proposal documents

319. Complaints may also be addressed directly to IFAD, to which IFAD will resolve the complaints within its service standard.

320. Preparation of Contract or Purchase Order: The Procurement Specialist drafts the contracts based on the standard model and the conditions and modalities contained in the bidding documents and the offers/proposals. The contracts are numbered using the unique procurement case identification number preceded by the prefix GC (goods contract), WC (works contract), SC (services contract), or PO (purchase order). The drafted contract is submitted to the DPD, MFA/M&E Specialist or technical sector specialists for review and validation. It is then reviewed with the supplier/contractor and the performance security, if any, is collected by the MFA before the contract is submitted to the PD for review. Once his/her remarks are taken into account, the final version is printed in two originals, which are signed by the PD and by the supplier/contractor.

321. As soon as the contract is effective, bid securities are returned to all bidders. Singed copy of the contract must be sent to IFAD before the first withdrawal application relating to the contract. A copy of the contract is also sent to the P&DD GoKP. The Contract Management Officer updates the contract details online in ICP-CM. The procurement plan is also updated with actual dates accordingly.

N. Types of Contracts

322. Goods. For goods valued at more than US\$1,000 (procured through an ITB), IFAD standard contract for the supply of goods shall be issued. The contract must indicate:

- a. The nature, quantity and unit cost of the goods
- b. The technical specifications and required norms or standards
- c. The general conditions of the contract
- d. The special conditions of the contract (e.g. Guarantee and coverage period, insurance, etc.)
- e. Special instructions relating to packing and freight
- f. Special instructions relating to delivery and invoicing
- g. Advance payments, if any
- h. Payment terms.

323. Works. For works valued at more than USD 20,000 (procured through an ITB), IFAD standard template for works contract shall be issued. The contract must include:

- a. A detailed description of the works, the cost of the works (the drawings, norms, technical specifications and supplier's detailed estimate must be included as annexes)
- b. The valuation of beneficiaries' contributions in the cost of the works, and in each statement of acceptance of work to be invoiced
- c. The general conditions for the execution of the contract
- d. The special conditions of the contract (e.g. guarantee and coverage period, surety deduction, insurance, etc.)
- e. Schedule of works and corresponding delivery dates
- f. Advance payments, if any
- g. Payment terms (completion certificate from independent firm, signature of statements of acceptance of work, etc.)
- h. Payment schedule.

324. Services. For services provided by consulting firms (procured through an RFP), IFAD standard templates for services contract (for lump sum services or time-based payments) shall be issued (see IFAD website for sample of framework contracts). The contract must include:

- a. A description of the nature and scope of the services (the TOR must be annexed to the contract)
- b. A reference to the technical proposal of the supplier
- c. A description of resources to be made available by the supplier (human, material, etc.)
- d. The general conditions of execution of the contract
- e. The list of expected outputs (e.g. intermediary and final report) and delivery dates
- f. The cost of services and reimbursable expenses (with a reference to the proposal submitted by the supplier)
- g. The procurement modalities for any assets and equipment needed in the performance of the contract
- h. A clause on the ownership of data produced, copyrights and assets acquired during the execution of the contract
- i. Payment terms (expense claims, supporting documents, financial reports, etc.)
- j. Payment schedule (deliverables, amounts and dates of invoicing).

1. Framework Contracts

325. Framework (or “call-off”) contracts can provide an efficient, cost effective and flexible means to procure goods, works or services that are required continuously or repeatedly over a set period of time (see KP-PPRA/PPRA website for sample of framework contracts).

326. Framework contracts are particularly useful for small scale works that are readily available from the local supply market. Although there are no set rules for the use of framework Contracts, it is generally considered that if there is a high level of cumulative annual expenditure, or if there are more than 10-15 separate procurement processes initiated in a year, for a grouping of similar activities then a framework contract should be considered.

327. The objective of framework contracts is to minimize the cost and effort wasted in preparation of multiple similar small procurement processes by agreeing fixed prices with a supplier for a set period of time. The aggregation of requirements will result in greater price competition among providers to win the right to supply all requirements for the subject of the framework contract.

328. Routine refurbishment, repair and/or maintenance of offices and grounds are examples of the types of works that may be efficiently purchased under a framework contract.

329. Advances. Except where normal commercial practice or the interests of the Project so requires, no contract or purchase order shall be signed which requires an advance payment or payments on account of goods or performance of works and contracted services. Wherever an advance payment is agreed to, the Procurement Specialist records the reasons thereto in a note to the procurement file and enters the amount of the advance in the PTS. The Finance Unit also records the advance in the contract monitoring form. Where the Project Director may approve the payment of advances up to 20% of total contract amount, suppliers are required to provide a bank guarantee¹⁹ in a form acceptable to the KP-RETP and IFAD. The bank guarantee shall be valid for the duration of the contract or until the advance has been fully recovered. Any waiver to this rule requires prior authorization from IFAD. To recover the advance payment, the progress payments and the final payment shall be subject to a percentage deduction equal to the percentage that advance represents over the total price of the contract.

330. Contract amendments. Contract amendments are usually required in two situations:

- a. Certain aspects of the contract need to be changed at the request of the consultant/or a contractor (for example, a no-cost extension of the length of the contract) or
- b. The original contract is executed as planned and it is decided that further related works or services should be rendered by the same entity.
- c. When the amendment results in (i) a material modification of the initial contract, (ii) a relinquishment of the terms and conditions of the initial contract, (iii) an extension of the contract duration or (iv) any other modification resulting in a 10% (or more) increase in the initial contract amount, then the PD must inform the P&DD GoKP. S/He must subsequently prepare a letter to be addressed by the P&DD GoKP and IFAD for No Objection. This letter must detail all the modifications to the contract, and provide full justification for the amendment(s).

331. IFAD’s decision is communicated to the P&DD GoKP in writing. In case of rejection, IFAD must explain the reasons why the amendment is considered contrary to the provisions of the financing agreement. In case of acceptance, the Procurement Specialist prepares the contract amendment, including all the clauses modifying or replacing the initial contract, and the new or amended ToR. The MFA/M&E and technical experts reviews/validates the contract amendment, which is then signed by the PD and the supplier/contractor. Copies are sent to IFAD and P&DD GoKP. Contract amendments are recorded in the online ICP-CM and the individual contract monitoring form.

332. Small Value Contracts. Small value contracts are defined as contracts for goods and works and non-consulting services under USD 1,000 that are procured through RFQ. After signature by the evaluation committee, the quotation summary sheet containing the recommendation for award is transmitted to the Project Director along with the quotations received, for review and award of the contract. In these cases, the

¹⁹ The bank guarantee requirement does not apply to government institutions contracted by the KP-RETP through MOUs as suppliers or implementing partners.

contract award is approved by the Project Director. The related files are kept at the disposal of IFAD and P&DD GoKP for post review purposes.

333. Purchase orders are used for the acquisition of small value goods and for non-consulting services (e.g. maintenance and repairs, publications, advertisements, etc.). The Procurement Specialist prepares the purchase orders from the information contained in the supplier's quotation or estimate. The POs are signed by the PD and the MFA, as well as the supplier. At Regional level (for the procurement of goods, works and non-consulting services valued at less than USD 1,000), the purchase orders are signed by the RC (who receives a delegation of authority from the PD). Similarly, IFAD's²⁰ simplified version of the services contract shall be used for small value consulting services by a firm. In the case of individual consultants, a specific contract. These contracts are also signed by the Project Director. The PO or contract amount, date and number are entered into the ICP-CM, and the procurement plan is also updated accordingly.

O. Contract Administration

334. At each stage of the procurement process (purchase requisition, prequalification, preparation of bidding documents, advertisement, bid opening, bid evaluation, post- qualification, contract signature and final delivery), the Procurement Specialist updates the procurement plan, indicating the date of the event immediately after the step is completed. All relevant information pertaining to procurement cases is also entered into the PTS database during the process. The requesting staff must remain informed of ongoing activities relating to the contract, as s/he is responsible for the monitoring of the contract implementation and for the evaluation of the supplier's performance. In collaboration with the Procurement Specialist, s/he must ensure that:

- a. Deliverables or milestones are completed by the supplier in a satisfactory manner, and as scheduled in the contract, and
- b. RETP-KP complies with its obligations as specified in the contract in a timely manner (e.g. assistance with import licenses, approval of drawings and reports, provision of storage/working facilities, letters of invitation for visas, etc.).
- c. S/he must inform the Procurement Specialist and the MFA of any modifications in the execution of the contract, or any issues relating to the supplier's performance, so as to allow for timely action, such as the preparation of contract amendments or prevention/handling of claims or disputes in a timely manner.

335. This information is also used by the Procurement Specialist to provide the MFA with an update on the execution of major contracts in the quarterly progress reports. In the case of claims or disputes, the PD must immediately refer to the P&DD GoKP who will in turn inform IFAD so that necessary actions may be taken. The Procurement Specialist enters information relating to contract amendments, claims or disputes into the PTS as well. As soon as a contract is signed by RETP-KP, the MFA enters the relevant data into the accounting software, and the system automatically creates an individual contract monitoring form based on the IFAD 'C11' model. The contract monitoring form (CMF) contains the basic information on the contract (name/address of supplier, procurement file number, contract date/number/amount, AWPB activity code, brief description, bank guarantees) and details the payment schedule, including the milestones for each payment. Every time an invoice is received and a payment is made, the Accounts Officer enters the related information into accounting software, which automatically updates the CMF. The CMF is also updated whenever there is an amendment to the contract. At the end of each month, the Procurement Specialist checks the contract register against the CMF to ensure that all contracts are registered, and a CMF exists for each contract.

P. Contract Register (CR)/Contract Monitoring Tool (CMT)

336. The CMT is a mandatory platform for the recording and monitoring of all contracts. It includes:

- a. procurement contracts (goods, works, services, and non-consulting services): all contracts and purchase orders signed based on the PP covering all procurement methods and contract types;

²⁰ <https://www.ifad.org/en/project-procurement>

- b. Grants (all first-level in kind and monetary grants): The procurement method for Grants will include competitive methods such as QCBS, QBS, FBS, CQS, ICS or non-competitive methods such as SSS or Selection based on project design/PIM; competitive methods are always recommended unless duly justified and exceptional; FBS is the closest method to grants where the ceiling is fixed;
- c. Implementing Partner contracts (MoU, MoA): including all agreements with all types of third parties who will be delegated procurement authority such as UN agencies and community participation contracts whether contracted competitively or not; procurement methods for these implementing partners are the following:
 - o Community contract (single source selection)
 - o Community contract (recipient or selection process defined at design/PIM)
 - o Community contract (competitive selection)
 - o Governmental body / State owned enterprises
 - o UN agency (competitive selection)
 - o UN agency (single source selection)
 - o NGO / International Organization (competitive selection)
 - o NGO / International Organization (single source selection)
- d. Subsidiary financing agreements and investment agreements: typically include financing contracts for micro-credit loans and other types of loans. In this case, only the first-level financing or refinancing contract selected using one of two methods shall be entered in the CMT:
 - o Selection as defined in Design/PIM; or
 - o Single Source Selection.

337. The Contract Register will be extracted as a Report directly from the CMT. It will be a cumulative document that is augmented progressively and automatically with the new contracts signed and inserted in the system.

338. The Project Management Unit will adopt the Contract Monitoring Tool deployed by IFAD and will dedicate sufficient resources to use and operate and generate reports from this system as instructed by IFAD. CMT Help section offers guidance and support on how to use this tool. The recording of contracts signed by Implementing Partners with third parties (goods, works, consulting services, non-consulting services, grants or loans).

339. Delivery of Goods. works and services: Delivery of goods: Goods are normally delivered to the PMU office in Peshawar, or the RMUs in the concerned divisions. The PS and the CMO are responsible for receiving the goods; the presence of the requesting staff may be required for large value contracts. In the case of imported goods, the contract may specify that a pre-shipment inspection of the goods must be conducted by an international third-party agent. All shipping documents are sent by the supplier to the PMU and forwarded to the Procurement Specialist for tax and duty exemption formalities. Once obtained from the Ministry of Finance, the duty-free concession is forwarded to the supplier who is responsible for clearing shipments through customs upon arrival at the port/airport. The PS or CMO must be present when goods are released from customs. All external abnormalities to the shipment (e.g. dents, holes, cracks) or missing boxes/crates must be noted by the PS or CMO in the clearance receipt or bill of lading/airway bill, for reporting to the supplier and to the insurance company.

340. Upon receipt of goods procured by way of a goods contract, the Procurement Specialist, CMO and requesting staff conduct a detailed inspection of the goods before acceptance. They immediately fill out a receiving & inspection report, indicating the contract number and whether all goods ordered were received and in what condition. In case of a problem (damaged or missing goods), the PS or CMO notes the details on the RIR. S/he gives a copy of the RIR to the MFA for the accounting files, and uses the original to file the claim against the freight carrier, the insurance company and/or the supplier under the supervision of the MFA. The Procurement Specialist files the original RIR in the procurement file and inputs the date and number of the RIR in the PTS.

341. For small value goods procured by way of a purchase order, the Procurement Specialist or CMO checks the goods received against the PO directly on the delivery slip, which serves as the RIR. Depending on the remarks or reservations noted on the delivery slip, the supplier's invoice is either partially paid or not paid at all until the object of contention is resolved.

342. Delivery of Works. The delivery of works is usually completed in several tranches. The technical officer (requesting staff) of the PMU or RMUs, the Procurement Specialist and the representative of the end-user/beneficiaries all verify the work and sign the statements of work issued by the contractor. For large contracts, the supervising engineer (normally from a contracted engineering bureau) in charge of the monitoring and supervision of the works also issues certificates of completion to certify the amount of works completed.

343. The provisional and final takeover (i.e. receipt) of works is carried out by an ad hoc Inspection and acceptance committee. In the case of small value works (less than US\$ 20,000), the committee is made up of the Procurement Specialist, the requesting staff, a representative from the PMU (if applicable) and a representative of the beneficiaries. For large value works (US\$ 20,000 or more), the committee includes, in addition to the above-cited members, a representative of the relevant line agency and the supervising engineer. In both cases, a takeover report detailing any delay or fault in the execution of the works is signed by all members of the Inspection and acceptance committee. A copy of the report is given to the Procurement Specialist for updating of the PTS and for the procurement files. As the works progress and partial payments are issued, the MFA enters the data into the FM accounting software, which automatically updates the CMF. Upon completion of the works contract, a copy of the final acceptance certificate is given to the Procurement Specialist for updating of the ICP-CM and PTS.

344. Delivery of Services. The delivery of consulting services is materialized by the production of reports, studies or surveys, as indicated in the contract. The report is addressed at first to the requesting staff/component head who after review may send comments or request additional information from the consultant. After validation by the component head, the final report is sent to the Project Director for final review and approval. The acceptance of the report is materialized by the signature of the Project Director on the final version of the report. A copy of the final report is given to (i) the Procurement Specialist for updating of the PTS and (ii) to the Finance Manager to update the CMF.

345. Payment and Reporting. The procedures for verification and certification of invoices as well as payment by the Finance Unit are detailed in FM sections. The Manager Finance and Administration gives a copy of the invoices to the Procurement Specialist who enters the invoice date, number and amount into the PTS. Once the payment is made, the contract monitoring form is automatically updated in the accounting software. Reporting on procurement actions is achieved through the following documents:

- a. The procurement plan;
- b. The PTS reports;
- c. The contract register on ICP-CM

346. Once it is approved, the procurement plan is updated on a 'real-time' basis: The Procurement Specialist enters the actual date every time one of the actions in the procurement steps detailed in the PP is completed. At the end of the process, when the contract is signed, the Procurement Specialist enters in the PP the date and amount of the contract, as well as the name of the contractor. S/he also enters the details of the contract in the contract register, which is sent to IFAD at the end of each month. The PP also contains a separate sheet (linked to the detailed procurement plan sheets) that shows PP execution, i.e., actual vs. plan by component and by type of procurement (goods, works and services). Throughout the procurement process, the Procurement Specialist updates the Procurement Tracking System. The information entered in this database allows the Project to obtain detailed statistics and reports on the various stages of procurement activities, including processing delays, execution by component, sub-component or expense category, suppliers by country of origin, comparisons by month/quarter/year, trends, etc. Promptly after the end of each month, the Procurement Specialist prepares a short section on the status of execution of the procurement plan. The section contains the summary of PP execution by component and by type of procurement, as well as an analysis of significant variances between actual and planned amounts, and explanations of delays in procurement execution.

347. File System/Record Management: an integral part of procurement processes. To ensure that the purpose and objectives of the procurement records can be best realized, all communications, decisions and instructions between IFAD and GoKP RETP-KP and bidders, suppliers, contractors or consultants will be

exchanged or recorded in writing. Best practice determines that each procurement activity will have its own separate file or folder or dossier where records are kept properly coded in chronological order, relating only to the matter of the procurement in question. The purpose of good record keeping is to be able to review at any one moment the entire historical record of the procurement of one requirement in a logical and sequential manner. Records relating to any procurement proceeding documents shall be maintained for a period of 10 years from the completion date. Each procurement dossier must contain the following elements;

- a. External label identifying the component and the tender (Works, Goods, Services).
- b. Separators indicating:
- c. ToR or Specifications or Quantities Maps (commonly referred to as BOQ). In this section are ToR or Quantities Specifications or Maps (commonly referred to as BOQ) sent to IFAD for NO. IFAD comments and corrections incorporated in the TOR or in the Specifications, the IFAD letter of referral (if so requested) and the final NO should also be archived;
- d. Announcement. Announcement of Request for Expression of Interest (REOI) or General Procurement Notices (GPN), Specific Procurement Notice (SPN) and letter requesting NO, incorporation of comments (if any), final announcement and copy of your publication in the newspapers with the largest circulation in the country with the respective date;
- e. Manifestation of Interest (EOI). Protocol of reception of Manifestations of Interest with a list of the companies that responded, the dates of the answer, the number of the documents in the PMU, the type and number of documents that arrived per company Mail and E-mail box of the PMU). For the Consulting processes, the Evaluation Report of the Manifestations of interest, the letter of transmission to the IFAD with Evaluation Report and short list proposed for submission of the RFP, the IFAD NO response on the short list;
- f. Request for Proposals (RFP) and Bidding Documents (BD). For the Consulting processes, RFQ's NO letter to IFAD, IFAD's response to comments and changes to be made, incorporation of these corrections in the final RFP, sending it to the IFAD for verification, receiving the final NO, sending the RFPs to the shortlisted companies (if any). For the Goods and Works processes, the letter of NO to the Bidding Documents (BD), the incorporation of the IFAD comments (if any), the submission of the corrected BDs for IFAD approval and the final NO of the IFAD.
- g. Correspondence exchanged on the RFP and BD. For the Consulting processes, receipts of reception of the RFP by the companies, letters to confirm the participation in the contest by these companies, clarifications requested in writing, sending the written explanations in the PMU to all shortlisted companies, requests for a written extension and granting such extension in writing to all shortlisting companies, where appropriate.
- h. For the processes of acquisition of Goods and Works, sales receipts of the specifications (BD), requests and clarification made by the companies, clarifications provided to all companies, requests for written extension and grant of such extension in writing to all companies that have purchased the specifications (BD), if any.
- i. Notification of the Evaluation Committee. The Evaluation Committee proposed by the PD and respective approval (Dispatch).
- j. Evaluation of Proposals. For the Consulting processes, Evaluation Report Submission Letter
- k. Signed minutes of all meetings relating to the procurement, including pre-bid and negotiation meetings where these were held
- l. A contract award notice
- m. Any letter of tender acceptance to the supplier, contractor, or consultant
- n. The signed contract document and contract acceptance
- o. Any contract amendments
- p. All contractual correspondence between the procuring entity and a supplier, contractor, or consultant

- q. Post-contract documents relating to the fulfilment of contract obligations, in particular photocopies of bank guarantees, or payment guarantees
- r. Signed minutes of any meetings related to contract management, including contract progress or review meetings
- s. Signed delivery documents evidencing delivery of supplies or signed completion certificates in relation to a contract for services or works under the contract including any contract delivery records
- t. A copy of all invoices for works, services or supplies including work-papers verifying the accuracy of payments claimed and details of the actual payment authorized
- u. A copy of cumulative payment worksheets/records evidencing management of all payments made
- v. A copy of all submissions to and all decisions of the appropriate approval authority related to the procurement including the approval of the invitation documents, approval of the evaluation report(s), contract award, approval of contract documents and contract amendments and any decision to suspend or cancel procurement proceedings
- w. A copy of any claims made by the procuring entity in respect of any warranty, non-warranty, short supply, damage, and other claims upon the provider or upon the procuring entity
- x. In the case of IFAD prior review, all submissions and correspondence in relation to the seeking of IFAD's NOs
- y. A copy of any complain or action taken documentations; and
- z. Any other communications relating to the procurement in questions including internal entity correspondence.

348. Other procurement-related coordination with IFAD: The PMU shall coordinate in advance with IFAD on the following matters and issues:

- a. Any changes to the PIM;
- b. Any changes to the staffing of the Project Management Unit;
- c. Composition of Evaluation committees;
- d. Summaries of Debriefing requests and copies of Protests for all prior review procurement activities before a decision is issued (optional for post review procurement activities);
- e. The PMU shall inform IFAD of any related Appeal filed to competent National Authorities (if applicable) immediately upon becoming aware of such an appeal;
- f. Procurement progress reports as well as special reports on critical issues;
- g. Details of defaulting or corrupt vendors;
- h. Debarment of a vendor who appears to be debarred by another MDB for validation by IFAD if cross-debarment should apply (for prior and post review); and
- i. Any other matter specifically requested by IFAD.

349. In addition to the above, the project will provide full assistance to IFAD implementation support, supervision, MTR, and project closing missions. The Project will avail all necessary staff and provide all required documents, records and files. The same applies for any IFAD audit or investigation.

350. Procurement Principles and Ethics. The PMU will strictly adhere to the IFAD Project Procurement Guidelines (2019) covering the key Procurement Principles:

- Ethics; Accountability; Competition;
- Fairness; Transparency;
- Efficiency, Effectiveness and Economy; and
- Best Value for Money.

351. Furthermore, the PMU/RCUs/Service Providers/Implementing Partners/Individual Consultants will strictly adhere to the provisions of IFAD's Policy on Preventing Fraud and Corruption in its Activities and Operations available at www.ifad.org/en/document-detail/asset/40738506. The Project shall ensure that this policy is clearly stated in all procurement documents (solicitation documents and contracts) and that all vendors comply with this policy. All such documents shall clearly include also IFAD's Anti-corruption Hotline:

Office of Audit and Oversight (AUO)

Investigation Section (IS)

Via Paolo di Dono 44
00142 Rome, Italy

Email : anticorruption@ifad.org

Phone : +39 0654592888

Fax : +39 0654597888

352. Combatting Corruption and Sexual Harassment: The PMU/RCUs/Service Providers/Implementing Partners/Individual Consultants will strictly adhere to the provisions of IFAD's *Policy to Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse* available at www.ifad.org/anticorruption_policy. The Project shall ensure that this policy is clearly stated in all procurement documents (solicitation documents and contracts) and that all vendors comply with this policy. All such documents shall clearly include also IFAD's Ethics Hotline:

Ethics Office (ETH)

Via Paolo di Dono 44
00142 Rome, Italy

Email: ethicsoffice@ifad.org

Phone: +39 06 5459 2525

<https://www.ifad.org/en/ethics>

353. Anti-Money Laundering and Countering the Financing of Terrorism. The PMU/RCUs/Service Providers/Implementing Partners/Individual Consultants shall ensure commitment to combating money laundering and terrorism financing consistent with IFAD's Anti-Money Laundering and Countering the Financing of Terrorism Policy available at <https://www.ifad.org/en/document-detail/asset/41942012>.

VI. FINANCIAL MANAGEMENT

354. This chapter of PIM has been developed to assist the project management—especially the project's financial management team in understanding the basic fiduciary requirements while implementing an IFAD-funded project. It draws on IFAD's guidelines and references have been made where appropriate so the users can expand on their knowledge by consulting primary sources of information. A sound understanding of such requirements is critical to ensuring (a) proper control, accountability and reliability over funds and financial information; and (b) compatibility of PMU's processes with IFAD and GoKP policies and requirements.

Information on Reference material:

This document should be read together with the:

- ✓ Project financing agreement entered into between the Borrower and IFAD;
- ✓ Letter to the Borrower;
- ✓ IFAD General Conditions for Agricultural Development Financing;
- ✓ IFAD Loan Disbursement Handbook; (links given in this manual)
- ✓ IFAD Handbook on Financial Reporting and Auditing of IFAD-funded projects (links given in this manual)

355. Updates and changes to financial management arrangements. KP-RETP Project is an IFAD-funded Project, therefore, in line with IFAD's efforts to capacitate and support projects, this section was developed during the project design process. It is envisaged that ongoing improvements and updates to financial management arrangements be updated in this section of the PIM under supervision of the Financial Manager and subject to IFAD no objection.

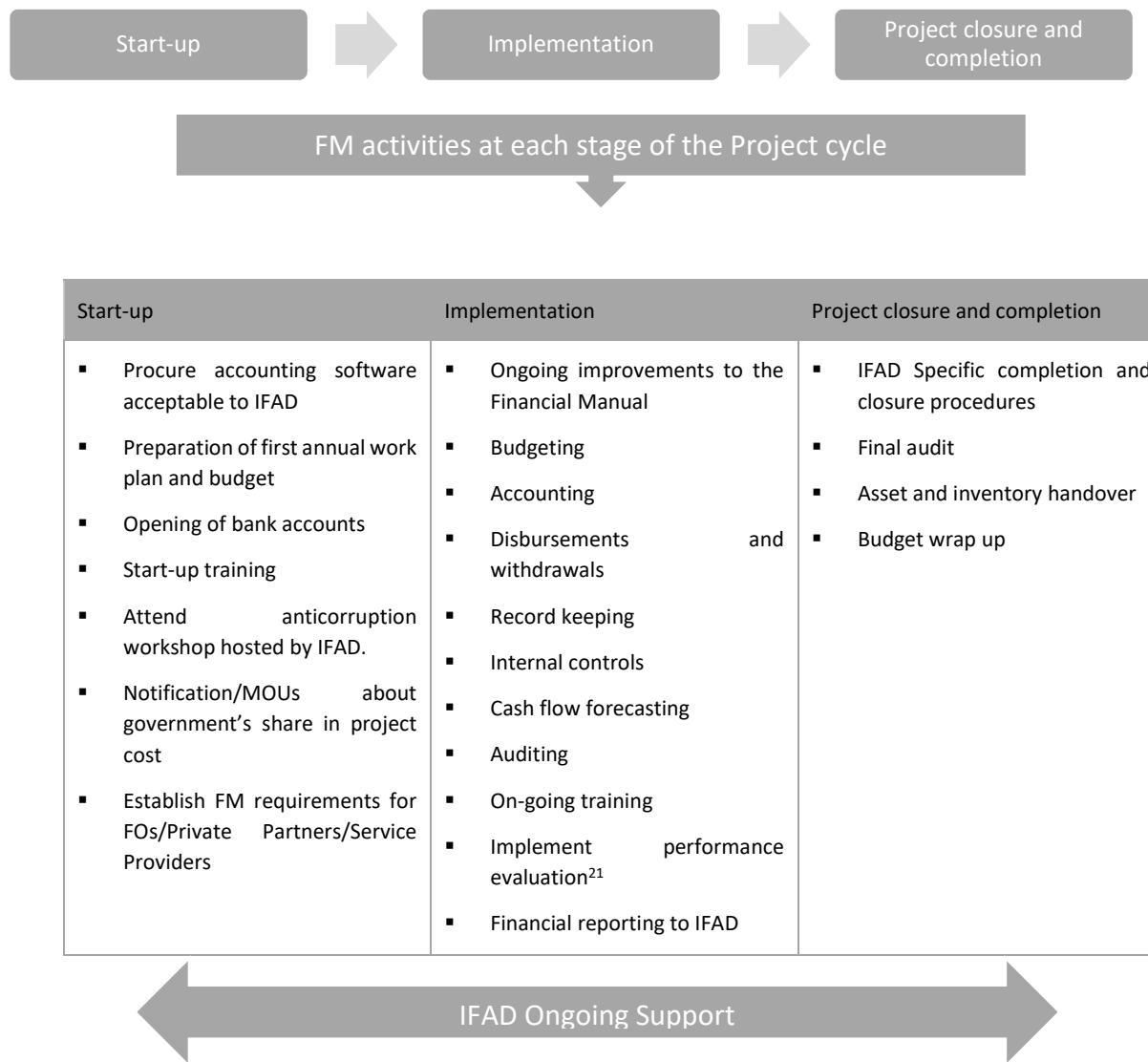
356. Updates and changes to financial management arrangements. KP-RETP Project is an IFAD-funded Project, therefore, in line with IFAD's efforts to capacitate and support projects, this section was developed during the project design process. It is envisaged that ongoing improvements and updates to financial management arrangements be updated in this section of the PIM under supervision of the Financial Manager and subject to IFAD no objection.

Table 9: Project summary

Project Name	KP-RETP Project
Financiers, Contributors, Facilities	To be inserted later
Project Effective Date	To be inserted later
Implementation Period	To be inserted later
Project Completion Date	To be inserted later
Project Closure Date	To be inserted later
Project Area	To be inserted later

A. Project Cycle and Financial Management Activities

357. The FM Team of KP-RETP will have final responsibility for the execution of the financial management activities at each stage of the Project cycle as outlined below:



NB: KP-RETP Project Financial Manager will have the final responsibility to prepare consolidated financial reports for submission to IFAD. Refer to [Section X \(Financial Reporting\)](#) for more detail.

²¹ Develop (in consultation with the Project Coordinator) a performance evaluation process for FM staff within 1 year of project commencement and document process in the PIM. This process should identify skills gaps and assist with identifying appropriate training interventions.

B. Pre-Implementation Activities

358. During the start-up phase, it is recommended that Project staff to undertake following activities. This will ensure that the relevant staff are well informed and knowledgeable with regards to the core work processes that will—in turn, determine the implementation effectiveness of any project.

Activity	Overview
<i>Financial management staff appointment</i>	<ul style="list-style-type: none"> • Provincial government to fill vacancies within PMU and RMPUs to ensure that the project has required organization and staffing arrangements for project implementation. Refer to (VIII) for the proposed organogram.
<i>Accounting software</i>	<ul style="list-style-type: none"> ▪ PMU/Finance Manager to procure an accounting software and trained relevant staff in its use to ensure that a robust accounting function is in place; ▪ The software to use/incorporate correct chart of accounts (categories and components) in line with the detail in Schedule 2 of the Financing agreement with IFAD. ▪ Upload the Cost Table (Schedule 2 of the Financing Agreement) to the accounting software for the purposes of budgeting / monitoring.
<i>Open bank accounts</i>	<ul style="list-style-type: none"> ▪ Finance Manager to engage with provincial Finance Department and provincial Accountant General to open the Designated Accounts for the project. (Refer to Fund of Flows section – Designated Account for details).
<i>Preparation of first annual work plan and budget</i>	<ul style="list-style-type: none"> ▪ The Financial Manager to finalize the draft Annual Work plan and Budget, as directed by the Project Director, subject to IFAD no-objection. This budget will be a consolidation of the budgets obtained from RCUs (Refer to the process as outlined in Section V Annual Work Plan and Budgeting section).
<i>Staff training and capacity building</i>	<ul style="list-style-type: none"> ▪ Newly appointed financial Management staff will be required to complete the IFAD FM e-learning and submit completion certificates to IFAD within 1 month of date of appointment. Refer to the Useful links below for the training link. ▪ All staff are required to study the project related documents at project start-up. <p><u>**Other training at project start-up:</u></p> <ul style="list-style-type: none"> ○ PMU Financial management training workshop for RCUs. <i>This training will be organized by the PMU Financial Manager and it will focus on PMU requirements (monthly reporting, document retention etc.) and cover practical issues / lessons learnt.</i>

C. Principles of Financial Management

359. IFAD requires the recipient of IFAD's funds to make arrangements to ensure that the proceeds of any financing are used only for the purposes for which the financing was provided, with due attention to considerations of economy, efficiency and social equity. This responsibility is generally described as a "fiduciary obligation" with respect to the investment funds approved for financing provided by IFAD.

360. The primary responsibility for fiduciary obligation rests with the borrower/recipient (B/R) to maintain financial management (FM) arrangements that assist in meeting fiduciary obligations and that provide reasonable assurance to stakeholders that funds have been used as intended. IFAD's role is to support the B/R's capacity to meet this responsibility and to provide general oversight on the design and functioning of FM arrangements during project implementation. Financial management refers to the organization, budgeting, accounting, internal control, funds flow, financial reporting and internal and auditing arrangements by which B/Rs receive funds, spend them and record their use.

361. The country's inherent risk rating has been "Substantial" bordering on being "High". The country risk rating has worsened in recent years²². The project would be using country PFM system for implementation and

²² For details, please see reports at <https://www.transparency.org/en/cpi/2020/index/pak> and at <https://www.internationalbudget.org/open-budget-survey/open-budget-index-rankings>

therefore several actions have been proposed in this part of the manual to keep fiduciary risks to acceptable level in the light of recent years external audit reports and inputs of relevant officials met during the PDR. PMU would be responsible to implement the proposed mitigation actions.

362. IFAD will monitor FM performance of KP-RETP Project at regular intervals and provide implementation support as needed. IFAD has assessed disbursement risk initially based on the country portfolio review and overall fiduciary risk assessment as part of the PDR. This assessment is the basis for proposing disbursement arrangements for the project

363. During project implementation, IFAD Supervision/Implementation Missions would examine the extent to which the project is identifying and managing fiduciary risks. IFAD will process disbursements after considering these FM risks, in addition to the specific characteristics of withdrawal applications (WAs), and will determine the timing, frequency and scope of ex-post checks to be performed on the applications.

364. In the light of disbursement experience, and where appropriate, IFAD also updates FM risk ratings and modifies disbursement arrangements for the remainder of the project period. IFAD will take remedial measures in case it is not satisfied with the way the project funds are being managed.

D. IFAD'S Policy on Preventing Fraud and Corruption

365. IFAD's anticorruption policy establishes zero-tolerance towards prohibited practices, such as fraud and corruption, in IFAD-funded or managed operations and activities. Accordingly, the prevention and mitigation of fraud and corruption in its activities and operations are core components of IFAD's development mandate and fiduciary duties. The anti-corruption policy has defined prohibited practices that are subject to remedial actions²³.

1. Prohibited Practices

366. The following practices are considered to be prohibited practices when engaged in connection with an IFAD-financed and/or IFAD-managed operation or activity:

- (a) A "corrupt practice" is the offering, giving, receiving or soliciting, directly or indirectly, of anything of value in order to improperly influence the actions of another party;
- (b) A "fraudulent practice" is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party in order to obtain a financial or other benefit or to avoid an obligation;
- (c) A "collusive practice" is an arrangement between two or more parties designed to achieve an improper purpose, including improperly influencing the actions of another party;
- (d) A "coercive practice" is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party in order to improperly influence the actions of that or another party;
- (e) An "obstructive practice" is: (i) deliberately destroying, falsifying, altering or concealing evidence that may be material to an investigation by the Fund or making false statements to investigators in order to materially impede an investigation by the Fund; (ii) threatening, harassing or intimidating any party in order to prevent that party from disclosing its knowledge of matters relevant to an investigation by the Fund or from pursuing such an investigation; and/or (iii) the commission of any act intended to materially impede the exercise of the Fund's contractual rights of audit, inspection and access to information.

2. General Principles

367. FAD has zero tolerance towards prohibited practices in its activities and operations. All individuals and entities that will be involved in implementing the KP-RETP Project are required to take appropriate action to prevent, mitigate and combat prohibited practices as stipulated below.

²³ IFAD's Revised IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations is available at https://www.ifad.org/documents/38711624/40189363/fraudpolicy_eb86_e.pdf/e2ae80aa-e423-4d7c-a582-c01c1917b427

368. IFAD protects Individuals and entities that help to prevent or report, in good faith, allegations of prohibited practices are protected against retaliation and to protect individuals and entities that are the subject of unfair or malicious allegations.

3. Responsibilities of the Provincial Government/Project

369. The provincial government/project will take appropriate action to prevent, mitigate and combat prohibited practices. In particular, they will:

- (a) Adopt appropriate fiduciary and administrative practices and institutional arrangements in order to ensure that the proceeds of any IFAD financing or financing managed by the Fund are used only for the purposes for which they were provided;
- (b) When taking action to enter into contractual relationship with a third party, conduct appropriate due diligence to ensure that the selected bidder or potential contractor is not publicly debarred by any of the IFIs and it otherwise is eligible;
- (c) Take appropriate action to inform third parties and beneficiaries of the prohibited practices and how to comply with IFAD's Anti-corruption Policy; and
- (d) Include provisions in procurement documents and contracts with third parties to facilitate the implementation of IFAD's Anti-Corruption Policy.

370. The policy encourages the government to have in place, in accordance with their laws and regulations, effective whistle-blower protection measures and confidential reporting channels in order to appropriately receive and address allegations of fraud and corruption relating to IFAD-financed projects.

4. Reporting

371. KP-RETP Project can contact the IFAD Officer of Audit and Oversight to report any event that falls within the ambit of prohibited practices as outlined above. Relevant information is provided in the box.

How to contact the IFAD Office of Audit and Oversight

All communications are treated with the utmost CONFIDENTIALITY.

By phone: +39 06 54592888

By fax: +39 06 54597888

By e-mail: anticorruption@ifad.org

Through the online complaint form:

www.ifad.org/governance/anticorruption/how.htm

In person or by mail to:

IFAD Office of Audit and Oversight, Investigation Section

Via Paolo di Dono, 44

00142 Rome, Italy

372. A designated confidential and secure e-mail address for the receipt of allegations of prohibited practices is available on the Fund's website. If anyone suspects misconduct or wrongdoing, or have an allegation to report, he or she may contact anticorruption@ifad.org. This is secure and confidential channel managed by the Investigation Section of IFAD.

373. The KP-RETP Project should also have similar reporting mechanism to get information on fraud, waste or abuse of funds from anyone who may have such information. The project should promote awareness that such safeguards have been provided to minimize risk of fraud, waste and abuse in the use of IFAD's funds.

Anti-Corruption Legal Framework in KP and Mitigating risks

At the provincial level, Khyber Pakhtunkhwa (KP) Anti-Corruption Establishment (ACE) Rules of 1999 provide the legal framework for fraud and corruption. Any citizen can complain against any official to the ACE which is investigated subject to Khyber Pakhtunkhwa the Government Servants (Efficiency and Discipline) Rules 2011 by head of the office/department to which the accused belongs. The KP Right to Information Act 2013 provides for citizens' access to information and if a government entity does not comply with this law, the aggrieved can take the matter with the Independent Right to Information Commission for resolution. The KP Prevention of Conflict of Interest Act 2016 establishes clear conflict of interest and related post-employment principles for public office holders. The KP also enacted Whistleblower Protection and Vigilance Commission Act 2016 which enables the citizens to make public interest disclosure that relates to the irregular, illegal or corrupt practices and to protect them from disadvantageous measures, and reward them for such actions. However, these laws work when communities are aware of their rights and government invests in promoting a general literacy of means for grievance redress.

The project focuses on the most vulnerable segments of society which are inherently reluctant to demand their rights. In addition to promoting general awareness of IFAD's Anti-Corruption Policy among all parties that are involved in project implementation, PMU shall ensure that all contracts for procurement of goods, works, and services, include a provision requiring suppliers, contractors and consultants to (i) ensure compliance with IFAD's anticorruption policy and (ii) allow IFAD to inspect their accounts, records and other documents relating to the bid submission and contract performance, and to have them audited, if deemed necessary. Lastly, the project will promote good governance through the involvement of communities and beneficiaries in (i) the preparation of the annual work plans and budgets; (ii) the procurement process (at community level); and (iii) the monitoring and evaluation of project activities. PMU may establish a hotline/online interface with the beneficiaries to encourage confidential reporting of improprieties to the PD or senior management in P&DD under the existing provincial laws.

The project's communication policy shall also promote a general mass awareness among citizens about how to report to PMU/P&DD/IFAD when they find any impropriety in the use of official authority or project funds or violation of any of the IFAD's policies applicable to the situation. The project shall provide an interface to the citizens to file their complaints when they find non-compliance with applicable requirements in project implementation. A log of such complaints shall be maintained to check how frequently such complaints are being received and efficiency in the redress of such complaints.

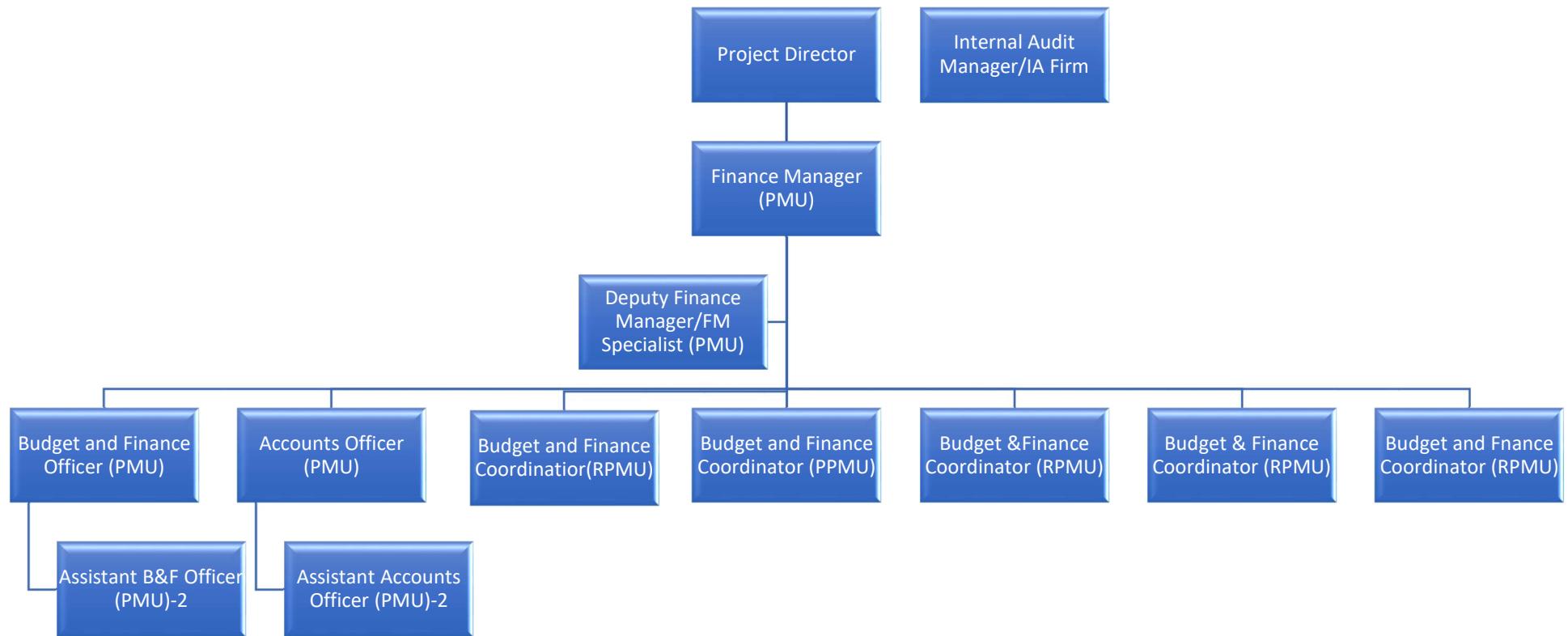
5. Remedies

374. In case it is determined—after due process, that an individual or an entity is involved in any of the prohibited acts stipulated above, the project would take a prompt remedial action. Detailed guidance is available in the IFAD's Policy on Preventing Fraud and Corruption.

E. FM Organizational Structure, Roles and Responsibilities

1. FM Organizational Structure

375. The FM team in PMU is headed by a full time Finance Manager (FM)/Deputy Director Finance who shall report to Project Director directly. The FM is supported by a team of support staff. A Budget and Finance Coordinator is also placed in each of the five (5) RCUs for FM related coordination with PFOs, FSCs, Private Partners under 4Ps arrangements, and Service Providers to enable these Implementing Partners to understand and comply with applicable compliance requirements in the use of project funds. The flowchart exhibits the organizational arrangement for the FM section.



Flow Chart 1: FM organizational arrangement

376. The B&F Coordinators in PPMUs would be functionally reporting to Finance Manager directly though they would be supporting the heads of RCUs in overall coordination and implementation.

377. The payment system shall be centralized at PMU though the F&B officials at regional offices shall facilitate maintenance of proper internal controls, accounting, financial reporting etc. in partner organizations and verify the completeness and authenticity of documents submitted along with invoices to PMU for payments. The FM team would conduct periodic/random checks in fields to ensure that reporting to PMU is credible. Roles and responsibilities of key actors who will be involved in project FM are summarized below.

378. In addition to the permanent FM staff at PMU and RCUs, the project design envisages that partners/service providers—that will be engaged to support implementation shall have a strong FM capacity. This is critical since these partners will use IFAD's funds and therefore they must comply with the applicable fiduciary requirements. PMU and RCUs will ensure effective facilitation, oversight and monitoring of these partner organizations.

2. Role of Finance Manager

379. The FM shall be responsible for establishing and managing the accounting and internal controls systems, reviewing and clearing documents and transactions, controlling the posting of transactions and the accuracy of the books, monitoring the budgets and treasury, Project funds and donor contributions, overseeing the closing of accounts, and preparing financial reports, year-end financial statements and annual audits.

1. General Management and Leadership

- i. Liaise with IFAD on all aspects of project's financial management.
- ii. Lead capacity building activities in the area of financial management under the project to capacitate accounting staff within PMU and other partner organizations to comply with guidelines and policies and procedures.
- iii. Keep PD updated on latest developments and issues in project's financial management and provide suggestion to the best possible option.
- iv. Maintain liaison with IFAD in managing the assignment account.
- v. Participate in Project Steering Committee meetings and activities; assist/advise the PD in all financial matters as and when required.

2. Budgeting and Planning

- i. Assist the PD in preparation of AWPB and facilitate in the approval of AWPB from Project Steering Committee.
- ii. Prepare report on monthly financial progress of the project for the attention of the PD and further discussions.
- iii. Prepare annual, quarterly and semi-annually disbursement forecasts for all components of the project/s in line with project's procurement plan and Work Plan/Cash Plan.

3. Funds Management

- i. Ensure timely releases of counterpart funds from provincial government.
- ii. Liaison with P&D, line departments, Provincial Accountant General (AG) in connection with budget, releases, disbursement and other issues of financial management.
- iii. Prepare realistic cash forecasts on quarterly basis in coordination with the project team/implementing partners.
- iv. Engage with IFAD for release of funds and maintenance of sufficient liquidity for project implementation.
- v. Prepare and process withdrawal application in accordance with IFAD's Disbursement Guidelines for drawing funds from the assignment account(s).

- vi. Track funds and follow up with National Bank of Pakistan and IFAD to ensure timely credit of funds into the project's assignment account(s).

4. Internal Controls

- i. Perform internal control assessment in view of the systemic weaknesses as reported from time to time in the supervision missions/audits/periodic inspections by PMU and take remedial actions
- ii. Take measures to strengthen internal controls system as per IFAD's guidelines stipulated in this document;
- iii. Assess the need of other monitoring controls, such as internal audit and suggest it to the management accordingly.

5. Expenditure/Payment Processing

- i. Ensure compliance with internal control framework—including applicable government rules and procedures while processing payments.
- ii. Analyze, plan, design, implement, and monitor a system to augment internal controls in line with best practices in the process of payment and expenditure management.
- iii. Apply pre-audit checks on all payments before payment from the assignment account(s) including budget availability, sanction of competent authority and compliance with applicable financial rules & regulations.
- iv. Ensure that IFAD's No Objection Letter (NOL) is obtained for every prior review activity before processing any payment.
- v. Prepare request for payment and forward to PD for approval after fulfilling all codal formalities.
- vi. Ensure that only eligible payments are forwarded Coordinator's approval and drawing funds from the assignment account.
- vii. Manage financial aspects of the contracts under implementation, including payment terms, purchase orders and variation orders.

6. Accounting and Record Management

- i. Record all transactions timely and accurately in the books of accounts and ensure that no expenditure remained unaccounted.
- ii. Maintain accounts on cash basis as per government accounting procedure i.e. New Accounting Model.
- iii. Ensure up-to-date maintenance of adequate registers, books of accounts and records in appropriate order and format to meet the government and IFAD's requirements and to facilitate classification and analyzing the financial information for monitoring the project progress.
- iv. Prepare supplementary record, which provides timely and up-to-date financial information of contracts.
- v. Maintain imprest /petty cash account (where applicable) and ensure maintenance of separate petty cash book and petty cash vouchers in compliance with approved procedures.
- vi. Prepare monthly bank reconciliation statements of assignment accounts.
- vii. Reconcile the expenditure on government prescribed format with the office of Accountant General KP on monthly basis.
- viii. Be the payroll manager and process monthly payroll of project employees. Ensure proper payroll controls are applied and the payments are made directly in the Bank accounts.

- ix. Prepare and process monthly project payroll and submit to PD for approval prior to making any payment under salaries.
 - x. Ensure that the fixed assets and inventory records are maintained for the project identifying location and user of each asset/inventory and arrange for the annual and periodical inventory of the assets/consumables.
 - xi. Ensure safe custody of all financial records for review by IFAD Missions, third party monitoring agents; and external & internal auditors.
7. Financial Reporting
- i. Prepare quarterly financial reports and submit to PD and Bank in a timely fashion for review and approval.
 - ii. Ensure that annual financial statements and other reports as specified under the Financing Agreements and as per recommended/suggested by supervision missions are accurately prepared and timely submitted – annual financial statements to be prepared in accordance with Cash Basis IPSAS ‘Financial Reporting under Cash Basis of Accounting’.
 - iii. Prepare Annual financial statements of the three project/program and submit for review and approval to PD.
 - iv. Define and produce other financial reports, as and where required on utilization of funds to facilitate PD in decision-making process.
8. Audit
- i. Make arrangements for timely initiation and completion audit of project and ensure that report produced is in compliance with audit requirements of the Government and IFAD.
 - ii. Ensure that the project is adequately reflected in audit plan of Auditor General of Pakistan and that audit is periodically conducted.
 - iii. Cooperating with IFAD, Government, and other partners to improve project financial management, particularly in terms of following up the action points agreed in the project legal documents, during the IFAD supervision missions, Aide Memoires and the recommendations of external auditors and internal auditors.
 - iv. Attend entry and exit meetings with external auditors, facilitate timely completion of audits by arranging timely submission of annual financial statement in appropriate format, supply of information and documents responding to queries, initiate actions for holding tripartite meetings and coordinating with relevant project entities in settling audit paras.
 - v. Prepare working papers on audit observations raised by external auditors and arrange to convene Departmental Accounts Committee (DAC) meeting to settle the audit observations to the extent legally and logically possible.
- 3. Role of Budget and Finance Officer (1 Position)**
- i. Support Finance Manager in preparing annual work planning and budgeting;
 - ii. Facilitate FM in engaging with P&D to include budget in the Annual Development Plan (ADP) as per rules;
 - iii. Upload budget on Financial Management Information System, and prepare monthly monitoring reports comparing actual expenditure against the budget. Highlight weak performing areas for management intervention;
 - iv. Prepare cash forecasts on quarterly basis in coordination with the project team and submit to IFAD for advance/replenishment of advance.

- v. Prepare and process withdrawal application in accordance with IFAD's Disbursement Guidelines
- vi. Prepare disbursement reports—and ensuring that sufficient funds are available in the Assignment Accounts all the time.
- vii. Prepare annual financial statements as per Cash Basis IPSAS and submit to the Auditors within two months of the close of the financial year.
- viii. Prepare periodic financial reports specified in the Loan Covenants.
- ix. Prepare Quarterly Financial Summaries (budget vs actual) to support oversight over use of funds
- x. Track funds and follow up with National Bank of Pakistan and the World Bank to ensure timely credit of funds into the projects' assignment account.
- xi. Loan Covenants Monitoring

4. Role of Accounts Officer (1 Position)

- i. Ensure compliance with internal control framework (Operations Manual, Financial Management Manual, SOPs and IFAD's fiduciary guidelines etc.) and government rules and procedures while processing payments.
- ii. Analyze, plan, design, implement, and monitor a system to augment internal controls in line with best practices in the process of payment and expenditure management.
- iii. Apply pre-audit checks on all payments before payment from the assignment account(s) including budget availability, sanction of competent authority and compliance with applicable financial rules & regulations.
- iv. Ensure that No Objection is obtained from IFAD for every prior review activity before processing any payment.
- v. Ensure that only eligible payments are submitted to FM for seeking PD's approval and drawing funds from the assignment account.
- vi. Manage financial aspects of the contracts under implementation, including payment terms, purchase orders and variation orders.
- vii. Record all transactions timely and accurately in the books of accounts (both in Pak Rupees and US\$) and ensure that no expenditure remained unaccounted.
- viii. Maintain accounts on cash basis as per government accounting procedure;
- ix. Maintain up-to-date maintenance of adequate registers, books of accounts and records in appropriate order and format to meet the government and donors' requirements and to facilitate classification and analyzing the financial information for monitoring the projects progress.
- x. Prepare supplementary record which provides timely and up-to-date financial information of civil works and consultancies.
- xi. Maintain imprest of petty cash and ensure maintenance of separate petty cash book and petty cash vouchers and compliance with established procedures.
- xii. Verify vehicles log books & compare with the fuel consumption reports
- xiii. Tax Withholding on each payment
- xiv. Data entry into accounting software
- xv. Prepare monthly bank reconciliation statements of assignment account(s) both in Pak Rupee and US\$.

- xvi. Reconcile the expenditure on government prescribed format with Accountant General Office on monthly basis.
- xvii. Prepare and process monthly payroll and submit to Project Director for approval prior to making any payment under salaries. Ensure proper payroll controls are applied and the payments are made directly in the Bank accounts.
- xviii. Ensure that the fixed assets records are maintained for both the projects identifying location and user of each asset and arrange for the annual and periodical inventory of the assets and updating of the records.
- xix. Ensure safe custody of all financial records for review by Bank Missions, third party monitoring agents; and external & internal auditors.
- xx. Maintenance of filing system ensuring safekeeping of confidential material as per the guidelines given in this manual
- xi. Custodian for management of office stationery supplies including maintenance of stock list of stationery and supplies and maintain log book.
- xxii. To maintain daily cash book & cash flow management.

5. Role of Budget and Finance Coordinator (5 Positions—one each in the RCU)

- i. Facilitate PFOs/FSCs in signing MOUs with PMU for project implementation
- ii. Facilitate PFOs in selecting HR for professional management—including FM staff based on the criteria established by PMU
- iii. Organize training for the staff at PFOs/FSCs focusing on core compliance/reporting requirements
- iv. Facilitate PFOs in the opening of account, and the maintaining of up-to-date books of accounts as specified in the MOUs.
- v. Facilitate PFOs in mobilizing farmers' share to implement business plans
- vi. Support PFOs in collect funds from members to meet the requirements of MOUs.
- vii. Conduct due diligence/post qualification assessment of private partners selected for 4Ps arrangements based on the guidelines established for this purpose.
- viii. Promote basic FM/economics literacy among farmers involved in project implementation.
- ix. Maintain liaison with service providers to ensure they are complying with internal controls/compliance requirements (set out in this manual later) stipulated in PMU's contract agreements with them.
- x. Facilitate PFOs/others involved in microfinancing process in complying with the criteria of age group, social status, amount of each loan, recovery time etc.in the process;
- xi. Facilitate PFOs/others involved in microfinancing in robust documentation of the microfinance operations etc.
- xii. Submit monthly report to PMU on issues and challenges as well as possible practical solutions to move forward.
- xiii. The Finance Manager will distribute work between the B&F Officer, Accounts Officer, and B&F Coordinators based in RCUs following the principles of internal controls outlined in the relevant section of the manual to get the best value out of them.

6. Procurement and Contract Management

380. The project provides for one position each of Procurement Specialist and Contract Management Specialist. Detailed guidelines on public procurement and contract management under the KP-RETP Project are provided in a separate Procurement Manual.

F. Annual Work Plan & Budgeting

381. Annual Work planning and budgeting is a key project activity since it allows the project to plan and manage its financial resources to support the implementation of its activities. It is important for the PMU in general and the finance team in particular to understand the country PFM system—inasmuch as it affects AWP/B of the KP-RETP. Accordingly, a brief review of Pakistan's PFM system with its link to IFAD is provided before getting into AWP/B process for the KP-RETP.

G. Pakistan's PFM system and its link with the KP KP-RETP

382. The Planning Commission, Government of Pakistan is responsible for establishing criteria and guidelines---including templates for formulating development projects for federal and provincial governments²⁴. As per current arrangements, if the cost of a provincial development project exceeds PKR 10 billion, the P&DD of a province will have to seek the approval of the Executive Committee of the Economic Council (ECNEC) for that project. ECNEC is the highest forum to review and approve development projects in Pakistan. A well-defined process is in place for this purpose

- i. The Provincial Development Working Party (PDWP)—which is the clearing house of development project would review and recommend the project for consideration of the federal government;
- ii. The Central Development Working Party (CDWP)—housed in the Planning Commission, Islamabad, conducts financial and economic analysis of the projects and—the projects it finds well-designed, are recommended to ECNEC for review and approval;
- iii. ECNEC is the final approving authority for any provincial projects costing beyond 10 billion and all projects with foreign component.

383. The provincial government must prepare PC-1 for the KP-RETP as its estimated cost is higher than PRK 10 billion. The provincial P&DD is to prepare the PC-1 in compliance with applicable requirements and to engage with relevant government agencies to obtain approval of the PC-1 from the PWDP, the CWDP, and ECNEC. Any PC-1 document that is submitted with missing elements is not accepted by PWDP/CWDP/ECNEC. To avoid delays in the processing of the PC-1, the P&DD should start preparing the PC-1 based on the PDR. This is critical since any significant deviation(s) from the Project Design may require changing the PC-1 form which, in turn, could mean going through a long bureaucratic tier of approvals.

H. Project design changes during project life

384. IFAD's projects are subject to performance reviews periodically. These reviews help in identifying what is working and what is not and taking remedial measure to ensure the project remain on track to achieving the intended outcomes of the project. While minor adjustments are carried out subsequent to each supervision mission, the Mid Term Review (MTR)---carried out when a project is almost halfway through implementation, is the time to revisit the whole design and make significant adjustments in the design—if such a response is warranted by implementation experience.

385. IFAD considers reallocations of funds between difference categories of expenditure to make the most of available resources. The purpose of these reallocations is to divert resources toward the activities that are contributing more effectively toward the intended project outcomes. The categories of expenditure where the project performance is not acceptable, it does not make sense to keep funds idle.

²⁴ Details about how to formulate project proposal are provided in the Manual for Development Project, Planning Commission available at <https://www.pc.gov.pk/uploads/downloads/perform/Manual-for-development-projects.pdf>

386. The current planning guidelines—applicable to the KP-RETP require that in cases where the overall actual project cost does not go beyond 15% of the approved project cost, no revision in the PC-1 is required.

1. AWP/Budget Process

387. The budgeting process can be broken down in four steps:

- i. Preparation of the annual work plan
- ii. Preparation of the annual budget
- iii. Budget monitoring
- iv. Budget revisions.

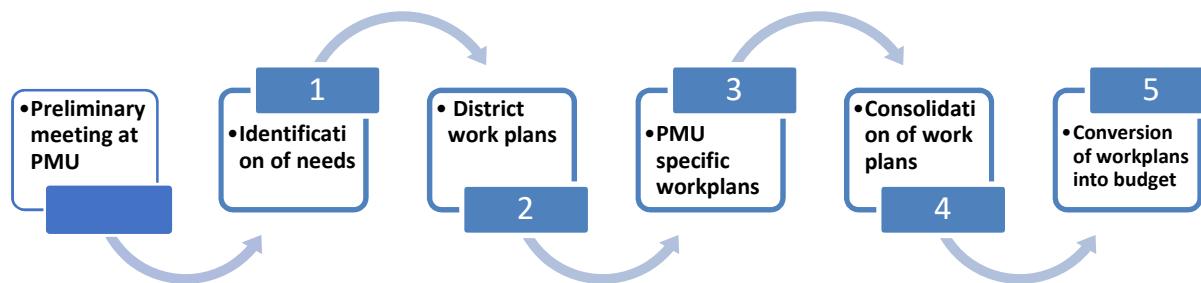
388. The annual work plan describes in detail all the activities that must be carried out by the Project during the year based on management priorities; it includes a chronogram for each activity, the verifiable indicator(s) and the staff/entities responsible for implementation. The annual budget, which is derived from the work plan, aims at providing detailed cost estimates for the implementation of project activities as well as the operation of the PMU and RCUss. These two parts of the Project planning process (the work plan and the budget) are brought together in a unique document called the annual work plan and budget (AWPB).

389. The AWPB is an essential management tool that serves to establish priorities for Project implementation, set out activities in a timeline, and forecast the resources (both financial and human) needed to achieve the set objectives. It is also required for the mobilization of funding by the various Project financiers. Finally, it represents the main tool for Project management, IFAD and the GoKP to control costs and assess Project performance. The preparation of the AWPB is a participatory exercise involving the relevant line departments, implementing partners /service providers, and project beneficiaries. The Project Steering Committee and IFAD are responsible for the review and approval of the AWPB.

390. The AWPB covers the period from July to June each year, in line with the Project fiscal year. It integrates both IFAD's and GoKP's planning processes.

2. Preparation of the Annual Work Plan

391. The annual work plan sets the Project objectives for the coming year, details activities to be conducted, specifies deliverables and outputs (along with key M&E indicators), as well as resources needed and implementation delays, and identifies institutional responsibilities. During the life of the Project, and particularly during the first year, the PDR and PC-1 serve as a framework for the preparation of the AWPB. The AWPB process will follow a sequential process as depicted in the flowchart.



Flow Chart 2: WPB process

392. Preliminary meeting. The preparation of the annual work plan starts with a preliminary meeting within the PMU, to which the heads of RCUs, and senior officials of line departments, and representatives of other implementing partners (PFOs, FSCs, Partners under 4Ps, Service Providers shall participate. The purpose of the meeting is to:

- i. Set the objectives of the Project for the coming year, for each district and overall
- ii. Establish priorities, taking into account the results obtained to date and the recommendations of supervision missions
- iii. Assess the achievements of the current AWPB so as to (i) take any necessary corrective measures and (ii) determine the activities that will not be completed in the current year and will need to be carried over to the year Y+1
- iv. Agree on the different steps and set the schedule for the preparation of the AWPB.

393. Identification of needs. Planning meetings with implementing partners shall be organized subsequently at RCUs level and all key stakeholders involved in project implementation in the districts shall participate in the deliberation. This exercise is coordinated by the RCUs' technical staff to ensure that the planning down to district levels is aligned with the project's objectives and priorities set during the AWPB preliminary meeting. The FM is in charge of identifying PMU/RCUs staff members' needs relating to financial management and administration, while the M&E Specialist is responsible for defining Project needs in terms of internal monitoring.

394. District work plans. The RCUs M&E Officers under the supervision of M&E Specialist consolidate the district level plan in close coordination with the FM team and other implementing partners/service providers to ensure that the district plans are in line with the overall project objectives and the targets sets out in the preliminary meeting.

395. An AWPB workshop is then organized at district level, with the participation of technical staff from and RCUs and other IPs, in order to review the district work plan in detail. Other donor-funded projects in the area may be invited to participate so as to harmonize interventions and avoid duplication. During the workshop, the participants are invited to formulate observations on the draft district work plan, particularly regarding priority activities. The observations made during the workshop are taken into account by the RCUs M&E Officers to finalize the work plan, under the guidance of the M&E Specialist from PMU.

396. PMU Work Plan. At PMU level, each component head is responsible for drawing out a detailed list of activities to be conducted during the year (including activities to be carried over from the previous year). In addition to the technical activities to be implemented at PMU level, this also includes the M&E and KM and the finance & administration activities. This process is coordinated by the M&E Specialist to avoid duplication and to ensure overall coherence. Once the PMU work plan is drafted, the Project Director organizes a planning meeting at the PMU to discuss and finalize the document.

397. Consolidated work plan. The M&E Specialist is in charge of preparing a KP-RETP consolidated work plan based on district work plan and the PMU work plan. Once the Project Director validates the finalized document, the FM and M&E Specialist work together on the codification of each work plan activity, using the accounting system's codification structure for AWPB activities. The next step is the preparation of the budget.

3. Preparation of the Annual Budget

398. Based on the finalized work plan, the IPs, RCUss and PMU technical staff are requested to estimate the cost of the various activities to be conducted. The estimation must consider all cost elements related to the activities, including mission's costs, consultant's fees, workshops, training, procurement, etc. The FM and Procurement Specialist may be consulted if necessary to assist in the costing of certain items. The sources, assumptions and calculation bases used for determining each cost estimate must be clearly documented in the budget.

399. The PMU operating budget is prepared by the FM and FM which includes:

- i. Salaries, social security contributions, allowances, per diem and other personnel charges
- ii. Staff training costs
- iii. Procurement of goods, works and services for the PMU and RCUs offices
- iv. Office running costs (utilities, telephone, maintenance and repairs, supplies, fuel, vehicle costs, etc.)
- v. Other expenses (meetings, consultants' fees, audit fees, etc.)

400. The detailed cost estimates prepared by the technical staff for each Project component are forwarded to the FM who reviews them to ensure that:

- i. The costs estimate for each activity are reasonable;
- ii. The budget by activity, sub-component and component is coherent as compared to the annual cost estimates defined in the COSTAB and the GoKP Annual Development Plan (ADP); and
- iii. Funds will be available in each expense category.

401. The FM then compiles the detailed budget data by component/sub-component and determines the funding source for each activity based on the allocation in the COSTAB. Funding sources for the KP-RETP include the IFAD Loan, the GoKP counterpart contribution, and the beneficiaries' contribution. For the GoKP counterpart funding, the budget must clearly distinguish between the funding related to duty & tax exemptions and other contributions. In-kind and cash contribution should be separately worked out.

402. The FM can then present the detailed budget worksheet by component/sub- component and by activity, with an indication of the funding source and the expense category for each activity. The budget worksheet includes separate sheets showing for each activity, the budget assumptions, the sources and the calculation bases for the unit costs. This is essential in order to (i) facilitate budget monitoring and budget-actual variance analysis and (ii) prepare the budget in the following year(s).

403. The budget includes the following categories, in line with the eligible expense categories as detailed in the financing agreement:

- i. Vehicles & Motorcycles
- ii. Equipment and materials
- iii. Grants to Beneficiaries
- iv. Training and Studies
- v. Salaries & allowances
- vi. Operating Costs.

404. The budgets by component only include those expense categories relating to the activities to be conducted. It is essential for the FM to ensure that funds are available in each expense category to accommodate the cost estimates.

405. A budget conference is held at the PMU to discuss any necessary modifications to the budgets by component and by expense category, and to conduct budget arbitration between activities and/or components. The budget is finalized and consolidated by the FM on the basis of the decisions made during this conference.

406. The final step is the consolidation and formatting of the AWPB by the FM and the M&E Specialist. The main document covers the following:

- i. Physical progress made by the Project in the previous year (including quantitative data) and activities to be carried over to the coming year
- ii. Financial progress in the previous year, including cost overruns and savings
- iii. Procurement performance
- iv. Constraints and problems from the previous year, and recommendations to resolve them
- v. Lessons learned and rationale for the activities proposed
- vi. Main activities proposed for the current year, by component/sub-component
- vii. Consolidated budget.

407. The main document is complemented with annexes.

408. Detailed work plans and budgets by component/sub-component with an indication of the district;

- i. The procurement plan. A schedule showing, by expense category, the financing allocation (per the financing agreement), the cumulative disbursements to date, the current AWPB projections and the remaining balance. This schedule serves to demonstrate that sufficient funds are available in each expense category to cover for the budget projections.
- ii. The same schedule as above, by component and sub-component (the initial allocation is obtained from the PDR and COSTAB rather than the financing agreement); and.
- iii. The staff development plan.

409. After validation by the Project Director, the AWPB is forwarded to the head of the PSC who convenes a steering committee meeting for the review and approval of the document. The Project Director, and the PMU technical staff attend the meeting to answer questions from the PSC members. The AWPB is modified and finalized taking into account the observations from the PSC. The finalized version of the AWPB and Procurement Plan must be sent to the PSC and to IFAD for no objection. In the absence of comments from IFAD within 30 days after receipt, the AWPB shall be deemed approved. The approval of AWPB by PSC shall be deemed as the final approval for the GoB counterpart contribution.

410. A template for the AWPB is provided as **Annexure-14** to this Manual. It will be customized to reflect all components, activities, and relation financial information.

4. Budget Monitoring

411. The AWPB serves as the reference document for the PMU to assess the Project physical and financial implementation progress. As soon as the AWPB is approved, the Finance Manager shall input the annual budget into the accounting system. The budget is entered by account, component, sub-component, AWPB activity, financier, expense category and district. After due diligence, the Finance Manager prints out the budget and distributes copies to the Project Director, the technical staff and the M&E section.

412. The finance section is responsible for monitoring the budget by comparing it with actual expenditures. Project expenses recorded in the general accounts are simultaneously recorded against the budget. Thanks to this unique data entry system, all Project expenses are automatically recorded in the “actual expense” column of the budget. The accounting system can generate budget-monitoring statements showing the status of the budget by component/sub-component, by activity, by expense category, by district and/or by financier for any period requested. These statements show the budgeted amount, the cumulative expenditures to date, the available balance and the percentage execution. The FM prints a budget-monitoring statement at the end of each month preferably or quarterly, or whenever necessary and distributes to the Project Director and other relevant component heads for comments or remedial actions—where required.

413. During the first week of each quarter, the Project Director shall a budget review meeting during which the FM, M&E Specialist, and Procurement Specialist shall analyze the budget-monitoring statement of the previous quarter.

414. This exercise may also be carried out monthly if deemed necessary by the KP-RETP team to determine whether funds are being utilized as planned, and to take corrective actions if necessary. Any significant variance between the budget and actual expenses is investigated and discussed during the meeting. The FM then prepares a budget progress report explaining all variances and formulating recommendations, which may include the need for budget reallocation or revision. The quarterly budget-monitoring statement shall be attached to the report. This budget report shall serve as the source document for the AWPB execution section of the quarterly financial report prepared by the FM.

415. A template has been provided to assess technical and financial progress of the project against the approved AWP/B at **Annexure-15**.

5. Budget Revision

416. The Project Director or Project team may decide to reallocate funds from one budget line or activity to another as long as the impact is less than 15% of the initial budget amount for that budget line. In this case s/he sends a memo instructing the FM to proceed with the reallocation. When the impact is up to 15% of the original line-item budget, a request a meeting will be held with relevant staff members and submit it for PSC approval. This exercise may be carried out at PMU through a formal meeting in which the component head (requesting the change) would argue for the change while PD, FM and other technical lead—where necessary, would examine the proposal on merit. Once the proposed change is approved by the PD, it would be communicated to FM team to update the accounting system. If the changes are substantial and affecting the overall budget more than 15% shall be forwarded to the PSC's head for his approval and subsequently will be forwarded to IFAD for NOC.

417. In addition, depending on the project's performance during the first half of the year (or due to unforeseen circumstances), it may become necessary to conduct a full revision of the budget for the rest of the year. The decision to carry out a budget revision is made by the Project Director and materialized in a memo sent to all concerned parties. The IPs, and technical PMU staff are requested to prepare a revised work plan and budget taking into account achievements/disbursements to date and detailing the activities that can be implemented before the end of the fiscal year. The consolidation, approval and recording process for the AWPB revision is the same as described above.

I. Flow of Funds

1. Financiers of the KP-RETP and Flow Chart

418. The funding for the KP-RETP Project comes from three sources (i) the IFAD Loan; (ii) the Counterpart Contribution from GoKP—in cash and in kind and (iii) Beneficiaries' Contributions. The total cost of the project is USD 185.8 million which includes the IFAD Loan (USD 100.1 million), Government's contribution (USD 40.4 million) and Beneficiaries' contribution (USD 45.3 million). The government contribution shall comprise (a) "cash"—USD 9.1 million for payment of taxes and project management costs; and (b) USD 31.3 million that will be leveraged from ongoing development projects under the provincial Annual Development Plan.

419. The project would access IFAD funds through the Imprest Fund methodology. PMU shall establish a Designated Account in the National Bank of Pakistan (NBP), Peshawar to receive fund from IFAD as per established procedures. IFAD shall disburse an initial advance (Imprest Fund) to cover approximately six months of planned project expenditures to this Designated Account. The NBP shall make available to PMU equivalent amount in PKR for project expenditure through the same account. Further advances to the Designated Account will be made for the next reporting period based on the AWPB or expenditures forecast provided that at least 70% of the immediately preceding advance and 100% of all prior advances have been fully justified.. The Designated Account shall show debits, credits and balance in PKR along with USD equivalent. PMU shall utilize the advance and replenish the account monthly or once the minimum expenditure limit as agreed with IFAD is met for submitting a withdrawal application. **Annexure-16** provides details about how to open the Designated/Revolving Fund Account for the IFAD Loan.

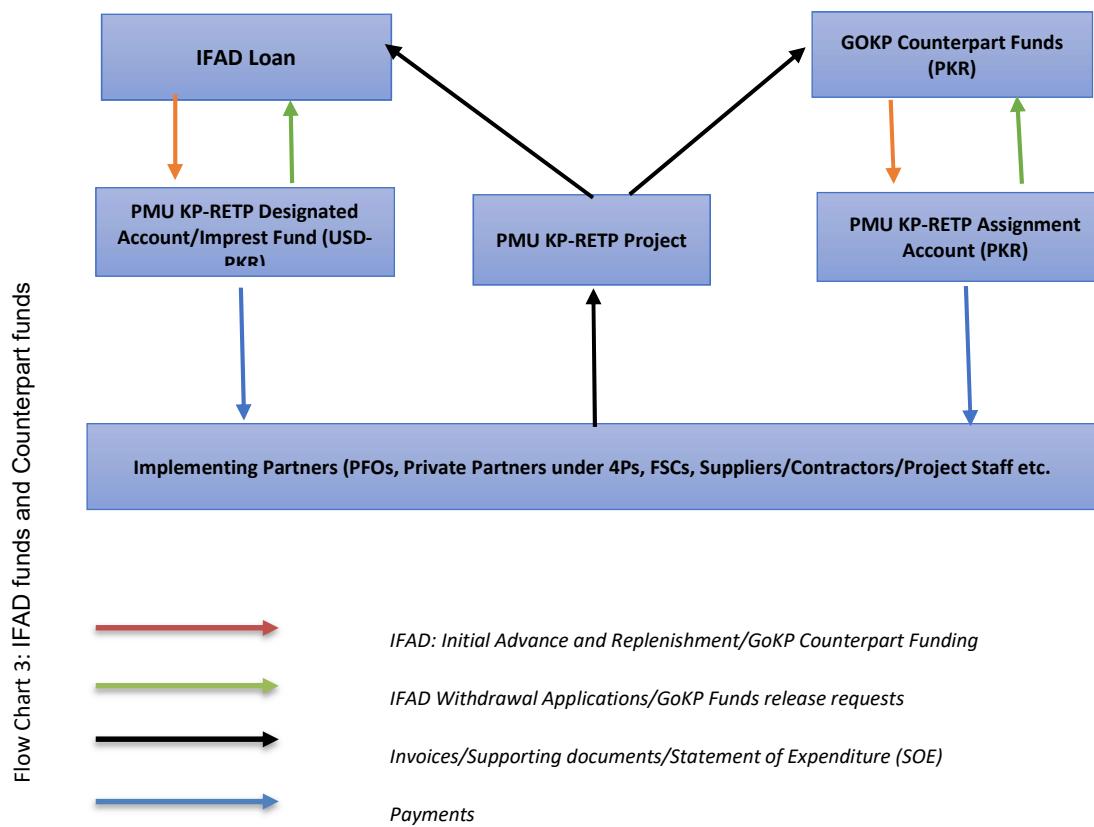
420. The project shall use the Interim Financial Reports (IFRs) package to submit withdrawal applications to IFAD. Each quarter, PMU should submit the IFRs package to report on the financial performance and to justify the specified percentages of the withdrawn advances as indicated in the LTB. By justifying the required

percentage of the withdrawn advances, the PMU will be eligible to withdraw further advances based on next period cash forecast.

421. IFRs package will mainly form the templates of the Withdrawal Application (WA) which will be submitted in ICP. The package should be sent to the IFAD's Finance Officer concerned for clearance. Once the package is cleared by IFAD Finance Officer and the WA is submitted in ICP, the Financial Controller's Division (FCD) will proceed with finalizing the WA in IFAD system. IFAD Finance Officer could select a sample of the expenditures included in the IFRs and request the supporting documents for further check. Detailed guidance on preparing IFR package is provided in Financial Reporting part and Annexure 20 of this PIM.

422. The GoKP shall allocate counterpart funds through normal government budgetary process. The provincial government's annual budget cycle starts usually in November/December with the issuance of a Budget Call Circular (BCC) that contains forms and guidance to formulate budget. PMU shall work out the requirements of counterpart funds and ensure that sufficient funds are provided in the budget to meet the project's needs. PMU shall open a Designated Account for the counterpart funds and follow up with the government to ensure timely and sufficient release of funds for the project.

423. Details on Designated Accounts, Imprest Fund Procedures, and Recovery of Initial Advances given to the PMU are provided later in this section. The flowchart depicts how IFAD funds and Counterpart funds would flow through the project.



424. The PFOs shall individually contribute approximately 30% of the investment envisaged in the business plan which is estimated to cost USD 70,000 to USD 100,000. The estimated share of each FPO is likely to be in the range of USD 21,000-31,000 accordingly. This provisioning of this amount shall be one of the access conditions for a PFO to get IFAD funds for project implementation. The share of each Farm Service Center (FSCs) and Private Partner under 4P arrangements is estimated at 50% of the cost of activities planned under the project whereas the remaining 50% shall come from IFAD. PFO/FSC/Private Partners shall maintain the account of this funding source which would be subject to periodic verification by PMU/RCUs. The total contributions made by beneficiaries including PFOs shall be reflected in the project financial statements. These requirements shall be clearly laid down in the MOUs/contracts with the IPs

425. The PMU/RCOs shall conduct random inspection to check whether these stakeholders are in compliance with the applicable compliance requirements in the use of funds and the record of such inspection shall be properly maintained for IFAD's missions. Details are provided in the section on Internal Controls later.

2. Evidence of authority to sign Withdrawal Applications

426. IFAD requires the B/R's representative, as designated in the financing agreement, to furnish satisfactory evidence of the authority and authenticated specimen signatures of the individuals who will sign WAs on behalf of the borrower. This evidence must reach the Fund before the first WA is presented by the borrower and should be the original (photocopies, facsimiles or other means of transmission are not acceptable). Each WA should be signed by such duly authorized individuals, and the Fund must be notified of any change in the signatories authorized to withdraw funds from the loan. For this purpose, the B/R shall provide the names and specimen signatures of the newly appointed signatories and include the date when such change is to take effect. PMU shall use the following format for correspondence with IFAD on this issue.

EVIDENCE OF AUTHORITY TO SIGN WITHDRAWAL APPLICATIONS

(Sample letter – to be submitted on letterhead) [to include full street address, city, country]

International Fund for Agricultural Development (IFAD)
Paolo di Dono, 44
00142 Rome, Italy

Date: _____ Via _____

Attention: Finance Administration Services
Accounting and Controller's Division

Subject: **IFAD Loan/Grant/Financing No.:**
Project Name:

Dear Sirs/Madams:

I refer to the Financing Agreement between IFAD and [Name of Borrower/Recipient], dated []. In accordance with the provisions of Section 4.04(b) of IFAD's General Conditions for Agricultural Development Financing dated 29 April 2009 as may be amended from time to time, I hereby designate the following person (or persons) whose authenticated specimen signature(s) appear(s) below as authorized, on behalf of the Borrower/Recipient, to sign Applications for Withdrawal under the above-referenced IFAD Loan/Grant/Financing. This notification enters into effect as of [date -----]:

(Optional) The following is the official email address which will be used by the Borrower/Recipient to submit Applications for Withdrawal and other official communications to IFAD:
_____. Any communication not originating from this address should be disregarded.

(Name(s) and Title(s))

Specimen signature

(Name(s) and Title(s))

Specimen signature

(Name(s) and Title(s))

Specimen signature

(Indicate if the authorization to sign is jointly with another person(s)).

Signed by:

Title of the Borrower/Recipient's
Designated Representative
(as provided in the Financing Agreement)

3. Designated Account

427. The flow of funds for the Project starts with the opening of the project Designated Account (DA), denominated in US Dollars, in the National Bank of Pakistan (NBP), in accordance with the Funds requirements identified in the Financing Agreement and the Letter to the Borrower. The FM is responsible for opening and managing the Designated Account including receiving on a monthly basis the DA Statement of Account from the bank and reconciling it against PMU's records. Disbursements from the DA should be recorded in the PMU's account records as of the date they are made, that is when the checks are issued.

428. These funds can only be used for expenditures relating to the execution of the Project. PMU cannot make financial commitments or authorize disbursements over and above the funding made available to the Project. In the case of insufficient funds to conduct certain IFAD-financed Project activities, a request for reallocation of loan funds may be presented to IFAD through the EAD. The IFAD contribution comprises an IFAD loan of USD 100.1 million. The loan funds are made available to the Project in several installments and using the Imprest Account modality²⁵.

4. Imprest Account

429. The Imprest Account procedure is a disbursement procedure where IFAD makes an advance disbursement from the Loan Account for deposit to an Imprest Fund Account to be used exclusively for the IFAD's share of eligible expenditures. The main objective of this procedure is to help the borrower reduce cash flow difficulties in financing project expenditures, thereby facilitating project implementation. Other objectives are providing the borrower with more control over payments and reducing the number of withdrawal applications (WAs), particularly for payments for small expenditures and related costs.

- i. PMU opens a Designated Account denominated in the USD to receive funds as Imprest. A parallel account in PKR is also made operational to pay against project liabilities;
- ii. An initial deposit (or authorized allocation) amounting to the estimated expenditure for first six months of implementation will be drawn as an advance for the start-up phase once the project becomes effective at the request of EAD. The ceiling of the initial advance may be increased if it is not enough to meet project disbursement.
- iii. Periodic replenishments of the designated account corresponding to the reimbursement of eligible expenditures incurred by the Project throughout its implementation period.
- iv. The initial deposit would be recovered by deducting a portion of the replenishment amount requested in each withdrawal application submitted to IFAD towards the end of the implementation period.
- v. Direct payments by IFAD of expenditures incurred by the Project may be made at the request of PMU is provided in the LTB/FA.

430. The periodic replenishments will be made at the request of PMU (in the form of withdrawal applications), based on which IFAD withdraws funds from the loan account. The minimum withdrawal amount is normally set at 30% of the initial advance amount. In order to avoid cash flow problems, PMU is required to submit at least one withdrawal application (WA) to IFAD every quarter. When preparing the WAs, PMU shall follow the instructions contained in IFAD's LTB and Loan Disbursement Handbook (which also contains model documents and forms to use) and the procedures described below.

5. Recovery of Initial Advance

431. To avoid an excessive outstanding advance at the financial closing date, recovery of the advance is required ideally to begin six months before the Project Completion Date (PCD) where advances are large, and at the latest three months before the PCD where special circumstances may warrant this. Recovery of the advance may begin either: (i) six months before completion date; or (ii) when the undisbursed balance of the financing (including outstanding special commitments) is equal to twice the amount of the advance. Under Imprest Account modality, the Fund will effect a gradual recovery of the advance – normally by applying part of the amount documented in each replenishment application to reduce the outstanding advance. This offers the most effective means of ensuring that some funds remain available to finance eligible expenditures to be incurred using the imprest account.

432. A template to guide the finance team in recovering the initial advance is shown in the box on next page. Detailed guidance is provided in the IFAD Handbook on Disbursement.

²⁵ Details on different disbursement methods are available in the IFAD Financial and Administration Manual available at <https://www.ifad.org/en/document-detail/asset/39637251>

Sample Recovery Plan-Designated Account

IFAD Loan No.:				IFAD Loan Amount (SDR)			20 000 000.00	
Project Completion Date:		31-Dec-12		Loan Closing Date:		30-Jun-13		
Reporting Period	WA No.	Date	US \$	EUR	SDR	Unjustified balance USD SD R		
Authorized Allocation	1	18/01/2006	\$ 000.250	€ -	172 648.51	0.00	(77 351.49)	
				€ -	172 648.51			
				0.00	#VALUE!			
Exchange Rate:								
Justification:								
Ref. No.	WA No.	Date	Estimated WA value (USD)	Proposed Recovery %	Recovery Amount (USD)	Commulative Recovery Amount (USD)	Commulative Unjustified balance (USD)	
1	40	21-Feb-12	111 832.56	45%	50 324.65	50 324.65	(50 324.65)	
2	41	3-Mar-12	72 685.11	35%	25 439.79	75 764.44	(75 764.44)	
3	42	5-May-12	74 685.11	35%	26 139.79	101 904.23	(101 904.23)	
4	43	7-Jul-12	70 885.11	42%	29 771.75	131 675.98	(131 675.98)	
5	44	5-Sep-12	64 885.11	40%	25 954.04	157 630.02	(157 630.02)	
6	45	31-Dec-12	82 627.66	80%	66 102.13	223 732.15	(223 732.15)	
7	46	10-Jun-13	26 065.11	100%	26 267.85	250 000.00	(250 000.00)	
			TOTAL	503 665.77 USD	250 000.00 USD			
In accordance with IFAD procedures, any amount unjustified at the time of loan closing date will be promptly refunded to IFAD.								
Prepared by: _____						15-Oct-11		
						Date		
Confirmed by: _____						Date		

6. Direct Payment Procedures

433. The direct payment procedure is a disbursement procedure where IFAD, at the borrower's request, pays a designated beneficiary (e.g., supplier, contractor, or consultant) directly.

434. A signed withdrawal application (WA) must be submitted to IFAD together with a summary sheet and the required supporting documents. PMU shall use the standardized form for estimating its funding needs and prepare a WA for direct payments where necessary. To prove the requested disbursement is for eligible project expenditures incurred, the PMU has to provide following supporting documents with every withdrawal application that it submits to IFAD:

Table 10: Requirement of supporting documents with withdrawal application

Payment for	Payment type	Required supporting documents
Goods	One time or Instalment payment	Supplier's invoice, or purchase order (indicating date, amount, and bank account details)
Services	Advance Payment	Consultant's or service provider's invoice (indicating amount of advance payment and bank account details)
	Progress Payment	Consultant's or service provider's invoice (indicating date, amount, and bank account details)
Civil Works	Advance Payment	Contractor's invoice (indicating date, amount, and bank account details)
	Progress Payment	Contractor's invoice and interim payment certificate a or summary of work progress (indicating period covered, amount, and bank account details)
	Release of Retention Money	Contractor's invoice (indicating date, amount, and bank account details) and unconditional bank guarantee

7. Statement of Expenditure (SOE) Procedure

435. For any expenditure item costing less than (to be inserted later based on FA) PMU can use this procedure for replenishment of its imprest fund. The statement of expenditures (SOE) procedure is a simplified procedure requiring no submission of supporting documentation of expenditures. The procedure derives its name from the SOE form which is submitted with the WA. The SOE replaces the usual supporting documents and the summary sheet. The SOE form provides data on contracts and disbursements of individual payments (up to any applicable SOE ceiling). During IFAD's supervision mission, the FM Specialist shall conduct a review of sample transactions for compliance with all applicable requirements. PMU is required to maintain complete supporting documentation for SOEs for this purpose.

436. While using this method, PMU certifies that (a) expenditures have been incurred and paid for proper execution of project activities under the terms and conditions of the loan agreement; (b) all documentation authenticating these expenditures has been retained and will be made available for examination by PMU upon request; and (c) for projects with an SOE ceiling, payments have not been split to enable them to pass through such ceiling.

437. PMU shall use a standardized form (Summary/Statement of Expenditure Sheet) prescribed by IFAD for preparing claims for withdrawal of funds for the project.

8. Preparation of Withdrawal Applications

438. The WA is a standard IFAD package comprising several forms and documents, which are all described in detail in the LTB and IFAD Loan Disbursement Handbook:

- Form 100 – the application for withdrawal, which indicates the amount of replenishment requested in the WA currency and the payment instructions. It contains the signatures of the authorized representatives (mostly PD, and FM)
- Summary sheet – the recap schedule showing the amounts claimed (in local currency and in the WA currency) by expense category under Forms 101 and 102
- Form 101 sheets – used for expenditure exceeding the SOE threshold or for the Direct Payment procedure (see below). Copies of supporting documents must be attached to the Form 101 sheets and sent to IFAD. In order to facilitate processing by IFAD, the item numbers on the summary sheets are cross-referenced to the supporting documents. In addition, the IFAD no objection date is included in the "Remarks" column, if applicable.
- Form 102 sheets – used to detail all expenditure claimed under the SOE procedure (all expenditure under USD 50,000), for which no supporting documentation is sent to IFAD. The relevant supporting documents must be retained instead by the PMU for periodic inspection by representatives of IFAD during supervision missions, and by the auditors as part of the annual audits. It should be noted that the SOE threshold applies to the value of the contract rather than the amount of the payment. Form 102 sheets must be separated by expense category, and certified by the FM and the Project Director as authorized signatories.

- Form 104 – the designated account reconciliation, which serves to reconstitute the IFAD advances from bank balances, WAs in process and unclaimed disbursements. Any difference between the outstanding IFAD advance and the total accounted for must be justified and cleared as soon as possible.
- Form 105 – the WA checklist must be completed to make sure that the WA was properly completed in accordance with IFAD instructions.

439. In addition, PMU is required to submit with each WA, an updated contract register and contract-monitoring forms (for all contracts with more than one payment).

440. The production of the WAs should preferably be automated in Accounting Software. At least at the end of each quarter (following month-end verification procedures detailed in Section 1.4), the Finance Manager launches the preparation of a WA, which necessitates three steps:

- i. Preliminary verifications. The check stubs and bank transfers for the month are checked against the bank journal to ensure that all disbursements have been recorded in the Accounting Software and are supported by proper documentation. The bank journal is reviewed in detail to ensure that the description of the transactions posted in the system are sufficiently clear and complete. Finally, the Deputy Finance Manager ensures that bank reconciliations have been completed for all accounts.
- ii. Accounting system processing. The accounting system is set up so as to exclude advances from the amounts claimed for reimbursement in the WA. The FM selects the financing under which the WA is prepared, the period covered by the WA, and enters the SOE threshold (to be inserted as stipulated in the LTB/FA) and the month-end exchange rate. The system then shows all ‘claimable’ disbursements since the previous WA issued.

441. WA printing: Once the processing is complete, the WA number and period are automatically generated by the system, and the WA forms 100, 101, 102, and 104, as well as the summary sheet, can then be printed.

442. The FM makes copies of all supporting documents backing up the WA and cross-references them to the summary sheets. Copies of the bank statements for the corresponding months are also attached to the WA. After having checked the WA to ensure that the references, amounts, and other details are correct, the FM fills out PMU’s checklist to ensure that all steps have been properly followed. The FM also verifies the WA, signs the relevant forms and completes both the PMU’s and the WA’s checklists. S/he then forwards the entire package to the PD for review and approval. The WA checklist (form 105) is verified by the PD as s/he performs a final check on the WA prior to signing it. Before sending/submitting the WA to IFAD, the FM scans and makes a copy of the entire signed WA package for PMU records. Withdrawal applications are sent to IFAD along with all supporting documents through the online WA submission portal and it is duly verified by FM & PD.

443. IFAD financing proceeds may also be obtained through direct payments. This procedure is used for eligible Project expenditures to be paid directly by IFAD to suppliers, contractors, consultants, or third parties as authorized by the Borrower. The direct payment procedure may be used to request the payment of one or several invoices (totaling more than the minimum amount as stipulated in the LTB/FA), but to the same supplier/contractor. The Direct Payment package includes Forms 100 and 101 described above.

444. Once the payment is processed, IFAD sends a payment advice to the EAD (with a copy to the PMU), including the value date of the payment, the amount and currency of the payment, the SDR equivalent of the WA and the categories charged. The FM uses this information to fill out the monitoring schedule for WA and IFAD reimbursements. This schedule allows the FM to monitor the payment delays, and the differences between the amounts of the WA submitted and the amounts paid by IFAD, if any. In addition, at the end of each month, the FM requests the status of funds by category from IFAD and reconciles it with the PMU accounts. Any difference must be investigated and explained as soon as possible.

Annexure-17 indicates the checks that the finance team is required to apply while preparing withdrawal applications.

Introduction to IFAD's Loan Disbursement Handbook

The effectiveness of the finance team to manage project funds depends on its understanding of the Imprest Fund procedures and the ability to use withdrawal application formats and proper documentation to draw on IFAD's funds. The finance team will prepare withdrawal applications frequently, carry out monthly reconciliation of the designated accounts with the NBP, and prepare disbursement reports etc. The finance team should consult IFAD Handbook for Disbursement—in addition to what is explained in this manual to ensure that it complies with IFAD's relevant instruction in its work.

This Loan Disbursement Handbook is intended to familiarize both borrowers and recipients with the procedures for withdrawing proceeds of loans/grants/financing provided by and through the International Fund for Agricultural Development, when financing is to be administered and the project supervised by the Fund.

The Loan Disbursement Handbook is available at <https://www.ifad.org/en/document-detail/asset/39635782>

9. Counterpart Funds

445. The share of government in project financing is estimated at USD 40.4 million. It comprises (a) cash contribution; and (b) the funds to be leveraged by the KP-RETP which are channelled by the provincial government through the Annual Development Plan (ADP).

- i. Cash contribution (USD 9.1 million). This comprises USD 9.1 million for payment of taxes and project management costs. The funds shall be made available through the project's Assignment Account established for this purpose. At the beginning of each quarter, the FM prepares a funds request letter for 25% of the annual amount earmarked in the approved AWPB and PSDP. The letter is signed by the PD and sent to the ACS, P&DD. When the funds requested are released, the PMU receives a confirmation letter from the Accountant General KP Office, which is responsible for maintaining the KP-RETP's assignment account in which counterpart funds are held.
- ii. Funds to be leveraged through provincial ADP (USD 31.3 million). PMU shall engage with the P&D to identify the projects under ADP that shall be leveraged and accounted for toward government financing. Provincial government notify a mechanism for this purpose.

10. Beneficiaries' Contributions

446. PMU is required to maintain updated information on the beneficiaries' contribution to the project in its accounting system. This is critical to ensuring that all relevant project investment is properly accounted for and reported in the project financial statements.

447. To ensure the authenticity of the beneficiaries' contribution—reported by FPOs and others as the case may be, PMU will carry out periodic review of the primary data sources used in reporting by the beneficiaries.

J. Disbursement Process

1. Classes of expenditure

448. The KP-RETP incurs two types of expenses: administrative expenses (relating to the operation of the PMU and RCUs) and project expenses (relating to the implementation of Project activities). The eligible expense categories for the Project are in accordance with the financing agreement. For certain categories. The financing agreement specifies the total amount allocated for each of the categories, and the percentage of the expenses that is financed by IFAD.

449. In order to facilitate the management of Project resources and corresponding actions, annual expenditure plans are prepared from the AWPB for the 3 main classes of expenditure incurred by the KP-RETP:

- i. The procurement plan, prepared by the Procurement Specialist, details the goods, works and services to be acquired for the Project in the following 12 months; it includes quantities, estimated costs and the anticipated acquisition date;
- ii. The intervention plan, prepared by the PMU technical staff in coordination with the IPs which includes all project interventions to be implemented during the following 12 months;
- iii. The annual personnel plan prepared by the Admin & HR at PMU and RCUs, shows the core posts, temporary personnel and individual consultants to be engaged in the coming year. For each post or assignment, the anticipated dates and duration, the type of contract and the estimated cost are specified.

450. Each of these plans identifies the component and AWPB activity corresponding to the expenditure forecasted. Once they are approved by the Project Director, these plans are distributed to the finance and administrative team for implementation.

2. Expenditure Request and Authorization

451. All Project expenditures are initiated by a request prepared/signed by the requesting staff and indicating the nature of the expenditure and other relevant information, the amount, AWPB activity, and the transaction coding. Expenditure requests may take the form of a purchase requisition (for the procurement of goods, works or services), an activity request (for the organization of workshops, training or demos sessions, meetings, or other activities directly implemented by Project staff), a request for temporary assistance (for the engagement of temporary personnel or individual consultants), the monthly payroll statement (for the salaries of Project staff) or a travel authorization (for official missions).

452. Requests are first sent to the FM who verifies that (i) the expenditure is included in the appropriate annual plan and the AWPB and (ii) funds are available, before forwarding it to the Project Director for approval. The request is only approved by the Project Director if the relevance of the expenditure and the availability of funds have been established. Project funds cannot be committed unless the request has been signed by the FM and approved by the Project Director. Once the request is approved, the expenditure process is launched via a procurement action, an advance, a recruitment action or a travel authorization.

453. At the RCUs level, the requests (usually from technical staff) are sent to the B&F Coordinators who send it to PMU Finance section for signature of FM and approval of Project Director. No expenditure may be approved if it exceeds the amount budgeted, unless there is prior written approval from the Project Director.

3. Payment Request

454. Payment requests may take different forms, depending on the type of expenditure: it can be an invoice or progress payment request (for the procurement of goods, works or services), a fee payment request (for temporary personnel or individual consultant's services), an advance request (for workshops or meetings), or a travel expense claim (for official travel).

455. For invoices (or progress payment requests), suppliers/contractors are requested to attach a copy of the contract or purchase order and the delivery slip or statement of acceptance of work (or certificate of completion of work) when submitting an invoice for payment. After receiving invoices by the relevant section, invoices are sent to the Finance Manager who:

- i. Verifies the mathematical accuracy of the invoice;
- ii. Ensures that the “pack” is complete (invoice, purchase requisition, contract or purchase order, delivery slip/statement of acceptance of works/certificate of completion, etc.) and checks that the information is the same on all the supporting documents;
- iii. In the case of progress payment request for infrastructure, verifies that the contractor's request matches the approved measurement book maintained by the Project;
- iv. Ensures that the invoice was not previously paid (by checking in the Accounting Software and the contract monitoring form);
- v. Updates the contract monitoring form.

456. For fee payment requests, consultants are requested to attach their reports. The payment request is logged in by B&F Coordinator at the RCUs and sent to Finance Manager who:

- i. Verifies the mathematical accuracy of the request;
- ii. Prepares the payment pack (payment request, request for temporary assistance, contract, copy of report if applicable) and checks that the information is the same on all the documents;
- iii. Ensures acceptance of the report by the project, if applicable
- iv. Ensures that the fee payment request was not previously paid (by checking in Accounting Software).

457. For advance requests, the Finance Manager verifies that:

- v. The cash advance request is duly approved by the FM and the Project Director, and
- vi. All supporting documents are attached (approved TOR, activity request and budget).

458. For the travel claims, the FM verifies:

- i. The approval of the FM and the Project Director.
- ii. The completeness of supporting documents justifying the expenses claimed (including the travel authorization with proof of travel).
- iii. The accuracy of computation of mission costs by the traveler (compared to the travel authorization).

459. The above verifications are materialized on the transaction voucher used for inputting the payment in the accounting system. In case of an error or omission on any of the payment documents, the Finance Manager returns the document to the supplier, consultant or Project staff member for them to be corrected and re-issued. Once the verification is complete, the Finance Manager sends the payment request (invoice or fee payment request) to the originator of the expenditure (i.e. the requesting staff) for certification. The originator of the expenditure must sign the invoice or payment request to certify the goods have been delivered, works completed or services rendered in accordance with the contract or purchase order. Invoices must be marked "goods delivered" or "services rendered" followed by the date, to indicate that they have been certified for payment. All invoices or payment requests must also bear the Project Director's signature (for payment approval) before payment can be processed.

K. Accounting Procedures

1. Accounting Rules and Principles

460. The accounting method used for the KP-RETP is the cash basis of accounting; financial statements therefore only reflect cash receipts and cash disbursements. Consequently, fixed assets are expensed at the time of purchase. Financial commitments at the end of the year are shown as footnotes to the financial statements. The KP-RETP uses double-entry accounting, in accordance with generally accepted international accounting principles.

461. Generally accepted accounting principles are the foundation upon which the KP-RETP's financial information system is built and which (i) determine the methods of evaluation and recording of financial transactions and (ii) guarantee the quality of the financial statements. The main principles are:

- i. Consistency in accounting principles and methods used from one year to the next
- ii. Going concern (up to the Project completion date)
- iii. Matching revenues and expenses within the same fiscal year
- iv. Historical cost basis for recording financial transactions
- v. Non-offsetting of assets and liabilities or revenues and expenses
- vi. Conservatism, regularity and fairness of accounts and financial statements
- vii. Materiality (full disclosure of material information/data and omission of immaterial information/data in the financial statements).

462. The Project does not generate revenues; instead it receives subsidies from donors in order to finance its activities. Due to the nature of these activities, the Project must follow the principle of balance between expenses and subsidies. In order for the net result at the end of each fiscal year to be nil, a balance must be stricken between:

- Investment subsidies and expenditures (i.e. acquisition of capital assets), and
- Operating subsidies and expenditures (i.e. expenditures relating to Project activities).

463. Project accounts are maintained in Pakistan rupee (PKR); however, in order to facilitate financial monitoring on the part of IFAD, financial reports are also presented in USD or SDR. The Project fiscal year goes from July 1st to June 30th.

2. Accounting Software/Financial Information System

464. The Project shall use an accounting software for recording transactions in the financial, analytical and budgetary accounts, as well as for the production of various financial and accounting reports (accounting journals, trial balance, general ledger, etc.). A suitable accounting software shall be procured to help the project comply with the reporting requirements of IFAD while also meeting its financial management needs. At minimum, the accounting software needs to have following functionalities:

- i. General chart of accounts (for actual and budget transactions)
- ii. Analytical/cost accounting codes
- iii. Currencies used for Project's financial reporting (PKR, US dollars and SDR)
- iv. Journals (purchase, bank, direct payment, subsidiary ledgers, etc.)
- v. Suppliers
- vi. Other third parties (banks, government, etc.)
- vii. Balance sheet, income statement and statement of sources and uses of funds.

465. The software is used to input transactions in the accounts, to process transactions, to view movements, transactions coding and balances on the screen, to make inquiries, and to consult accounts and journals. The system also allows for reporting and printing journals, ledgers and trial balances using different criteria.

3. Recording of Transactions

466. KP-RETP financial transactions shall be recorded in the project accounts using the accounting software. The recording of transactions is completed in four steps:

- i. Preparation of a transaction voucher
- ii. Input of the transaction in the appropriate subsidiary ledger
- iii. Back-up of accounting records
- iv. Filing of accounting records.

4. Transaction Voucher (or bill form)

467. Accounts Officer at PMU/B&F Coordinators at RCU shall prepare the transaction voucher. The voucher must be backed up by a supporting document approved by the authorized officer. The supporting document can be an invoice, a progress payment request for works, fee payment request, advance request, travel expense claim, payroll statement, check or bank transfer, bank debit or credit advice, or an adjusting entry sheet. The transaction voucher serves two purposes

- i. It materializes the preliminary verifications carried out by on the supporting documents;
- ii. It serves as the support for inputting transactions into the accounting system.

468. The voucher number is obtained from the input screen, as entries are being input into the system. The numbering sequence used for the vouchers is therefore the same as the one generated automatically by the Accounting Software.

469. The following information is indicated on the voucher:

- i. Journal
- ii. Nature, date, description and amount of the transaction in PKR
- iii. Name of recipient (supplier, consultant, etc.)
- iv. Reference of the supporting document
- v. Amount of income tax and VAT
- vi. IFAD and GoKP share

- vii. Exchange rate
- viii. Coding for general accounts, analytical accounts, budgetary accounts and PC-1 code. The coding of transactions for general accounts, analytical accounts, budgetary accounts and PC-1 code are based on the Accounting Software's charts of accounts—which are consistent with the chart of account prescribed by the federal government. The AWPB activity, the district, the source of funding and the expense category are also indicated on the voucher.

470. At PMU level, once the voucher is filled out, it is signed by the Deputy Finance Manager, and verified and signed by the FM. In the case of a payment, the Project Director also approves the voucher. Similarly, at RCUs, B&F Coordinator prepares the vouchers and verified by the head of the RCU before being submitted to PD.

5. Input of Transactions

471. Transactions are input into Accounting Software using a “transaction entry” window. The journal entry number generated automatically by the system is noted on the voucher. Using the information on the voucher, the transaction type and date, source document code and reference, currency, account numbers and transaction amount are entered into the system by the Accounts Officer/B&F Coordinator for each transaction.

472. The inputting of transactions takes place on a daily basis for the vouchers that have been checked by the FM as the case may be and approved by the Project Director. Transactions entered into the system are directly posted into the Project's general ledger.

6. Backup of Accounting Records

473. Once posted, transactions can only be modified or deleted by inputting a correcting or adjusting entry in the system. At the end of each day, all the data input into the system is backed up automatically to the server. In addition, FM are responsible to backs up the accounting data on an external device at the end of each week; this weekly backup on external device is kept by the FM/PD. These backups allow for restoring of posted transactions in case of power failure, errors on the data or any other problem.

7. Filing of Accounting Records

474. The Accounts Officer at PMU is responsible for printing the journals and other accounting reports, and for filing all accounting records. The original accounting records are filed as a package composed of the voucher and the corresponding supporting documents. They are filed in chronological order by transaction type (one or more separate file(s) for each month). The accounting records are grouped on a monthly basis with a separate binder for each of the following transaction journals:

- i. Purchases
- ii. Payroll
- iii. Subsidies
- iv. Bank – Designated Account
- v. Bank – Project Account
- vi. Direct payment (if any)
- vii. Correcting/adjusting entries.

475. Reports may be printed as and when needed by the FM staff. Two complete sets of accounting reports are printed as part of the monthly and annual closing of accounts, after all transactions have been posted, verifications carried out and adjustments recorded (one for the FM and one for the files). These printouts are stamped with a stamp marked “Final” to indicate that this is the last version.

8. Monthly and Annual Closing of Accounts

476. KP-RETP accounts shall be verified at the end of each month and closed at the end of the fiscal year. The objective of the accounts verification and closing procedures is to provide the users of financial information with an accurate and reliable accounting and financial situation, as well as to meet the Project's legal obligations.

Because the monthly financial and accounting reports are for internal use only, the monthly verification exercise is more limited in scope than the annual closing of accounts.

9. Monthly Verification of Accounts

477. Project accounts are closed at the end of each month in order to provide the Finance Unit and Project Management with:

- i. A complete and accurate cash and disbursements situation, for proper monitoring;
- ii. Accurate and up-to-date accounting and financial data for the preparation of the monthly financial report, the quarterly IFRs and the withdrawal applications.

478. Monthly verification procedures are carried out by the FM during the first 10 days of the following month and include:

- i. Review and validation of financial reporting packages;
- ii. Posting of outstanding transactions;
- iii. Checking of accounting records against journals and payment documents (check stubs, bank transfers); to verify the completeness of transaction entry and the accuracy of transaction coding (for general, analytical and budgetary accounts);
- iv. Reconciliation of the IFAD status of funds statement with the Project accounts (for cumulative disbursements to date by expense category);
- v. Bank reconciliations;
- vi. Designated Account reconciliation;
- vii. Reconciliation of the financial commitments schedule (generated from Accounting Software) with the individual contract monitoring forms and the contract register; and
- viii. Physical inventory of supplies.

10. Annual Closing of Accounts

479. The main objective of the annual closing of accounts is the preparation of the year- end financial statements, in accordance with the financing agreement and national regulations. Annual closing procedures start at the beginning of June each year and must be completed prior to the end of August of the following fiscal year, so that year-end financial statements may be presented to the PSC and IFAD at the latest on 31st August.

480. The FM prepares an annual closing schedule and communicates it to all Project staff by 30th of June. This schedule lists the different steps of the closing process and indicates deadlines and responsible staff. It contains:

- i. Deadlines for carrying out certain tasks (processing of travel authorizations and travel expense claims, processing of purchase requisitions and requests for temporary assistance, payment of suppliers, etc.);
- ii. Instructions for the year-end inventories (fixed assets and supplies);
- iii. Instructions for the closing of accounts;
- iv. List of documents to obtain or prepare for the annual closing;
- v. List of documents to prepare for the external auditors; and
- vi. Deadlines for the production of reports, statements and other accounting and financial information.

481. The annual closing procedures are carried out by the FM, with assistance from RMPUs, as needed, and include:

- i. Collection and review of financial reporting packages;
- ii. Posting of outstanding transactions;
- iii. Checking of accounting records against journals and payment documents for the month of June;
- iv. Analysis and justification of balances for each general and auxiliary account (this procedure is preceded by the printing of ledgers and balances);

- v. Determination of estimates for accrual and deferral transactions (for inclusion in the footnotes to the financial statements);
- vi. Input of correcting and adjusting entries;
- vii. Reconciliation of the IFAD status of funds statement with the Project accounts (for cumulative disbursements to date) by expense category;
- viii. Bank reconciliation;
- ix. Designated Accounts reconciliation;
- x. Reconciliation of the financial commitments schedule (generated from Accounting Software) with the contract monitoring forms and the contract register;
- xi. Physical inventory of fixed assets; and
- xii. Physical inventory of supplies.

L. Maintenance of separate accounts and records

482. In terms of IFAD's General Conditions for Agricultural Finance: "The Project Parties shall maintain separate accounts and records in accordance with consistently maintained appropriate accounting practices adequate to reflect the operations, resources and expenditures related to the Project until the Financing Closing Date..."

483. In order to comply with the above requirement, PMU and other implementing agencies are required to maintain accounts. Such accounts and records may include:

Table 11: Types of Accounts required at PMU and IPs level

Type	Example
<i>Electronic information</i>	<ul style="list-style-type: none">• Data and information maintained within the accounting software• Other documents and files maintained electronically, either on desktops, laptops or removable storage devices
<i>Correspondence</i>	<ul style="list-style-type: none">• Emails• Hard copy correspondence (letters)
<i>Documents received from external sources</i>	<ul style="list-style-type: none">• Bank statements• Supplier documentation
<i>Internally generated information</i>	<ul style="list-style-type: none">• Employee files• Withdrawal applications• Forms

484. All documents and information are the property of the KP-RETP and may not be removed.

1. Filing and storage of the financial records

485. PMU and other implementing agencies are responsible for filing records. To fulfil this responsibility:

- i. Project parties should maintain files in a chronological order, assigning appropriate codes/sequential numbers;
- ii. Project parties should perform filing activities on a regular basis to prevent the accumulation of papers and to ensure that the financial records are always maintained in an up-to-date manner;
- iii. Project parties should allocate an appropriate storage area for the financial records in paper format and maintain them in locked cabinets, safe from water and fire, to which access is controlled and limited; and
- iv. Project parties should also classify the financial records as "Confidential", or "General".

2. Off-site archiving of financial records

486. The respective Financial Managers should ensure that the financial records are archived at an off-site location on a regularly basis. Once a year, the Financial Managers should make sure that the completed or

inactive files are archived in a manner that will allow for easy retrieval of the files in case they are required at some future date.

3. Electronic back-up procedures

487. Back-up of electronic information is an important function to be undertaken under instruction from the Financial Manager. It is required that:

- i. Daily: Electronic information at each Project office is backed up on the local server
- ii. Weekly: Electronic information is saved on an external storage device and kept in a locked cabinet

488. Project staff access to backup files are subject to authorisation by the Project director or Financial Manager. The access of external persons is prohibited except for the auditors and IFAD staff.

4. Retention period

489. Project parties are required to retain accounts and records for at least ten (10) years after Financial Close. The Financial Manager should ensure that all documents and records (electronic and paper) are handed over to GoKP at financial closure to ensure that records can be maintained for the 10-year period.

5. Fixed Asset Management

490. Fixed asset management is an important process that seeks to track fixed assets for the purposes of financial accounting and to ensure preventive maintenance, and theft deterrence. Adequate Fixed asset maintenance also increases the sustainability of the Project. There are three elements in fixed asset management that require the attention of the Financial Managers:

1. Purchase of equipment

- i. Setting up and maintaining an asset register including verification
- ii. Setting up a plan for disposal and/or handover of the asset once the Project is completed

2. Purchase of Equipment

491. The FM team should follow the following process for each fixed asset purchased:

- i. Assign a unique, sequential asset number (excluding minor items such as stationary).
- ii. Tag each item with its unique asset number.
- iii. Record the item of equipment in fixed asset register

3. Fixed Asset Register

492. The FM team must maintain a fixed asset register in the asset management module of the accounting software. The asset register should record the following information for each individual piece of equipment:

- i. Asset description
- ii. Asset number
- iii. Individual responsible for asset
- iv. Implementing agency responsible for purchase
- v. Source of funding of asset (IFAD, government etc.),
- vi. Location of the asset
- vii. Date of purchase
- viii. Cost of purchase and invoice number
- ix. Remarks regarding the condition of the asset

493. The FM shall ensure that the consolidated fixed asset register is maintained and updated regularly. Assets purchased for beneficiary use should be included in the fixed asset register if the assets remain under the ownership of the Project (therefore beneficiaries to return to Project at Project closure).

4. Asset Verification Review

494. Under the management of FM, the KP-RETP must conduct an annual asset verification process whereby the following checks are performed:

- i. Verify that all fixed assets are still held in the location recorded on the register;
- ii. Confirm the completeness and accuracy of the information recorded on the fixed asset register;
- iii. Check that equipment and vehicles are still in a reasonable state of repair and that remarks regarding the condition of the assets are correct as recorded in the fixed asset register;

495. The verification review must be performed by different staff from those who use the equipment, to ensure adequate segregation of duty. Discrepancies between the verification exercise and the fixed asset register should be investigated. Where assets are missing or seriously damaged, they should be removed from the asset register. The removal should be formally documented and approved by Financial Manager and Project Director. Moreover, the Financial Manager will undertake random verification of fixed assets during field visit.

6. Vehicle Maintenance and Fuel

496. Following general guidelines should be followed.

- i. Drivers are required to maintain waybills/itinerary lists and vehicle history records.
- ii. No cash shall be advanced to drivers for the purposes of refueling.
- iii. Each vehicle to have dedicated fuel card which indicate the vehicle registration number.
- iv. Each fuel card to have a set daily / monthly limit based on average consumption.
- v. Changes to the monthly limit is subject to approval by the Financial Manager (which will be approved base on approved trips).
- vi. The waybill shall indicate the reading of odometer at the beginning and end of the period, i.e. the mileage of the car, as well as fuel consumption. This process shall be checked by an accountant based on GPS system ("Teltonika FM 4200) in the data server of "Realcom" LLC, which is set in each vehicle of PMU. Using the device, one can track the route, stop time, kilometers traveled, etc. The data shall be entered into the accounting software which distributes fuel by projects, depending on whether one or the other trip was made on any project. *(Manual recording / monitoring at PMU is acceptable given limited number of vehicle*
- vii. Fuel stations shall provide a monthly summary report on fueling and invoice which the accountant shall compare to the fuel invoices attached to the waybill. Differences to be followed up/resolved.
- viii. Provision of fuel and lubricants shall be strictly limited per each vehicle per month in accordance with the order signed by the Management.

1. Vehicle insurance

497. The Financial Manager should ensure that all Project vehicles are comprehensively covered and that all drivers are noted on the insurance policy. Under no circumstance may uninsured drivers drive the vehicles. The insurance policies should be renewed annually or as stipulated in the policy. The safety of cars is the responsibility of the drivers assigned to the vehicles. Consequently, they must ensure that the vehicles are parked in a secure area when not in use or outside working hours.

2. Maintenance

498. The drivers are required to monitor the maintenance of their assigned vehicles. The drivers must notify the project administration of the vehicles' maintenance needs so that the cars can be serviced on a timely basis. The Administration shall seek the approval of PD for any major repair and maintenance of a project vehicle. The FM team would not make payment unless prior approval on estimates of such repair has been obtained as per approved procurement process and PD has accorded approval for the cost. Ideally, a service provider should be engaged for this purpose.

M. Internal Controls

1. General

499. PMU is subject to numerous internal controls stipulated in the provincial Rules of Business, Delegation of Financial Powers Rules, Procedures for the Assignment Account and Revolving Fund Account, KP PPRA Rules, Accounting Policies and Procedures (APPM) etc. Compliance with the established internal controls, however, remains “weak” as per independent audit reports and therefore the project needs to pay special attention to internal controls in its operations. Actions that can strengthen internal controls—based on government system and IFAD guidelines are summarized hereunder:

- i. Segregation of duties;
- ii. Authorization;
- iii. Reconciliation and checks
- iv. Restricted access; and
- v. Monitoring and Review

Internal Control Regime adopted by IFAD for its operations

IFAD requires that R/B to follow COSO Internal Control Framework in designing internal controls to achieve (a) operations; (b) reporting; and (c) compliance related objectives in project operations. The COSO Framework has five components of internal controls:

<u>Components</u>	<u>Requirements</u>
Control Environment	Competent project staff of high integrity—including project leadership, a sound organizational structure with clearly established job description and a strong culture of accountability.
Risk Assessment	A system of identifying, preventing, and rectifying problems to achieve results, ownership of processes and support from all key stakeholders.
Control Activities	Suitable policies and procedures included in PIM, compliance assessment to improve control environment, a robust accounting system including back-up of relevant data.
Information and Communication	Continuous horizontal and vertical flow of critical information for informed decision making, an active PSC providing direction and oversight, all line departments on board, IPs are alert to risks and PMU is closely managing information/communication processes
Monitoring	PMU has developed reporting template for continuous monitoring risks to the project and taking prompt remedial measures. Monitoring reports are shared with key stakeholders for their input/action.

Finance Manager/Senior Management is encouraged to review details at
https://www.ifad.org/elearning_cfs/04-New%20COSO%20Principles%20applied%20in%20IFAD%20DECEMBER%202015%20Final.pdf

2. Segregation of duties

500. An important element in any control system is the separation of those duties which would, if combined, enable one individual to record and process a complete transaction. It is the Finance Manager’s responsibility to ensure that the following duties are segregated under the project: preparation, authorization, execution, custody, recording and operation of systems

3. Authorization

501. Authorization controls require the certification that a transaction or event is acceptable for further processing. Several types of authorization are in effect at the project, mainly in the procurement cycle, payment cycle, and bank and cash management cycle including reconciliation. The FM team should ensure that the authorizations of PMU staff ensure efficient implementation while keeping the risk as low as possible. The authorization of project staff should be in line with their respective job descriptions.

4. Verification

502. Transactions and significant events are verified before and after processing, e.g. when goods are delivered, the number of goods supplied is verified with the number of goods ordered. Afterwards, the number of goods invoiced is verified with the number of goods received.

5. Reconciliation and checks

503. Reconciliations between independent, corresponding sources of data are a key control for identifying errors and discrepancies in balances. The FM section should perform the following reconciliations each month:

- i. Bank reconciliation
- ii. Reconciliation between system and special account receipts and payments statement
- iii. Any reconciliation or balancing amount should be promptly cleared. Unusual or long outstanding reconciling items must be brought to the attention of the financial officer. The financial officer will review and sign all reconciliations as evidence of his review.

504. In addition, physical checks should be performed on assets held and on petty cash—if maintained.

6. Reviews of operating performance

505. Operating performance is reviewed against a set of standards on a regular basis, assessing effectiveness and efficiency. If performance reviews determine that actual accomplishments do not meet established objectives or standards, the processes and activities established to achieve the objectives should be reviewed to determine.

506. All data, records and assets should be kept in a physically secure environment. This should cover safe keeping of finance records such as official order forms and bank details. In addition, any petty cash should be kept securely. Financial data and other records should also be protected in the form of back up procedures. All work should be regularly backed up and copy records stored securely off site.

7. Restricted access

507. All data, records and assets should be kept in a physically secure environment. This should cover safe keeping of finance records such as official order forms and bank details. In addition, any petty cash should be kept securely. Financial data and other records should also be protected in the form of back up procedures. All work should be regularly backed up and copy records stored securely off site.

8. Monitoring and review

508. As detailed in financial reporting section later, periodic financial reports must be prepared and submitted to IFAD. For the purposes of internal control, the same information should be prepared and monitored by the project Director on a monthly/quarterly basis. The reports should be prepared on a timely basis and should normally be available for distribution two weeks after the end of the reporting period to which they relate. The periodic reports should be reviewed by the FM, and PD as a minimum. Where necessary, corrective action should be taken to ensure the authorized budget and procurement plan are not breached.

509. Competent supervision helps to ensure that internal control objectives are achieved. This includes assigning, reviewing, and approving an employee's

9. Supervision

510. Competent supervision helps to ensure that internal control objectives are achieved. This includes assigning, reviewing, and approving an employee's work.

10. Information and technology related controls

511. Information and technology controls can be both general and related to applications. The major categories of general controls are (1) entity-wide security program planning and management, (2) access controls, (3) controls on the development, maintenance and change of the application software, (4) system

software controls, (5) segregation of duties, and (6) service continuity. Application controls are the structure, policies, and procedures that apply to separate, individual application systems, and are directly related to individual computerized applications. These controls are generally designed to prevent, detect, and correct errors and irregularities as information flows through information systems.

512. The KP-RETP will have independent arrangement for internal audit to strengthen internal controls within the project. A Chartered Accountant firm/Internal Audit Manager shall be engaged for this purpose. Details is provided in the relevant section of this manual.

Summary of Mandatory Checks

- i. Monthly bank reconciliation must be performed and record thereof maintained;
- ii. Budgetary controls must be ensured for each transaction at the PMU. Further on monthly basis, budget v/s actual report must be prepared by the FMS and shared with the PD and Project Steering Committee for continuous project oversight;
- iii. Fixed Asset Register shall be maintained. These assets shall be tagged and physically verified periodically by the admin section of the PMUs. Accuracy and completeness of the fixed assets register shall be verified independently periodically;
- iv. FM team shall maintain complete documentation for each category of expenditure and it shall also conduct periodic/random inspection of partner organizations' project record to ensure that project activities/expenditure are properly documented and factually reported. Specific documentation requirements for different partner organizations are provided in PIM.
- v. Internal Auditor shall review project transactions, processes, procedures, and performance at least semi-annually to provide assurance regarding the fiduciary controls, risk management and monitoring mechanisms in place;

11. Controls related to PFOs/FSCs

- i. MOUs signed with FPOs should clearly establish roles and responsibilities i.e. engagement of professional staff—especially FM official, registration under relevant laws, dedicated bank account, deposit of counterpart share etc.
- ii. Business plans should be based on solid evidence and drawn on prescribed template to create harmony across PFOs;
- iii. Provincial government should notify specific activities to be implemented by line departments under the project. PFOs/FSCs should be aware of this in their plans etc.
- iv. Release of funds should be in tranches—and subject to continuous fulfilment of criteria—as stipulated in MOUs;
- v. FM officials at PFOs should be capacitated to manage funds/accounts in line with the requirements of IFAD/PMUs
- vi. Transparent criteria should be used for lending funds to farmers which should include i.e. age group, social status, amount of each loan, recovery time etc.
- vii. Recovery of financing provided to farmers should be fully documented down to individual beneficiaries and linked with banking information;
- viii. Periodic progress reporting—covering technical as well financial aspects, by FPOs should be ensured. Standardized template should be used for this purpose to generate meaningful data—including disaggregated information on project beneficiaries. The PFOs/FSCs/Private Partners under 4Ps shall submit monthly, quarterly and annual reports on the format included in their respect contracts. The reporting date will be one week after the close of the period for which the report is due. Budget and Finance Coordinator—placed in each region, shall ensure these partner organizations understand and comply with the applicable reporting requirements;
- ix. Random inspections should be carried out by PMU/RCUss to ensure that what is reported by the partner organizations is credible;
- x. PMU/RCUs shall maintain complete record of their inspection for external review i.e external audit, IFAD missions etc.

12. Controls related to Private Partners under 4Ps Arrangements

- i. Conduct post qualification assessment to ensure these partners have technical, managerial, and financial management capacity to deliver against their contractual obligation;
- ii. Ensure monthly/quarterly and annual reporting against business/work plans on the prescribed formats included in contracts with these private partner organizations. The reporting date will be one week after the close of the period for which the report is due. Budget and Finance Coordinator—placed in each region, shall ensure these partner organizations understand and comply with the applicable reporting requirement;
- iii. Conduct periodic verification to ensure that the reporting by these partners is credible;
- iv. Assess randomly—from time to time, that these partners continuously comply with the technical, managerial, and FM requirements as per the terms of their engagements;
- v. Obtain certification/verification from the partners that taxes are being deducted from payments they are making to different beneficiaries, and proper documentation is being maintained of all transactions as required.
- vi. PMU/RCUs shall maintain complete record of their inspection for external review i.e external audit, IFAD missions etc.

13. Controls related to Service Providers (Trainings)

- i. Conduct post qualification before awarding contract to ensure that service providers have sufficient technical, administrative, and financial capacity for the required tasks;
- ii. Ensure training plans are agreed before any training is imparted;
- iii. Copies of such plans should be maintained in PMU and RCUs;
- iv. Ensure that selection of beneficiaries is subject to established criteria;
- v. Ensure that for each training, service provider shares both training schedule, training material (hard or soft copies as appropriate)
- vi. Conduct random inspection of training events—and cross-check whether trainees are the same that are indicated in the training schedule/plans and instructors are also the same that are required to deliver the training;
- vii. A training report for each major training—2-3 pages write-up coupled with annexes i.e. list of participants (CNIC, address, title and duration of training, certificate of completion for accredited courses issued by the training institute, pictures etc.
- viii. Ensure that the service provider is maintaining job placement data of each trainees—whether self-employed or hired as laborers with someone along with contact information for cross-check/verification as needed.
- ix. PMU/RCUs shall maintain complete record of their inspection for external review i.e external audit, IFAD missions etc.

513. The KP-RETP will have independent arrangement for internal audit to strengthen internal controls within the project. A Chartered Accountant firm/Internal Audit Manager shall be engaged for this purpose. Details is provided in the relevant section of this manual.

N. Financial Reporting

514. IFAD requires borrower/recipient to maintain accounting records that are adequate to reflect the operations, resources and expenditures related to the project up to the Financing/grant Closing Date. In addition, the borrower/recipient is required to deliver detailed financial reports on its operations, in accordance with standards and procedures that are acceptable to IFAD. Project accounting records and financial statements must be prepared in accordance with IPSAS-Cash Basis Accounting. This information should be specified in the notes to the audited financial statements²⁶.

²⁶ Details are available in the IFAD's Handbook for Financial Reporting and Auditing available at

1. Annual Project Financial Statements

515. IFAD requires the project to deliver unaudited project-specific financial statements annually, within four months of financial year-end, covering the duration of the implementation period. The Financial statements must contain all material and relevant information required to provide IFAD and other stakeholders with a full understanding of the project's activities and financial position. The reporting period will be a period of twelve months—starting from 1 July to 30 June coinciding with Pakistan's financial year. The content of the project's financial statements is prescribed under the applicable accounting standards used as the basis of preparation. IFAD also requires certain additional specific disclosures. A summary of the required content for project financial statements is given below:

- i. Comparison of budget and actual amounts;
- ii. Notes (a summary of significant accounting policies and other explanatory notes);
- iii. Statement of cash receipts and payments;
- iv. Fixed asset schedule;
- v. Withdrawal application statement;
- vi. Sources and uses of funds statement; and
- vii. Designated Account statement and reconciliation.

516. PMU will ensure that IFAD-specific disclosures referred to above are easily and clearly traceable. PMU will disclose the contribution of the Government's Counterpart Funds and the Beneficiaries Contribution (both in cash and in-kind) in the financial statements. The quantification of the contribution should be consistent with the policy agreed with IFAD and readily available for verification by external review i.e. IFAD, External Audit etc.

517. To provide guidance to the KP-RETP, sample financial statements that may be customized further for meaningful and effective financial reporting to IFAD have been attached as **Annexure-19** to this manual.

2. Interim Financial Reports

It is important for any project to monitor its financial performance continuously. IFAD emphasizes the need for such monitoring. The PMU needs to analyse significant variations between planned and actual spend, take remedial actions—where required and submit interim financial reports to IFAD. This practice needs to be established. Several IFAD's supervision missions recommended this action and require that Interim Financial Reports (IFRs) may be used to operationalize this practice. The aim of IFPRs is to answer the following questions regarding a reporting period: What expenditures were incurred, paid by which financing source, at what time, for what purposes and what was accomplished (output). As the ideal set of reports depends on the project's activities and the project risk profile, some supplementary reports might also be included to complete the set of reports. Generally speaking the reported expenditures in the IFPRs (totals and by financier) should match with those reported by the project to the government as well as other possible financiers. Usually, the template of the annual financial report (as briefly explained above) is sufficient for interim financial reporting as well. **Annexure-20** provides detailed guidance for Interim Financial Reporting.

The requirement of the KP-RETP submitting IFRs to IFAD need to be complied with. The project may discuss the format and narrative part of the report with IFAD.

3. Analytical Reviews

518. PMU, while finalizing financial statements, must carry out an analytical review to ensure that financial statements present a fair view of the financial health of the project. The external audit will also review these statements from this perspective. Analytical reviews will minimize the risk of errors and irregularities being reported in financial statements.

- i. Is the financial information consistent with the available record?
- ii. Is any expenditure unusual or ineligible? Does the PMU have any solid justification to explain such differences away? Has such justification been properly examined, agreed on with the relevant stakeholders, and fully documented for internal/external scrutiny?

- iii. Are there trends or comparisons that should be clarified? Is expenditure pattern broadly aligned with the activities envisaged in the AWPB?
- iv. Are reported expenditures within budget and consistent with the cost estimates?
- v. Are there significant computational errors and/or inconsistencies in the information presented
- vi. Are there any indications of fraud and corruption noted in the review?

519. PMU shall prepare monthly and quarterly financial reports to identify possible cost savings, detect possible misuse of project funds, and ensure that operating remains within agreed budget. The report is for internal consumption. The report will indicate expenditure incurred against budget during the month and the cumulative expenditure recorded till the end of the preceding month. Further, the expenditure by categories and by sources of funds shall be documented in the report. The report will also indicate balance of imprest funds and preparedness for next WA.

520. These reports should be linked with the AWPB to ascertain whether the activities are on track, if they are not, what needs to be done to make mid-course correction

O. Internal Audit

1. Responsibilities

521. The KP-RETP shall engage the services of a reputable chartered accountant for internal audit. The internal audit activity shall report to the Project Director, PMU. The internal audit function shall cover the following aspects of the project:

- i. Adequacy and effectiveness of financial, operational, and management controls against relevant risks;
- ii. Compliance with applicable laws, rules, and regulations;
- iii. Economy, efficiency and effectiveness in managing operations (VFM);
- iv. Safeguarding of organizational assets
- v. Suitability, accuracy, reliability, integrity of financial and other relevant information
- vi. Integrity of the process to establish adequate protection against errors, frauds, and losses of all kinds
- vii. Mitigating other fiduciary risks—especially ones arising from public procurement and corrupt practices
- viii. Supporting improvement in governance process at PSC's level through recommendations;

2. Process modalities

522. The Internal Audit function shall report to the Project Director directly and it shall be responsible for (i) planning, executing, and reporting on internal audit to PD/P&DD—covering FPOs, FSCs, and Service Providers and other partner organizations; (ii) facilitate implementation of audit recommendations—internal/external audits; and (iii) ensuring that the recommendations of IFAD Mission are fully complied with by the project. The TORs for the hiring of a chartered accountant (internal audit firm) have been included as an Annexure-18 to this manual.

523. PMU shall select the internal audit firm in accordance with IFAD's procurement guidelines. IFAD's No Objection to the TORs of the internal auditing firm shall be obtained before initiating the procurement process. The contract shall be initially for one-year subject to extension based on the performance of the firm and IFAD's No Objection.

P. External Audit

1. General considerations

524. As per the Constitution of Pakistan, the Auditor General of Pakistan (AGP)—which is the Supreme Audit Institution (SAI) of Pakistan, shall conduct audit of the project. An audit is required to confirm whether the financial statements provide a true and fair view in all material respects of the financial activities undertaken.

525. PMU shall prepare—and submit to the AGP the Annual Financial Statements (AFS within two (2) months of the close of a financial year for this purpose. Report of each Audit—along with the Management Letter shall be submitted to IFAD within six months of the close of financial year (by 31 December) to which the audit relates. PMU must maintain continuous liaison with the Director General Audit, KP to ensure that (a) the audit of project is included in the annual audit plan of the audit office; (b) audit is executed on time; (c) audit quality is acceptable to IFAD; and (d) audit report is shared with IFAD within the stipulated timeline i.e. by 31 December for the preceding financial years. Follow-up with the relevant FAO is also critical to ensure timely resolution of audit observations at Departmental Audit Committee (DAC)—to minimize the backlog of audit observations during the life of the project and mitigate the risk of audit observations converting into ineligible expenditure which would require to be refunded to IFAD.

526. The contractual agreements with service providers/private partners under 4P arrangements will include a provision for external audit of activities funded with IFAD funds. The service providers/private partners shall propose names of three reputable chartered accountant firms for this purpose out of which PMU shall select one against already notified criteria. The audit shall be conducted within three months of the close of financial year and audit report furnished to PMU within six months of closure of annual accounts. The maximum duration of contract with an auditing firm for this purpose shall be three year.

Key Source Document for External Auditing

The IFAD Handbook for Financial Reporting and Auditing of IFAD-financed Projects is available online for public use and dissemination. It is primarily intended as a guide for IFAD borrowers and recipients and other external stakeholders on operational aspects and requirements related to financial reporting and auditing of IFAD-funded projects. Tailored guidance is provided for investment projects and for grants, both those subject to the Policy for Grant Financing and those financed by supplementary funds. The finance team should use the guidelines in external auditing matters.

<https://www.ifad.org/documents/38711624/39421009/IFAD+Handbook+for+Financial+Re>

527. External audit of the KP-RETP shall be conducted by the Office of the Auditor-General of Pakistan (OAGP) that has constitutional mandate for external audit of all public sector entities. The OAGP conducts compliance, financial, and performance audits—following International Standards of Supreme Audit Institutions (ISSAIs) and its reports are laid before the Public Accounts Committees (PACs) at national and provincial levels. The external audits are, in general, carried out for following purposes:

- i. Provide an independent assurance of accountability;
- ii. Give credibility to the financial statements and other management reports;
- iii. Identify weaknesses in internal controls and financial systems;
- iv. Verify compliance with financing agreement provisions relating to financial matters; and
- v. Make recommendations for improvement.

528. A network of Field Audit Offices (FAOs) has been established for this purpose. The Office of Director General Audit, KPK is the FAO for the external audit of the KP-RETP.

529. PMU must maintain continuous liaison with the Director General Audit, KP to ensure that (a) the audit of project is included in the annual audit plan of the audit office; (b) audit is executed on time; (c) audit quality is acceptable to IFAD; and (d) audit report is shared with IFAD within the stipulated timeline i.e. by 31 December

for the preceding financial years. Follow-up with the relevant FAO is also critical to ensure timely resolution of audit observations at Departmental Audit Committee (DAC)—to minimize the backlog of audit observations during the life of the project and mitigate the risk of audit observations converting into ineligible expenditure which would require to be refunded to IFAD.

530. PMU is responsible for preparing the audit (financial statements, accounting reports and other necessary documents), providing adequate office space and other facilities, and assisting the auditors in the course of their mission. In addition to the preparation of year-end financial statements and other reports, getting ready for the annual external audit entails the following:

- i. Printing of all year-end accounting ledgers and reports;
- ii. Verifying that all vouchers and supporting documents exist;
- iii. Verifying that all accounting ledgers, accounting records and supporting documents are properly filed;
- iv. Preparing a complete file for the auditors (including financial statements and reports, accounting ledgers, individual account justifications, reconciliations, etc.);
- v. Ensuring that FPOs, FSCs and other partner organizations that use project funds have separate financial reports and statements detailing the utilization of project funds);and
- vi. Organizing all site visits, meetings and work sessions at the request of the auditors.

531. Sample project financial statements have been provided as Annexure-16 which may be refined for meaningful financial reporting as per the requirements of IFAD.

2. Types of audit opinion

532. The auditors are required to issue a report including the audited financial statements and expressing their opinion on the Project financial statements covering (i) the Project's compliance with national and IFAD rules and guidelines in the area of procurement and disbursement, and (ii) the project's compliance with financing agreement covenants. The external audit will examine SOEs, particularly the adequacy of the procedure used for preparing the SOEs, the eligibility of SOE expenditures, and the extent to which IFAD can rely on this disbursement method. Further, the external audit will examine the designated account statements and reconciliations, indicating whether the funds received and disbursements made are fairly presented in the statements.

533. While certifying project financial statements of a project, the DGA KPK can express either one of the following opinions:

- i. An unqualified opinion indicates the auditor's satisfaction in all material respects with the preparation of the financial statements, and with their consistency, adequacy, and compliance with regulations, statutory requirements and any additional requirements stated in the request for audit sent to the DGA (KPK) by PMU.
- ii. A qualified opinion reflects that the auditor has some reservations on specific areas and concludes that an unqualified opinion cannot be issued, but deems that the effect of any disagreement, uncertainty or limitation of scope of the audit does not require an adverse opinion or a disclaimer of opinion. PMU should urge the auditor to clearly state the financial effect of the qualification in the report.
- iii. An adverse opinion is issued when the effect of the disagreement is so pervasive and material to the reliability of the financial statements that the auditor concludes that a qualification of the report will be insufficient to disclose the misleading or incomplete nature of the financial statements.
- iv. A disclaimer of opinion is issued when the possible effect of an uncertainty or of a limitation on the scope of the auditor is so significant that the auditor is unable to express an opinion on the financial statements.

3. Key requirements in Management Letter

534. Audit reports should also include a Management Letter addressing the adequacy of the accounting and internal controls systems and more specifically:

- i. Commenting on the financial and accounting records, systems, procedures and controls that were examined during the course of the audit;
- ii. Identifying specific deficiencies and areas of weakness in systems and internal controls;
- iii. Bringing to the Borrower's and IFAD's attention any other matters that they consider significant and
- iv. Providing recommendations to improve the accounting and internal controls systems. If deemed necessary, the management letter may also provide:
- v. Comments on the economy, efficiency and effectiveness in the use of Project resources;
- vi. Comments on the achievement of planned Project results and communicating matters that have come to their attention during the audit which might have a significant impact on the implementation and sustainability of the Project;
- vii. Comments on the extent of compliance or non-compliance with the legal and financial obligations and commitments of the Project.

535. The management letter must also show evidence of the auditors' follow-up of recommendations issued during the previous year's audits.

536. As per the established practices, an audit report is finalized after discussion at Departmental Accounts Committee (DAC) level in which PMU gets an opportunity to clarify its stance in response to the findings and recommendations highlighted in the report. The recommendations made in the final audit report need to be implemented as next audits examine the implementation status of previous audit recommendations.

537. The final audit reports must be communicated to IFAD at the latest 6 months after the end of the fiscal year, i.e. before December 31st of the following year. The financing agreement and the General Conditions attached thereto specify IFAD's remedies in case of non-submission of the audit reports within the required timeframe, which may include the suspension of the Borrower right to request withdrawals from the loan/grant accounts.

538. IFAD's Financial Management Services Division conducts a detailed review of the audit report in order to assess the quality/reliability of the audited financial statements and audit reports, as well as the performance of the auditors. Within 60 days of receiving the audit report, IFAD informs the GoP of the results of this review. In the case of problems/irregularities arising from IFAD's review or from the audit report (e.g. qualified or adverse opinion, or disclaimer of opinion), IFAD communicates to the GoP an action plan detailing the remedial actions to be implemented, as well as the corresponding deadlines. The GoP is required to keep IFAD informed as to the progress of implementation of the action plan.

4. Audit Follow-up

539. Follow-up on audit recommendations usually assesses the adequacy, effectiveness and timeliness of actions taken by the project and those charged with governance on observations and recommendations given in audit reports. Audit reports generally include actions that seek to correct, prevent or improve the working of the auditee. Further, such actions indicate agreed timeframe for implementation. A weak follow-up is likely to render external audit ineffective because the systemic improvements emphasized in audit reports would not be implemented. This is the reason IFAD gives importance to these follow-ups.

540. IFAD requires the project to maintain an Audit Log on the format given in the table:

Table-12: Template for Audit Follow up

AUDIT LOG (TEMPLATE)					
Sr. No	Audit Observation	Total Amount of observation	Status	Total Amount not settled / outstanding	Remarks
Insert #	Reproduce Audit Observation from the External Audit Report	Indicate the value held under audit observation	What is the viewpoint of the project? What is the decision of the Departmental Accounts Committee (DAC) on the audit observation? Has it fully or partly settled the observation? In some cases, only a fraction of the amount held under audit observation is settled whereas the material fraction remains unsettled. In some cases, the observation may not have any amount attached but the nature of observation would be serious enough to warrant a DAC decision?	What is the amount settled/unsettled etc.	Is the action taken by the DAC/PMU appropriate in the circumstance and no further action is required? Or what else should happen?

541. PMU is required to be alert to the follow-up actions. This will require it to engage with the DGA (Quetta) and provincial P&DD to hold frequently DAC meetings. Rigorous follow-up is likely to improve internal control environment.

Q. Completion and Financing

542. The KP-RETP's completion date is set at (to be inserted later) and the closing date six months later, on (to be inserted later). One year before completion date, the Project must start reducing its activities, and concentrating on the setup and/or capacity building of the entities that will take charge of project activities after completion. On completion date, all activities under IFAD funding must be completed. Only expenditures relating to goods delivered, works completed, and services rendered on or before (to be inserted later) are eligible for reimbursement by IFAD. The FM and Procurement Specialist must therefore carefully and periodically review the procurement plan during the last implementation year, so that contracts that cannot be executed on time are cancelled as soon as possible.

543. On completion date, Project staff contracts must be terminated, except for key staff who are needed during the winding up period (i.e. the six months from Project completion to the closing of the financing). The key staff generally include the Project Director, the FM, the M&E Specialist, and the required support or outsourced staff (for example, one driver, one office helper and one guard).

544. The only expenditures authorized during the completion period are key staff salaries, operating costs, and expenses related to the preparation of the completion report and the final audit. In addition, during this 6-month period, the disbursements related to contracts fully executed prior to the completion date are authorized, provided they are eligible. The FM is responsible for preparing the related withdrawal applications, and must ensure that all eligible expenditures are claimed before closing date.

545. During the last project implementation year, the FM prepares an initial advance recovery plan and submits it to IFAD for no objection. The recovery of the initial advance by IFAD is triggered by one of the following two criteria, whichever comes earlier:

- i. The undisbursed balance in the loan account is twice the amount of the initial advance,
or
- ii. Six months before completion date (i.e.to be inserted later).

546. The recovery plan indicates, for each withdrawal application submitted until closing, the percentage that must be retained by IFAD to recover the initial advance, and the percentage that must be reimbursed to the Project in order to replenish the designated account. As the closing date approaches, certain WAs may need to be fully allocated to the recovery of the initial advance, therefore drawing no reimbursement to the designated account.

547. In the event that the initial advance is not fully recovered at closing date, the GoP must reimburse the unjustified balance of the advance to IFAD. Moreover, at closing date, IFAD cancels the undisbursed balance of the loan. IFAD closes the loan account once the following conditions are met:

- i. Full recovery of the initial advances (or reimbursement of any unjustified amount);
- ii. Confirmation by PMU of the final WA sent to IFAD (after verification that all eligible expenditures have been claimed); and
- iii. Submission of the completion report and the final audit report.

548. At closing date, PMU is required to conduct a final inventory of Project assets, including the detailed description, acquisition date and value, book value, and asset location. This inventory report is submitted to the P&DD, when the assets are transferred to the GoKP. Finally, all Project files and documents must be scanned / saved and properly archived in order to comply with the legal covenant to retain them for a period of 10 years after closing.

R. IFAD's Financial Management Support

1. Overview of IFAD support

549. IFAD's Financial Management Division (FMD) will remain involved with the project—from PDR stage to financial closure of the project to ensure that fiduciary requirements are met. The FMD periodically shall periodically field supervision missions for this purpose with the aim to:

- i. Assess the progress of project implementation;
- ii. Identify/anticipate problems or constraints in implementation; and
- iii. Propose solutions or corrective measures for improvement.

550. FMD's Finance Officer will establish ongoing contact with the Project, by liaising with the Financial Manager of PMU and will be available to provide remote support on financial management matters. In addition, FMD will visit the project during missions to the Project (represented by either the Finance Officer or an appointed consultant). Mission types include supervision missions, mid-term reviews and implementation support missions. During missions, FMD will assess and monitor the adequacy of project's financial management arrangements such as accounting, budgeting, internal controls, flow of funds, financial reporting and the auditing practices.

551. If the project's financial management arrangements are deemed acceptable, IFAD will rely on them to provide assurance that the financing proceeds are being used for the intended purposes. In cases where IFAD identifies weaknesses in the financial arrangements, it will require the project to take remedial measures to mitigate fiduciary risks.

552. The key findings and recommendations of missions will be captured in the Aid Memoire which is shared with the P&DD. The Aid Memoire includes an overview of issues identified and actions that need to be taken by the project/IFAD to enable the project to achieve its intended objectives.

2. Roles and responsibilities related to IFAD support

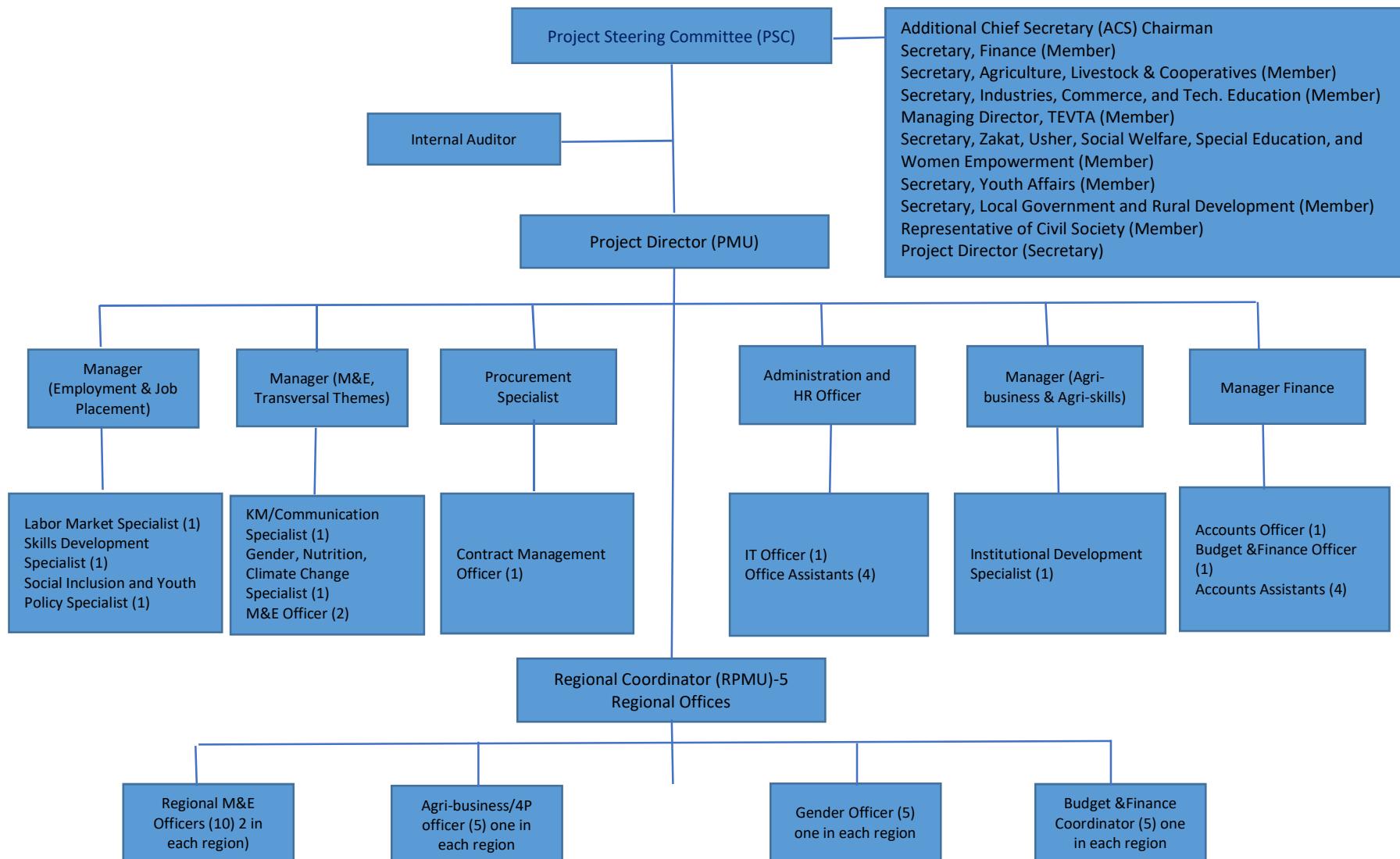
553. PMU will be required to participate in IFAD missions as follow:

Stage	Project roles and responsibilities
<i>Before IFAD missions</i>	<ul style="list-style-type: none"> • Prepare Appendix 1 and submit to the FO/Consultant in electronic format (Excel Workbook, including formulae) <u>before</u> commencement of the mission – the FO/Consultant will specify the date range to be covered within Appendix 1. • Each project party (PMU, SPMUs and other implementing agencies) to complete the Financial Management Assessment Questionnaire (FMAQ) and submit to the FO/Consultant in electronic format (FO to provide most recent template). • Prepare all other information as requested by FO/Consultant before commencement of the mission.
<i>During IFAD missions</i>	<ul style="list-style-type: none"> • Provide the FO/Consultant with all information which was requested before the mission. • Arrange meeting with the auditors (internal and external) and any other selected party requested by the mission. • Ensure that all FM staff are available to assist the FO/Consultant in performing their duties which may include: <ul style="list-style-type: none"> ○ Review of financial reports, reconciliations ○ Physical verification of fixed assets and inventory ○ Meeting with the auditor ○ Reviewing and completing the FMAQ • Discuss identified FM weaknesses and risks and assist the FO/Consultant with developing appropriate actions for inclusion in the aide memoire.
<i>After IFAD missions</i>	<ul style="list-style-type: none"> • Respond to any wrap-queries from the FO/Consultant • Commence with implementing all actions which are included in the Aide Memoire • Update the Action Tracker (see illustration in 21.11) with all actions raised during the missions.
<i>Ongoing</i>	<ul style="list-style-type: none"> • Monitor and update the Action Tracker to ensure all actions are implemented in a timely manner. Liaise with the Financial Manager if required. • Respond to ad-hoc queries received from the Financial Manager or other IFAD staff as it related to FM matters.

554. The PMU is required to do proper preparation for the mission to make this more meaningful since the mission lasts for around two weeks. The PMU should prepare financial tables and compliance status vis-à-vis agreed loan covenants. IFAD has also prescribed templates for this purpose which are attached as **Annexure 22** and **Annexure 23** to this manual.

ANNEXURES

Annexure-1: Organizational Chart Job Description of Key Positions



Note: Some lower staff/ministerial positions are not reflected in the organizational chart. For details, please consult the Cost Tab that provide complete information on the staffing etc. TORs for key positions have been indicated hereunder where for the remaining positions, the TORs will be finalized once PC-1 is approved.

TORs: Project Director, PMU

Assignment Details	
Assignment Title	Project Director, PMU
Geographic Coverage	Whole province
Project	Rural Economic Transformation Project, Khyber Pakhtunkhwa (KP-RETP)
Project Office	Project Management Unit, Peshawar
Duration	Project life
Expected Start Date	To be inserted later
Expected End Date	To be inserted later
Location	Peshawar
Introduction to Assignment	
<p>The International Fund for Agriculture Development (IFAD) is financing the USD 185 million Rural Economic Transformation Project, Khyber Pakhtunkhwa (KP-RETP). The development objective is improved rural income and employment through high value agriculture in a sustainable and climate-resilient manner. The project has three components: (1) Agribusiness Development, through Professional Farmers Organizations (PFOs), Public-Private-Producer Partnerships (4P) Development, Farm Service Centres (FSCs) , Support to Agriculture Department, (2) Skills and Employment Promotion (Skills Development, start-up capital; Public –Private internship programme, support to TEVTA), (3) Programme Management and Policy Support.</p>	
<p>The project will cover all 35 districts of the province and will be managed through a provincial project management unit (PMU) at Peshawar and 5 regional offices to allow for coverage of all agro-ecological zones.</p>	
<p>Scope of Work:</p> <p>The Project Director will be responsible for the overall management and coordination of the programme activities as well as the programme implementation in accordance with the provision of financing agreement and project design. The PD will act as the principal accounting officer (PAO) for the Programme and report to the Programme Steering Committee (PSC), which is chaired by the Additional Chief Secretary, KP.</p>	
<p>Role and responsibilities:</p> <ul style="list-style-type: none"> i. Ensure that all resources are made available for the timely and smooth implementation of the project activities as per the project design and scope of the financing agreement(s); ii. Be responsible for the appropriately capacitating of PMU/RCUs including necessary recruitment, account(s) opening and operation and management of PMU in an effective and efficient manner; iii. Establishment of sound management, supervision and monitoring system(s) within the programme for planning, coordination, reporting, financial management, M&E and troubleshooting in line with financial agreement(s) and programme documents; iv. Develop an effective stakeholders' and media management and develop and operationalize communication strategy for the programme and efficient dissemination of all programme purpose and activates within and outside programme area; v. Be responsible for the overall management of the programme and of the PMU and RCUs staff and activities undertaken by implementing partners; vi. Lead the preparation of the annual work plan and budget (AWPB) and associated procurement plan and ensure its timely submission to relevant fora and seek necessary approvals; vii. Ensure the effective and efficient utilization of programme funds and other resources according to the 	

- viii. AWPB and procurement plan through supervision and monitoring;
- ix. Ensure that progress, audit and other reports are produced and submitted to the appropriate parties on a timely basis;
- ix. Ensure effective targeting of the poor and vulnerable in target villages/valleys and main streaming of gender, youth and indigenous people in the programme, achievement of gender impacts as planned, and identifying and managing any gender, youth and indigenous people related risks;
- x. Ensure the timely dissemination of programme experience and results to relevant stakeholders within the learning community;
- xi. Ensure effective linkages, liaison and networking with other implementation partners and service providers either working in the programme area or potentially concern with programme activities and with other relevant interventions;
- xii. Establish effective fora for public-private sector interaction and promotion of private sector linkages with the provincial, district and regional/valley/cluster levels or any other beneficiary group representing the programme at relevant events and meetings;
- xiii. Implement the decisions of the PSC and recommendation of the IFAD missions; and
- xiv. Perform any other duty relevant to the programme as may be assigned by the PSC and IFAD.

Qualification, Skills and Experience Required.

555. A civil servant of at least BPS-19, from Pakistan Administrative Services/Provincial Management Services. Master level educational attainment in social or management sciences; MBA, economics, development studies, public administration or any other related discipline, at least 15 years' experience at similar level, having managed donor funded project(s) involving policy reform, value chain development, labor market/employment generation, strong communication, team building and management skills; and sound understanding of the context of KP, customary practices, policy environment and economic dynamics.

556.

TORs: Regional Coordinator, PPMU (five positions)

Assignment Details	
Assignment Title	Regional Coordinator, PPMU
Geographic Coverage	KP-RETP Project
Project	Rural Economic Transformation Project, Khyber Pakhtunkhwa (KP-RETP)
Project Office	Project Management Unit, Peshawar
Duration	Project life
Expected Start Date	To be inserted later
Expected End Date	To be inserted later
Location	Peshawar
Introduction to Assignment	
<p>The International Fund for Agriculture Development (IFAD) is financing the USD 185 million Rural Economic Transformation Project, Khyber Pakhtunkhwa (KP-RETP). The development objective is improved rural income and employment through high value agriculture in a sustainable and climate-resilient manner. The project has three components: (1) Agribusiness Development, through Professional Farmers Organizations (PFOs), Public-Private-Producer Partnerships (4P) Development, Farm Service Centres (FSCs) , Support to Agriculture Department, (2) Skills and Employment Promotion (Skills Development, start-up capital; Public –Private internship programme, support to TEVTA), (3) Programme Management and Policy Support. The project will cover all 35 districts of the province and will be managed through a provincial project management unit (PMU) at Peshawar and five (5) regional offices to allow for coverage of all agro-ecological zones.</p>	
<p>Scope of Work:</p> <p>The Project Director will be responsible for the overall management and coordination of the programme activities as well as the programme implementation in accordance with the provision of financing agreement and project design. The PD will act as the principal accounting officer (PAO) for the Programme and report to the Programme Steering Committee (PSC), which is chaired by the Additional Chief Secretary, KP.</p>	
<p>Role and responsibilities:</p> <ul style="list-style-type: none"> 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 |

Qualification, Skills and Experience Required.

557. A civil servant of at least BPS-19, from Pakistan Administrative Services/Provincial Management Services. Master level educational attainment in social or management sciences; MBA, economics, development studies, public administration or any other related discipline, at least 10 years' experience at similar level, having managed donor funded project(s) involving policy reform, value chain development, labor market/employment generation, strong communication, team building and management skills; and sound understanding of the context of KP, customary practices, policy environment and economic dynamics.

TORs: Finance Manager, PMU

Assignment Details	
Assignment Title	Finance Manager, PMU
Geographic Coverage	Whole province
Project	Rural Economic Transformation Project, Khyber Pakhtunkhwa (KP-RETP)
Project Office	Project Management Unit, Peshawar
Duration	Project life
Expected Start Date	To be inserted later
Expected End Date	To be inserted later
Location	Peshawar
Introduction to Assignment	
<p>The International Fund for Agriculture Development (IFAD) is financing the USD 185 million Rural Economic Transformation Project, Khyber Pakhtunkhwa (KP-RETP). The development objective is improved rural income and employment through high value agriculture in a sustainable and climate-resilient manner. The project has three components: (1) Agribusiness Development, through Professional Farmers Organizations (PFOs), Public-Private-Producer Partnerships (4P) Development, Farm Service Centres (FSCs) , Support to Agriculture Department, (2) Skills and Employment Promotion (Skills Development, start-up capital; Public –Private internship programme, support to TEVTA), (3) Programme Management and Policy Support. The project will cover all 35 districts of the province and will be managed through a provincial project management unit (PMU) at Peshawar and five (5) regional offices to allow for coverage of all agro-ecological zones.</p>	
Scope of Work:	
<p>The FM shall be responsible for overall financial management and reporting. The FM shall liaise with IFAD on all aspects of project's financial management, lead capacity building activities in the area of financial management under the project to capacitate accounting staff within PMU and other partner organizations to comply with guidelines and policies and procedures, keep PD updated on latest developments and issues in project's financial management and provide suggestion to the best possible option, maintain liaison with IFAD in managing the assignment account, and participate in Project Steering Committee meetings and activities; assist/advise the PD in all financial matters as and when required. Key responsibilities are briefly described below:</p>	
Role and responsibilities:	
<p style="text-align: center;">Budgeting and Planning</p> <ul style="list-style-type: none"> vi. Assist the PD in preparation of AWPB and facilitate in the approval of AWPB from Project Steering Committee. vii. Prepare report on monthly financial progress of the project for the attention of the PD and further discussions. viii. Prepare annual, quarterly and semi-annually disbursement forecasts for all components of the project/s in line with project's procurement plan and Work Plan/Cash Plan. <p style="text-align: center;">Funds Management</p> <ul style="list-style-type: none"> ix. Ensure timely releases of counterpart funds from provincial government. x. Liaison with P&D, line departments, Provincial Accountant General (AG) in connection with budget, releases, disbursement and other issues of financial management. xi. Prepare realistic cash forecasts on quarterly basis in coordination with the project team/implementing partners. 	

- | | |
|---|---|
| xii. | Engage with IFAD for release of funds and maintenance of sufficient liquidity for project implementation. |
| xiii. | Prepare and process withdrawal application in accordance with IFAD's Disbursement Guidelines for drawing funds from the assignment account(s). |
| xiv. | Track funds and follow up with National Bank of Pakistan and IFAD to ensure timely credit of funds into the project's assignment account(s). |
| Internal Controls | |
| xv. | Perform internal control assessment in view of the systemic weaknesses as reported from time to time in the supervision missions/audits/periodic inspections by PMU and take remedial actions |
| xvi. | Take measures to strengthen internal controls system as per IFAD's guidelines stipulated in this document; |
| xvii. | Assess the need of other monitoring controls, such as internal audit and suggest it to the management accordingly. |
| Expenditure/Payment Processing | |
| xviii. | Ensure compliance with internal control framework—including applicable government rules and procedures while processing payments. |
| xix. | Analyze, plan, design, implement, and monitor a system to augment internal controls in line with best practices in the process of payment and expenditure management. |
| xx. | Apply pre-audit checks on all payments before payment from the assignment account(s) including budget availability, sanction of competent authority and compliance with applicable financial rules & regulations. |
| xxi. | Ensure that IFAD's No Objection Letter (NOL) is obtained for every prior review activity before processing any payment. |
| xxii. | Prepare request for payment and forward to PD for approval after fulfilling all codal formalities. |
| xxiii. | Ensure that only eligible payments are forwarded Coordinator's approval and drawing funds from the assignment account. |
| xxiv. | Manage financial aspects of the contracts under implementation, including payment terms, purchase orders and variation orders. |
| Accounting and Record Management | |
| xxv. | Record all transactions timely and accurately in the books of accounts and ensure that no expenditure remained unaccounted. |
| xxvi. | Maintain accounts on cash basis as per government accounting procedure i.e. New Accounting Model. |
| xxvii. | Ensure up-to-date maintenance of adequate registers, books of accounts and records in appropriate order and format to meet the government and IFAD's requirements and to facilitate classification and analyzing the financial information for monitoring the project progress. |
| xxviii. | Prepare supplementary record, which provides timely and up-to-date financial information of contracts. |
| xxix. | Maintain imprest /petty cash account (where applicable) and ensure maintenance of separate petty cash book and petty cash vouchers in compliance with approved procedures. |
| xxx. | Prepare monthly bank reconciliation statements of assignment accounts. |

- | | |
|----------|--|
| xxxii. | Reconcile the expenditure on government prescribed format with the office of Accountant General KP on monthly basis. |
| xxxiii. | Be the payroll manager and process monthly payroll of project employees. Ensure proper payroll controls are applied and the payments are made directly in the Bank accounts. |
| xxxiv. | Prepare and process monthly project payroll and submit to PD for approval prior to making any payment under salaries. |
| xxxv. | Ensure that the fixed assets and inventory records are maintained for the project identifying location and user of each asset/inventory and arrange for the annual and periodical inventory of the assets/consumables. |
| xxxvi. | Ensure safe custody of all financial records for review by IFAD Missions, third party monitoring agents; and external & internal auditors. |
| | Financial Reporting |
| xxxvii. | Prepare quarterly financial reports and submit to PD and Bank in a timely fashion for review and approval. |
| xxxviii. | Ensure that annual financial statements and other reports as specified under the Financing Agreements and as per recommended/suggested by supervision missions are accurately prepared and timely submitted – annual financial statements to be prepared in accordance with Cash Basis IPSAS ‘ Financial Reporting under Cash Basis of Accounting’. |
| xxxix. | Prepare Annual financial statements of the three project/program and submit for review and approval to PD. |
| | Audit |
| xl. | Make arrangements for timely initiation and completion audit of project and ensure that report produced is in compliance with audit requirements of the Government and IFAD. |
| xli. | Ensure that the project is adequately reflected in audit plan of Auditor General of Pakistan and that audit is periodically conducted. |
| xlii. | Cooperating with IFAD, Government, and other partners to improve project financial management, particularly in terms of following up the action points agreed in the project legal documents, during the IFAD supervision missions, Aide Memoires and the recommendations of external auditors and internal auditors. |
| xliii. | Attend entry and exit meetings with external auditors, facilitate timely completion of audits by arranging timely submission of annual financial statement in appropriate format, supply of information and documents responding to queries, initiate actions for holding tripartite meetings and coordinating with relevant project entities in settling audit paras. |
| xliv. | Prepare working papers on audit observations raised by external auditors and arrange to convene Departmental Accounts Committee (DAC) meeting to settle the audit observations to the extent legally and logically possible. |
| xlv. | Establishment of systems for planning, coordination, reporting, financial management, M&E and trouble-shooting at the district level. |

- xlvi. Be responsible for the overall management and coordination of the Programme activities in the district and of the RCU staff.
- xlvii. Preparation of the divisional annual work plan and budget (AWPB) and associated Procurement Plan;
- xlviii. Ensure the effective utilization of Programme funds and other resources according to the AWPB through supervision and monitoring;
- xlix. Ensure mainstreaming of gender in the Programme, achievement of gender impacts as planned, and identifying and managing any gender-related risks;
 - I. Ensure the timely dissemination of Programme experience and results to relevant stakeholders within the learning community;
 - II. 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;
 - III. 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.
 - IV. Represent the Programme at relevant functions and meetings.
 - IV. Perform any other duty relevant to the Programme as may be assigned by the PC

Qualification, Skills and Experience Required.

Master level educational attainment in finance, MBA, ACCA, CA (preferred) or any other related discipline, minimum 10 years' experience at similar level, having managed donor funded project(s), familiarity with Government financial regulations and IFAD financial management guidelines, and sound understanding of the community procurement and financial management of community driven sub-projects implementation .

558.

TORs: Budget and Finance Officer, PMU

Assignment Details	
Assignment Title	Budget and Finance Officer, PMU
Geographic Coverage	Whole province
Project	Rural Economic Transformation Project, Khyber Pakhtunkhwa (KP-RETP)
Project Office	Project Management Unit, Peshawar
Duration	Project life
Expected Start Date	To be inserted later
Expected End Date	To be inserted later
Location	Peshawar

Introduction to Assignment

The International Fund for Agriculture Development (IFAD) is financing the USD 185 million Rural Economic Transformation Project, Khyber Pakhtunkhwa (KP-RETP). The development objective is improved rural income and employment through high value agriculture in a sustainable and climate-resilient manner. The project has three components: (1) Agribusiness Development, through Professional Farmers Organizations (PFOs), Public-Private-Producer Partnerships (4P) Development, Farm Service Centres (FSCs) , Support to Agriculture Department, (2) Skills and Employment Promotion (Skills Development, start-up capital; Public –Private internship programme, support to TEVTA), (3) Programme Management and Policy Support. The project will cover all 35 districts of the province and will be managed through a provincial project management unit (PMU) at Peshawar and five (5) regional offices to allow for coverage of all agro-ecological zones.

Scope of Work:

The FM shall be responsible for overall financial management and reporting. The FM shall liaise with IFAD on all aspects of project's financial management, lead capacity building activities in the area of financial management under the project to capacitate accounting staff within PMU and other partner organizations to comply with guidelines and policies and procedures, keep PD updated on latest developments and issues in project's financial management and provide suggestion to the best possible option, maintain liaison with IFAD in managing the assignment account, and participate in Project Steering Committee meetings and activities; assist/advise the PD in all financial matters as and when required. Key responsibilities are briefly described below:

Role and responsibilities:

- xii. Support Finance Manager in preparing annual work planning and budgeting;
- xiii. Facilitate FM in engaging with P&D to include budget in the Annual Development Plan (ADP) as per rules;
- xiv. Upload budget on Financial Management Information System, and prepare monthly monitoring reports comparing actual expenditure against the budget. Highlight weak performing areas for management intervention;
- xv. Prepare cash forecasts on quarterly basis in coordination with the project team and submit to IFAD for advance/replenishment of advance.
- xvi. Prepare and process withdrawal application in accordance with IFAD's Disbursement Guidelines
- xvii. Prepare disbursement reports—and ensuring that sufficient funds are available in the Assignment Accounts all the time.
- xviii. Prepare annual financial statements as per Cash Basis IPSAS and submit to the Auditors within two months of the close of the financial year.

- | | |
|-------|---|
| xix. | Prepare periodic financial reports specified in the Loan Covenants. |
| xx. | Prepare Quarterly Financial Summaries (budget vs actual) to support oversight over use of funds |
| xxi. | Track funds and follow up with National Bank of Pakistan and the World Bank to ensure timely credit of funds into the projects' assignment account. |
| xxii. | Loan Covenants Monitoring |

Qualification, Skills and Experience Required.

Master level educational attainment in finance, MBA, ACCA, CA (preferred) or any other related discipline, minimum 5 years' experience at similar level, having managed donor funded project(s), familiarity with Government financial regulations and IFAD financial management guidelines, and sound understanding of the community procurement and financial management of community driven sub-projects implementation .

559.

TORs: Budget and Finance Coordinator (5 Position—one each at RCU)

Assignment Details	
Assignment Title	Budget and Finance Officer, RCU
Geographic Coverage	Assigned Region (to be inserted at the time of appointment)
Project	Rural Economic Transformation Project, Khyber Pakhtunkhwa (KP-RETP)
Project Office	Project Management Unit, Peshawar
Duration	Project life
Expected Start Date	To be inserted later
Expected End Date	To be inserted later
Location	Peshawar
Introduction to Assignment	
<p>The International Fund for Agriculture Development (IFAD) is financing the USD 185 million Rural Economic Transformation Project, Khyber Pakhtunkhwa (KP-RETP). The development objective is improved rural income and employment through high value agriculture in a sustainable and climate-resilient manner. The project has three components: (1) Agribusiness Development, through Professional Farmers Organizations (PFOs), Public-Private-Producer Partnerships (4P) Development, Farm Service Centres (FSCs), Support to Agriculture Department, (2) Skills and Employment Promotion (Skills Development, start-up capital; Public –Private internship programme, support to TEVTA), (3) Programme Management and Policy Support. The project will cover all 35 districts of the province and will be managed through a provincial project management unit (PMU) at Peshawar and five (5) regional offices to allow for coverage of all agro-ecological zones.</p>	
Scope of Work:	
<p>The Budget and Finance (B&F) Coordinator shall be responsible for overall coordination and oversight of BPMs/SPs, PFOs, FSCs, Partners under 4Ps, etc. to ensure that transparency, accountability, and compliance requirements set out in the Financing Agreement and relevant rules and regulations of the provincial government are met by different actors involved in project implementation in the region. The position will report to the FM in the PMU though it would provide general and technical support to the Regional Coordinator in ensuring compliance with applicable compliance requirements as stipulated in the MOUs/contractual agreements with BPMs/SPs/PFOs/FSCs/4P partners etc. The project's effectiveness in terms of compliance and results delivery largely depends on the work of B&F Coordinators.</p>	
Role and responsibilities:	
<ul style="list-style-type: none"> i. Facilitate PFOs/FSCs in signing MOUs with PMU for project implementation ii. Facilitate PFOs in selecting HR for professional management—including FM staff based on the criteria established by PMU iii. Organize training for the staff at PFOs/FSCs focusing on core compliance/reporting requirements iv. Facilitate PFOs in the opening of account, and the maintaining of up-to-date books of accounts as specified in the MOUs. v. Facilitate PFOs in mobilizing farmers' share to implement business plans vi. Support PFOs in collect funds from members to meet the requirements of MOUs. vii. Conduct due diligence/post qualification assessment of private partners selected for 4Ps arrangements based on the guidelines established for this purpose. viii. Promote basic FM/economics literacy among farmers involved in project implementation. ix. Maintain liaison with service providers to ensure they are complying with internal controls/compliance requirements (set out in this manual later) stipulated in PMU's contract agreements with them. 	

- x. Facilitate PFOs/others involved in microfinancing process in complying with the criteria of age group, social status, amount of each loan, recovery time etc.in the process;
- xi. Facilitate PFOs/others involved in microfinancing in robust documentation of the microfinance operations etc.
- xii. Submit monthly report to PMU on issues and challenges as well as possible practical solutions to move forward.
- xiii. The Finance Manager will distribute work between the B&F Officer, Accounts Officer, and B&F Coordinators based in RCUs following the principles of internal controls outlined in the relevant section of the manual to get the best value out of them.

Qualification, Skills and Experience Required.

Master level educational attainment in finance, MBA, ACCA, CA (preferred) or any other related discipline, minimum 5 years' experience at similar level, having managed donor funded project(s), familiarity with Government financial regulations and IFAD financial management guidelines, and sound understanding of the community procurement and financial management of community driven sub-projects implementation .

TORs: Accounts Officer, PMU

Assignment Details	
Assignment Title	Accounts Officer, PMU
Geographic Coverage	Whole of province
Project	Rural Economic Transformation Project, Khyber Pakhtunkhwa (KP-RETP)
Project Office	Project Management Unit, Peshawar
Duration	Project life
Expected Start Date	To be inserted later
Expected End Date	To be inserted later
Location	Peshawar
Introduction to Assignment	
<p>The International Fund for Agriculture Development (IFAD) is financing the USD 185 million Rural Employment and Agribusiness Promotion, Khyber Pakhtunkhwa (KP-RETP). The development objective is improved rural income and employment through high value agriculture in a sustainable and climate-resilient manner. The project has three components: (1) Agribusiness Development, through Professional Farmers Organizations (PFOs), Public-Private-Producer Partnerships (4P) Development, Farm Service Centres (FSCs) , Support to Agriculture Department, (2) Skills and Employment Promotion (Skills Development, start-up capital; Public –Private internship programme, support to TEVTA), (3) Programme Management and Policy Support. The project will cover all 35 districts of the province and will be managed through a provincial project management unit (PMU) at Peshawar and five (5) regional offices to allow for coverage of all agro-ecological zones.</p>	
Scope of Work:	
<p>The Accounts Officer shall report to FM and be responsible for accounting function—using accounting software. The position shall ensure transparency, accountability, and compliance in recording and reporting of project transactions.</p>	
Role and responsibilities:	
<ul style="list-style-type: none"> xiv. Ensure compliance with internal control framework (Operations Manual, Financial Management Manual, SOPs and IFAD's fiduciary guidelines etc.) and government rules and procedures while processing payments. xv. Analyze, plan, design, implement, and monitor a system to augment internal controls in line with best practices in the process of payment and expenditure management. xvi. Apply pre-audit checks on all payments before payment from the assignment account(s) including budget availability, sanction of competent authority and compliance with applicable financial rules & regulations. xvii. Ensure that No Objection is obtained from IFAD for every prior review activity before processing any payment. xviii. Ensure that only eligible payments are submitted to FM for seeking PD's approval and drawing funds from the assignment account. xix. Manage financial aspects of the contracts under implementation, including payment terms, purchase orders and variation orders. xx. Record all transactions timely and accurately in the books of accounts (both in Pak Rupees and US\$) and ensure that no expenditure remained unaccounted. xxi. Maintain accounts on cash basis as per government accounting procedure; 	

xxii.	Maintain up-to-date maintenance of adequate registers, books of accounts and records in appropriate order and format to meet the government and donors' requirements and to facilitate classification and analyzing the financial information for monitoring the projects progress.
xxiii.	Prepare supplementary record which provides timely and up-to-date financial information of civil works and consultancies.
xxiv.	Maintain imprest of petty cash and ensure maintenance of separate petty cash book and petty cash vouchers and compliance with established procedures.
xxv.	Verify vehicles log books & compare with the fuel consumption reports
xxvi.	Tax Withholding on each payment
xxvii.	Data entry into accounting software
xxviii.	Prepare monthly bank reconciliation statements of assignment account(s) both in Pak Rupee and US\$.
xxix.	Reconcile the expenditure on government prescribed format with Accountant General Office on monthly basis.
xxx.	Prepare and process monthly payroll and submit to Project Director for approval prior to making any payment under salaries. Ensure proper payroll controls are applied and the payments are made directly in the Bank accounts.
xxxi.	Ensure that the fixed assets records are maintained for both the projects identifying location and user of each asset and arrange for the annual and periodical inventory of the assets and updating of the records.
xxxii.	Ensure safe custody of all financial records for review by Bank Missions, third party monitoring agents; and external & internal auditors.
xxxiii.	Maintenance of filing system ensuring safekeeping of confidential material as per the guidelines given in this manual
xxxiv.	Custodian for management of office stationery supplies including maintenance of stock list of stationery and supplies and maintain log book.
xxxv.	To maintain daily cash book & cash flow management.
xxxvi.	Facilitate PFOs/FSCs in signing MOUs with PMU for project implementation
xxxvii.	Facilitate PFOs in selecting HR for professional management—including FM staff based on the criteria established by PMU
xxxviii.	Organize training for the staff at PFOs/FSCs focusing on core compliance/reporting requirements
xxxix.	Facilitate PFOs in the opening of account, and the maintaining of up-to-date books of accounts as specified in the MOUs.
xl.	Facilitate PFOs in mobilizing farmers' share to implement business plans
xli.	Support PFOs in collect funds from members to meet the requirements of MOUs.
xlii.	Conduct due diligence/post qualification assessment of private partners selected for 4Ps arrangements based on the guidelines established for this purpose.
xliii.	Promote basic FM/economics literacy among farmers involved in project implementation.

xliv.	Maintain liaison with service providers to ensure they are complying with internal controls/compliance requirements (set out in this manual later) stipulated in PMU's contract agreements with them.
xlv.	Facilitate PFOs/others involved in microfinancing process in complying with the criteria of age group, social status, amount of each loan, recovery time etc.in the process;
xlvi.	Facilitate PFOs/others involved in microfinancing in robust documentation of the microfinance operations etc.
xlvii.	Submit monthly report to PMU on issues and challenges as well as possible practical solutions to move forward.
xlviii.	The Finance Manager will distribute work between the B&F Officer, Accounts Officer, and B&F Coordinators based in RCUs following the principles of internal controls outlined in the relevant section of the manual to get the best value out of them.
Qualification, Skills and Experience Required.	
Master level educational attainment in finance, MBA, ACCA, CA (preferred) or any other related discipline, minimum 5 years' experience at similar level, having managed donor funded project(s), familiarity with Government financial regulations and IFAD financial management guidelines, and sound understanding of the community procurement and financial management of community driven sub-projects implementation .	
560.	

TORs: Procurement Specialist, PMU

Assignment Details	
Assignment Title	Procurement Specialist, PMU
Geographic Coverage	Whole of province
Project	Rural Employment and Agribusiness Promotion, Khyber Pakhtunkhwa (KP-RETP)
Project Office	Project Management Unit, Peshawar
Duration	Project life
Expected Start Date	To be inserted later
Expected End Date	To be inserted later
Location	Peshawar
Introduction to Assignment	
<p>The International Fund for Agriculture Development (IFAD) is financing the USD 185 million Rural Employment and Agribusiness Promotion, Khyber Pakhtunkhwa (KP-RETP). The development objective is improved rural income and employment through high value agriculture in a sustainable and climate-resilient manner. The project has three components: (1) Agribusiness Development, through Professional Farmers Organizations (PFOs), Public-Private-Producer Partnerships (4P) Development, Farm Service Centres (FSCs), Support to Agriculture Department, (2) Skills and Employment Promotion (Skills Development, start-up capital; Public –Private internship programme, support to TEVTA), (3) Programme Management and Policy Support. The project will cover all 35 districts of the province and will be managed through a provincial project management unit (PMU) at Peshawar and five (5) regional offices to allow for coverage of all agro-ecological zones.</p>	
Scope of Work:	
<p>The Procurement Specialist will report to Project Director and will also support and oversee procurement across all components and sub-components. He/She will be overall responsible for the procurement of goods, works and services and ensure compliance with KP-PPRA/PPRA Rules and Regulations and ensure due diligence to comply with IFAD Procurement Handbook and Guidelines</p>	
Role and responsibilities:	
<ul style="list-style-type: none"> a) Work closely with Government Line Departments (P&DD, Agriculture and Rural Development Department) to develop quarterly/annually procurement plans to ensure timely availability of the products for project activities b) Preparation of Project's Annual Procurement Plans, as part of Project's AWP/B, for approval of Project Steering Committee and IFAD No Objection. c) Ensure that goods, works and services financed have been procured in accordance with the loan agreement and the IFAD Procurement guidelines; d) Installation of appropriate procurement systems and procedures for effective planning and monitoring of procurements under the project; e) Communicate to all implementing entities and service providers their responsibilities and requirements with respect to procurement, according to guidelines with prevailing government practices as well as IFAD. f) Conducts entire cycle of a procurement including procurement packaging, project's general procurement notices (GPN), maintenance of the Register of Expression of Interest, analysis of bids, preparation of purchase orders etc. g) Ensuring the timely inventory coding and safe keeping of the goods purchased. 	

- h) When the prior review of the bidding or proposal document is required, submits the document through the Project Director to IFAD for its review and ‘No Objection’.
- i) Ensure that all the due tendering processes are adhered to: sufficient publications, strict adherence to deadlines, transparency in communications, publication of bid results, etc.;
- j) Train staff to prepare and update the Annual Procurement Plan (including procurement method, types/kinds, quantity, value, delivery requirements, sources, etc.);
- k) Prepare Procurement Notices, Expressions of Interest, Request for Quotations, Terms of References, Contract Agreements for Goods, Works and Services and have them published locally (Newspapers, websites) and were appropriate internationally,
- l) Preparing Bid documents (Request for Proposals) for the procurement of goods, works and services;
- m) Review solicited and unsolicited offers and quotations received to verify goods, quantities and services are reasonable and correct and comply with applicable IFAD Regulations;
- n) Resolves problems and protests concerning bid solicitations, contract awards or contract performance as the need arises. Addresses unauthorized purchases. Convey decisions both verbally and in writing referencing law and policy.
- o) Ensure IFAD acceptable record keeping in procurement;
- p) Prepare bi-annually progress reports with implementation of the procurement plan, and regularly inform the PD of problems and make proposals to overcome bottlenecks;
- q) Ensure that all contracts are entered in IFAD online IFAD Client Portal (ICP-CM) System and update on a regularly basis.
- r) Track and evaluate vendor performance and improvements related to pricing, contractual terms, and/or scope of services.
- s) Supervise the procurement products including materials, promotional items, grants goods, etc.
- t) Organize a database of suppliers and contractors and maintain a sound procurement filing system containing all procurement records for further review by the Fund and auditors.
- u) Review all contracts (for product and/or service procurements) to ensure quality standards are met, prior to submitting for review and approval.
- v) Must have excellent experiences of procurements/contractual agreements, compliance to the donor’s requirement.
- w) Outsourcing (supplies and services), both from local and international markets.
- x) Work with suppliers/agencies in the selection of the most qualified and cost-effective vendors
- y) Any other task assigned by the PD.

Qualification, Skills and Experience Required.

A Master’s degree in (Supply Chain Management, Accounting, Finance or Business Administration Law, Procurement, Economics), experience of working with national and international organization with similar tasks (minimum 5 years), proficiency in computer skills, and minimum 15 years of experience in a similar role in project of comparable size and complexity.

TORs: Contract Management Officer, PMU

Assignment Details	
Assignment Title	Contract Management Officer, PMU
Geographic Coverage	Whole of province
Project	Rural Employment and Agribusiness Promotion, Khyber Pakhtunkhwa (KP-RETP)
Project Office	Project Management Unit, Peshawar
Duration	Project life
Expected Start Date	To be inserted later
Expected End Date	To be inserted later
Location	Peshawar

Introduction to Assignment

The International Fund for Agriculture Development (IFAD) is financing the USD 185 million Rural Employment and Agribusiness Promotion, Khyber Pakhtunkhwa (KP-RETP). The development objective is improved rural income and employment through high value agriculture in a sustainable and climate-resilient manner. The project has three components: (1) Agribusiness Development, through Professional Farmers Organizations (PFOs), Public-Private-Producer Partnerships (4P) Development, Farm Service Centres (FSCs) , Support to Agriculture Department, (2) Skills and Employment Promotion (Skills Development, start-up capital; Public –Private internship programme, support to TEVTA), (3) Programme Management and Policy Support. The project will cover all 35 districts of the province and will be managed through a provincial project management unit (PMU) at Peshawar and five (5) regional offices to allow for coverage of all agro-ecological zones.

Scope of Work:

The Contract Management Officer will directly report to the Procurement Specialist and will assist the Project Management Unit (PMU) for the implementation of procurement activities of the project and to ensure compliance with KP-PPRA/PPRA Rules and Regulations and ensure due diligence to comply with IFAD Procurement Handbook and Guidelines. He/She will perform the following duties and responsibilities to support the PMU in the successful implementation of KP-RETP Project activities:

Role and responsibilities:

- i. Ensure that all contracts of goods, works and services are entered in IFAD online IFAD Client Portal (ICP-CM) System;
- ii. Regularly monitor and update the contracts data and share reports with PS/PD for necessary action;
- iii. Reviewing performance data of services received against agreements and identifying areas of improvement;
- iv. Ensure that the contract management for goods, works and consultancy services contracts are timely deliveries and compliance to provisions in contracts by all contracting parties;
- v. Act as the primary point of contact for their services within the contract management functions;
- vi. Performance and activity reporting including on contract delivery targets,
- vii. Developing excellent relationships with customers and clients (business partnering), contract benchmarking, contract analysis and dispute resolution.
- viii. Support the Procurement Specialist to manage the PMU's procurement workload on a required basis;
- ix. Enter data of all contracts in Procurement Tracking System (PTS) and monitor activities accordingly and advice technical component staff;
- x. Manage all bidding and contract award processes for the procurement of goods, works and services in accordance with the procurement plan and in conformity with applicable guidelines and regulations of IFAD and GoKP.
- xi. Assist the PS in the preparation of the annual procurement plan with corresponding work plans and schedules;

- | | |
|-------|---|
| xii. | Assist PS to organize a database of suppliers and contractors and maintain a sound procurement filing system containing all procurement records for further review by the Fund and auditors. |
| xiii. | Assist the PS on a required basis in actual operational procurement activities including preparation of the bidding documents, request for quotations, bid evaluation process, preparation of evaluation reports and drafting contract agreements, etc. |
| xiv. | Support the capacity building efforts of the project by sharing knowledge on procurement of works and services; |
| xv. | Carry out any other procurement support-related periodic duties that may be assigned by the Supervisor, on a required basis. |

Qualification, Skills and Experience Required.

A Master's degree in (Supply Chain Management, Accounting, Finance or Business Administration Law, Procurement, Economics), experience of working with national and international organization with similar tasks (minimum 3 years), proficiency in computer skills, and minimum 10 years of experience in a similar role in project of comparable size and complexity.

TOR: M&E and Knowledge Management Manager

Assignment Details	
Assignment Title	M&E Knowledge Management Manager
Geographic Coverage	Whole of province
Project	Rural Employment and Agribusiness Promotion, Khyber Pakhtunkhwa (KP-RETP)
Project Office	Project Management Unit, Peshawar
Duration	Project life
Expected Start Date	To be inserted later
Expected End Date	To be inserted later
Location	Peshawar

Introduction to Assignment

The International Fund for Agriculture Development (IFAD) is financing the USD 185 million Rural Employment and Agribusiness Promotion, Khyber Pakhtunkhwa (KP-RETP). The development objective is improved rural income and employment through high value agriculture in a sustainable and climate-resilient manner. The project has three components: (1) Agribusiness Development, through Professional Farmers Organizations (PFOs), Public-Private-Producer Partnerships (4P) Development, Farm Service Centres (FSCs) , Support to Agriculture Department, (2) Skills and Employment Promotion (Skills Development, start-up capital; Public –Private internship programme, support to TEVTA), (3) Programme Management and Policy Support.

The project will cover all 35 districts of the province and will be managed through a provincial project management unit (PMU) at Peshawar and 4 regional offices to allow for coverage of all agro-ecological zones. Women and youth will be particularly targeted with specific interventions aiming at economic empowerment. Youth and nutrition will be mainstreamed with a focus on women as secondary targeting criteria. KP-RETP will have a 50% quota objective for youth and 25% for women beneficiaries in all the project activities. Women will be especially targeted for maternal and child nutrition information. Around 785'000 households (4.35 million persons) will benefit directly or indirectly from KP-RETP interventions through market oriented 550 PFOs, around 20 4Ps and 35 FSCs.

Scope of Work:

The position will report to the PD and the incumbent shall work very closely with the other managers to establish, coordinate for, and effectively run M&E system. Learning and communication systems shall be integral part of the M&E system at KP-RETP Project. The M&E 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

Role and responsibilities:

- i. Developing a simple reporting system for the monitoring of programme activities and preparing regular reports on implementation progress, performance and impact of operations;
- ii. Set up term of reference and conduct studies to assess the impact of the programme
- iii. 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;
- iv. Establishment of GIS mapping of each site and a Programme Baseline Survey.
- v. Development and implementation of the programme M&E and Learning
- vi. Development of Communication System and Strategy;
- vii. 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

<p>set of gender disaggregated indicators in line with the programme logical framework and stakeholders' information needs;</p> <p>viii. Organization and supervision of focused baseline surveys at the beginning of the programme;</p> <p>ix. Coordinating the preparation and monitoring the implementation of the AWPB;</p> <p>x. Ensuring that all participating institutions keep records on their activities and feed this information into the Programme Learning System;</p> <p>xi. Ensuring REGULAR REPORTING (monthly, quarterly, six-monthly and annual)</p> <p>Media and Communication</p> <p>xii. Support advocacy efforts through providing evidence of programme impact gathered</p> <p>xiii. through the M&E system;</p> <p>xiv. Develop various "documentaries" / case studies, etc, at the beginning, and till end of the Programme to document the change and share it with wider stakeholders and communities.</p> <p>xv. Engaging media personnel for airing ETI achievements with the public.</p> <p>Knowledge Management</p> <p>xvi. 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;</p> <p>xvii. Provide assistance/guidance in implementing the Programme Learning System;</p> <p>xviii. Coordinate surveys and case studies to assess achievements and outcomes of KCEP activities;</p> <p>xix. 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</p> <p>xx. Coordinate the dissemination of the findings from the impact assessment studies.</p> <p>xxi. Foster partnerships for broader knowledge-sharing and learning;</p> <p>xxii. Oversee communication support to awareness raising and sensitization of programme participants;</p> <p>xxiii. Contribute to the preparation of the AWPB and progress reports</p>
<p>Qualification, Skills and Experience Required.</p> <p>The candidate should have Master degree or above in social sciences, agriculture and economics with at least 8 - 10 years' experience in rural development. Experience in project management, business development using participatory approaches, implementation and project reporting required. Good writing and communication skills in English are required while work in KP, newly merged districts and fluency in Pashto languages are desired.</p>

TOR: Gender/Nutrition/Climate Change Specialist

Assignment Details	
Assignment Title	Gender/Nutrition/Climate Change Specialist
Geographic Coverage	Khyber Pakhtunkhwa Province including newly merged districts
Project	Rural Employment and Agribusiness Promotion, Khyber Pakhtunkhwa (KP-RETP)
Project Office	Project Management Unit, Peshawar
Duration	Project life
Expected Start Date	To be inserted later
Expected End Date	
Location	
Qualification, Skills and Experience Required.	
The candidate should have Master degree or above in social sciences, agriculture and economics with at least 8 - 10 years experience in rural development. Experience in project management, business development using participatory approaches, implementation and project reporting required. Good writing and communication skills in English are required while work in KP, newly merged districts and fluency in Pashto languages are desired.	
<p>The International Fund for Agriculture Development (IFAD) is financing the USD 185 million Rural Employment and Agribusiness Promotion, Khyber Pakhtunkhwa (KP-RETP). The development objective is improved rural income and employment through high value agriculture in a sustainable and climate-resilient manner. The project has three components: (1) Agribusiness Development, through Professional Farmers Organizations (PFOs), Public-Private-Producer Partnerships (4P) Development, Farm Service Centers (FSCs), Support to Agriculture Department, (2) Skills and Employment Promotion (Skills Development, start-up capital; Public –Private internship programme, support to TEVTA), (3) Programme Management and Policy Support. The project will cover all 35 districts of the province and will be managed through a provincial project management unit (PMU) at Peshawar and 5 regional offices to allow for coverage of all agro-ecological zones. Women and youth will be particularly targeted with specific interventions aiming at economic empowerment. Youth and nutrition will be mainstreamed with a focus on women as secondary targeting criteria. KP-RETP Project will have a 50% quota objective for youth and 25% for women beneficiaries in all the project activities. Women will be especially targeted for maternal and child nutrition information. Around 785'000 households (4.35 million persons) will benefit directly or indirectly from KP-RETP interventions through market oriented 550 PFOs, around 20 4Ps and 35 FSCs.</p>	
<p>Scope of Work. The KP-RETP Project emphasizes gender, nutrition, and climate resilience in all sub-projects to avoid any adverse impacts on people, health and other resources. The province has very high poverty rate and the situation for women is worse in the newly merged districts. KP has different agro-ecological zones and will require different mitigation measures depending upon the nature of interventions. Risk assessment of sub-projects proposed by PFOs, 4Ps and FSCs will be examined from the perspectives of gender, nutrition and climate change aspects and suitable mitigation actions mainstreamed into planned activities to ensure compliance with IFAD's requirements. Classification and categorization of the sub-projects will be based on IFAD guidelines while implementation and compliance will be the responsibility of PMU, regional offices and implementing partners. Capacity building and training of the staff of Business Mobilization Partners (BMPs/SPs) will be conducted to ensure they understand gender, nutrition, and climate change related requirements and ensure sufficient appropriate mitigation is built in project activities to comply with applicable requirements.</p>	
<p>Role and responsibilities. The Specialist will carry out a rapid assessment of the proposed interventions as per given template to advise PMU/BMP/SPs whether to proceed further with sub-projects or not in view of the relationship of the proposed sub-projects with these broad cross-cutting parameters.</p>	

A detailed review will follow to see whether the relevant risks have been appropriately assessed according to IFAD guidelines and then guide and advise on proper implementation. Appropriate mitigation measures will be evaluated and improvements suggested, if any. Assisting BMPs/SPs for integrating these aspects in the development of their business plans and preparation of work plans with given targets and schedules are part of the job.

The Specialist will assess BMPs/SPs capacity building needs and will also assist in organizing the required trainings. The required documentation on Environmental and Social Management Plan (ESMP) and Environmental and Social Management Framework (ESMF) with details of mitigation measures, responsibilities and cost estimates should be prepared and implemented. The Specialist will ensure that implementation mechanism has fixed responsibilities for full compliance. Regular monitoring of ongoing activities with progress reports preparation and engagement with concerned communities are included in the role and responsibilities to Assignment

Qualification, Skills and Experience Required.

The candidate should have Master degree or above in social sciences, agriculture and economics with at least 8 - 10 years experience in rural development. Experience in project management, business development using participatory approaches, implementation and project reporting required. Good writing and communication skills in English are required while work in KP, newly merged districts and fluency in Pashto languages are desired.

TOR: Social Inclusion & Employment Policy Specialist

Assignment Details	
Assignment Title	Social Inclusion & Employment Policy Specialist
Geographic Coverage	Khyber Pakhtunkhwa Province including newly merged districts
Project	Rural Employment and Agribusiness Promotion, Khyber Pakhtunkhwa (KP-RETP)
Project Office	Project Management Unit, Peshawar
Duration	Project life
Expected Start Date	To be inserted later
Expected End Date	
Location	
Background to the project	
<p>The International Fund for Agriculture Development (IFAD) is financing the USD 185 million Rural Employment and Agribusiness Promotion, Khyber Pakhtunkhwa (KP-RETP). The development objective is improved rural income and employment through high value agriculture in a sustainable and climate-resilient manner. The project has three components: (1) Agribusiness Development, through Professional Farmers Organizations (PFOs), Public-Private-Producer Partnerships (4P) Development, Farm Service Centers (FSCs), Support to Agriculture Department, (2) Skills and Employment Promotion (Skills Development, start-up capital; Public –Private internship programme, support to TEVTA), (3) Programme Management and Policy Support. The project will cover all 35 districts of the province and will be managed through a provincial project management unit (PMU) at Peshawar and 5 regional offices to allow for coverage of all agro-ecological zones. Women and youth will be particularly targeted with specific interventions aiming at economic empowerment. Youth and nutrition will be mainstreamed with a focus on women as secondary targeting criteria. KP-RETP Project will have a 50% quota objective for youth and 25% for women beneficiaries in all the project activities. Women will be especially targeted for maternal and child nutrition information. Around 785'000 households (4.35 million persons) will benefit directly or indirectly from KP-RETP interventions through market oriented 550 PFOs, around 20 4Ps and 35 FSCs.</p>	
<p>Scope of Work. The KP-RETP emphasizes social inclusion, youth employment and nutrition improvement of mothers and children in project activities for easy access to business and skills development and income generation for improved livelihood. The Project has specially targeted youth and women among beneficiaries for economic empowerment. The proposed position will help PMU assess, plan, implement and monitor the social inclusion, youth employment and nutrition related activities of the project.</p>	
<p>Role and responsibilities.</p> <ul style="list-style-type: none"> i Carry out relevant assessments of employment problems in specific segments and activities of the agribusiness labour markets, in rural areas and seek solutions for youth employment. ii Oversee youth empowerment, entrepreneurship and employment analysis in the Rural Employment and Agribusiness Promotion-Khyber Pakhtunkhwa. iii Promote linkages with other relevant players in the labour market such as key government departments, private sector actors (promotors), non-governmental and international organizations to increase youth employment opportunities. iv Contribute to action-based learning which leads to positive youth engagement, social inclusion and best practices in nutrition awareness in the project v Ensure technical quality in implementation of the project in promotion of rural youth employment, social inclusion and good nutrition. vi Ensure the project monitoring and evaluation system captures good quality data on progress of implementation relative to youth employment, social inclusion and nutrition. 	

Qualification, Skills and Experience Required.

The candidate should have Master degree or above in social sciences, agriculture and economics with at least 8 - 10 years experience in rural development. Experience in project management, business development using participatory approaches, implementation and project reporting required. Good writing and communication skills in English are required while work in KP, newly merged districts and fluency in Pashto languages are desired.

TOR: Agri-business and Agri-Skills Manager, PMU

Assignment Details	
Assignment Title	Agri-business and Agri-Skills Manager, PMU
Geographic Coverage	Khyber Pakhtunkhwa Province including newly merged districts
Project	Rural Employment and Agribusiness Promotion, Khyber Pakhtunkhwa (KP-RETP)
Project Office	Project Management Unit, Peshawar
Duration	Project life
Expected Start Date	To be inserted later
Expected End Date	
Location	
Background to the project	
<p>The International Fund for Agriculture Development (IFAD) is financing the USD 185 million Rural Employment and Agribusiness Promotion, Khyber Pakhtunkhwa (KP-RETP). The development objective is improved rural income and employment through high value agriculture in a sustainable and climate-resilient manner. The project has three components: (1) Agribusiness Development, through Professional Farmers Organizations (PFOs), Public-Private-Producer Partnerships (4P) Development, Farm Service Centers (FSCs), Support to Agriculture Department, (2) Skills and Employment Promotion (Skills Development, start-up capital; Public –Private internship programme, support to TEVTA), (3) Programme Management and Policy Support. The project will cover all 35 districts of the province and will be managed through a provincial project management unit (PMU) at Peshawar and 5 regional offices to allow for coverage of all agro-ecological zones. Women and youth will be particularly targeted with specific interventions aiming at economic empowerment. Youth and nutrition will be mainstreamed with a focus on women as secondary targeting criteria. KP-RETP will have a 50% quota objective for youth and 25% for women beneficiaries in all the project activities. Women will be especially targeted for maternal and child nutrition information. Around 785'000 households (4.35 million persons) will benefit directly or indirectly from KP-RETP interventions through market oriented 550 PFOs, around 20 4Ps and 35 FSCs.</p>	
Scope of Work.	
<p>Agri-Business Manager will lead the development of agribusiness partnerships and facilitate the programme's PFOs, FSCs and private sector alliance activities by playing a catalytic role in brokering and negotiations of such partnerships with stakeholders. He/She is responsible for the overall operation and management of component 1 and to closely work with the assigned service providers to ensure sound and timely implementation and coordination of the programme planned tasks to achieve the overall development goals of the KP-RETP. He/she is responsible to provide technical leadership and strategic direction towards agribusiness development activities and will play a key role in extension/R&D related work through the coordination with the Provincial Government. He/She serves under the direct supervision of the Program Director.</p>	
Role and responsibilities.	
<ul style="list-style-type: none"> I. Lead negotiations with participatory companies and related FSCs in developing pro-poor win-win public-private producer partnerships (4Ps) and establishment of multipurpose PFOs for the better interest of the rural poor farmers along with programme objectives, II. Liaise with private sector, PFOs, FSCs and related Provincial Government Institutes to ensure partnered market linkages are sustained for the betterment of all parties concerned in the value chain specifically rural poor farmers and farmer groups. III. Build effective partnerships with a broad range of stakeholders in private-public partnership development including government and non-governmental institutions, civil society organizations, research organizations, academia and the private sector to overcome possible barriers in project development and implementation and to develop an exit strategy by the time of program completion. 	

IV.	Master IFAD key documents such as FA, PDR, LFA and PIM etc., in connection with business development and implementation and on operational activities and is responsible for maintaining updated PIM for the purpose of Agribusiness development work.
V.	Guide /assist participatory companies/service providers in developing business proposals and evaluation of 4P business plans with the assistance of service providers and in-house consultants and ensure business proposals are in-line with program objectives while ensuring expected outcome through the proposals.
VI.	Liase with Monitoring and Evaluation/Knowledge Management staff in developing monitoring tools to track output and outcome indicators in the LFA through the activities related to 4P projects.
VII.	Provide PMU staff, 4P partners, PFO management, FSCs management with up-to-date professional advice on business operations, compiling management information and agricultural services and to attend overall strategic issues and provide the strategic direction of the development and implementation of partnerships.
VIII.	Identify needs of training for Agribusiness staff, partners and personal associated with support services and ensure appropriate skills for successful implementation of program activities are transferred to all through training and awareness programmes.
IX.	Directly involved in preparing AWPB, attending to and related follow up activities and providing necessary inputs for updating AWPB and ensure targets are achieved with quality and quantity.
X.	Lead the business proposal approval process from the stage of ‘business concept note’ to PSC/IFAD approval and successful implementation.
XI.	Ensure submission of relevant information required for drafting contract agreements.
XII.	Prepare necessary guidelines for programme implementation including Agri-Business Development to ensure required management and progress reports are submitted timely to PD and other authorities.
XIII.	Coordinating the selection of service providers for services required by the Business Development Unit and ensure that their work programmes are submitted, supervised and completed timely and effectively and provide recommendations for management of contracts of the service providers engaged.
XIV.	Undertake regular support visits to programme districts to assist programme delivery, identify gaps and support needs to ensure minimum standards are met,
XV.	Engage with policy related engagement with related staff and assist Program Director.
XVI.	Attend to administration and management work related to the Business development Unit/Componet 1.
XVII.	Any other related duties assigned by the PD.

Qualification, Skills and Experience Required. The candidate should have Master degree or above in Agriculture and economics/Business management with at least 8 - 10 years' experience in rural development. Experience in project management, business development using participatory approaches, implementation and project reporting required. Good writing and communication skills in English are required while work in KP, newly merged districts and fluency in Pashto languages are desired.

Annexure-2: Outline of Diagnostic Study

1. Executive Summary
2. Introduction and background
3. Sector overview, constraints and opportunities
4. Methodology, approach, sampling framework and prioritization criteria
5. Study Findings and Discussions
 - 5.1. Cluster Profile: overview of cluster selection, agro-climatic conditions, cropping pattern, geographic profile, status of natural resources, total current volumes of trade, market channels and its shares, growth trends for the last 5 years and benchmarking (yield, profits, quality, post-harvest loses, value addition/transformation rates etc.)
 - 5.2. Village Profile: Geographic profile, socio-political background, major agricultural crops, agricultural productivity, farmers and land details, secondary data on production, major market yards, processing facilities available
 - 5.3. Farmers' organization/4Ps/FSC potential
6. Value-Chain Analysis: value chain mapping and analysis, function and activities (current and missing), value added at each node/economics at different levels of value chain, service provision and benchmarking within country and within region – map of transformed value chain.
7. Rapid market appraisal and mapping of markets
8. Potential and opportunities: Inputs side, financial services, marketing services, insurance services, access to government programs, watershed programs
9. Key Conclusions and Recommendations
10. Action Plan

Annexure:

Questionnaires, checklist, details about government programs

Sector specific data at provincial and cluster level

Summary of Rapid Market Appraisal

Annexure-3: Detailed checklist of factors for baseline study

1. Methodology and Analytical Framework/Design
2. Sampling size and technique
3. Database Development
 - a) General Information – unique identification number (CNIC) and contact mobile phone numbers (at least 2 contact numbers per HH), demographics (disaggregated data), household size, members and details of occupation and incomes, dietary diversity/nutrition, food security etc.
 - b) Economics of Agriculture – Costing, input and output ratios, yields and current productivity
 - c) Production – Quality and quantity of inputs, technological levels, input suppliers and vendors, seasonality of production, availability and tied sales
 - d) Financial Aspects – Sources, terms and conditions, interest and existing outstanding, access to government programs
 - e) Risk Aspects – Historical risks, computation of losses due to risk, coping mechanisms
 - f) Marketing Aspects – Channels of marketing, margins and costs at various levels, quality aspects, price sensitivity, seasonality of markets, alternate market structure
 - g) Best Practices
 - h) Constraints and Challenges
 - i) Prospects and Opportunities

Annexure-4: Business Planning Format

1. Executive Summary	<ul style="list-style-type: none"> Overall snapshot of the proposed intervention
2. Introduction	<ul style="list-style-type: none"> Overall introduction to the project (Details of selected village/district, demography, household details, existing value chains, proposed intervention and outcomes etc.)
3. Brief on Cooperative Society	<ul style="list-style-type: none"> Details of Structure and registration Current business activities and performance
4. Proposed Intervention (Business)	<ul style="list-style-type: none"> Details of selected area & value chain with specific details. Market details/statistics Project activities (Cultivation, value addition, training and procurement etc.)
5. Technical Feasibility and Plan	<ul style="list-style-type: none"> Technical viability of the business model Key technical requirements (technology, skills and inputs etc.) Technical layout and production/processing plan Compliance to standards (social, environment, climate change and health safety – SECAP)
6. Market Assessment and strategy	<ul style="list-style-type: none"> Existing scenario, product standards and practices. Market and Marketing Proposed for the business model Marketing Plan
7. Institutional Support	<ul style="list-style-type: none"> Role of banks/PFIs, Government departments and private sector
8. Risk Analysis	<ul style="list-style-type: none"> Perceived risk and mitigation plan considering probability of occurrence and severity of the impact.
9. Youth, Gender & Nutrition inclusion	<ul style="list-style-type: none"> Details on how the proposed intervention supports youth and promote gender equality and nutrition sensitivity.
10. Proposed Financials	<ul style="list-style-type: none"> Project contribution summary considering FPO and project investment Overall cash flow summary with financial indicators (Ex: FIRR, NPV and payback period etc.) Sensitivity analysis
11. Exit Strategy	<ul style="list-style-type: none"> Details on project sustainability and the continuation after project completion.
12. Audit & Accountability	<ul style="list-style-type: none"> Internal & external governance mechanism of the FPO and accountability.
13. Annexures and supporting documents	<ul style="list-style-type: none"> Details worksheet of financial analysis SWOT analysis Activity plan Technical manual Compliance note for SECAP Monitoring & Evaluation plan Fund disbursement plan with milestones Coop registration & other details (BODs/Cabinet members details) TORs applicable for professional staff to be recruited.

Annexure-5: FPO Institutional maturity index computation

CATEGORY	INDICATOR	UNIT
1 Financial & Business Efficiency	Total annual sales	in PKR
	Gross margin (Direct Income {income from direct sales} – Direct Costs)	in PKR
	Net profit	in PKR
	Current ratio (Current assets to Current liabilities)	Ratio
	Debt - equity Ratio	Ratio
	Ratio of grants to turnover	Ratio
	Break-even sales	in PKR
	Operational margin (sale+ closing stock-opening stock purchases- direct cost)	in PKR
	Inventory turnover ratio	Ratio
	Operational self sufficiency	%
	Financial self sufficiency	%
	Debt service coverage	Ratio
2 Members Economics	Ratio of member realization (wages + purchase price + bonus, paid to members) to total turnover	Ratio
	Average per member realization	Numbers
	Net profit per member	in PKR
	Per member turnover	in PKR
	Non-member procurement	%
	Income (realization-cost at member level) from the enterprise to member to total income of member	%
	Total members to total potential members	%
	Average member procurement to average member production	in PKR and Qty
OPTIONAL INDICATORS FOR ALL ENTERPRISES		
3 Institutional	Membership of the enterprise	Number
	Active members to total members	%
	Attendance in board meeting	%
	Members attending General Body meeting	%
	Legal compliances met to total number of legal compliances prescribed	%
4 Sustainability	Compliance with organic certification/fair trade	Yes/No
	Total reserves created	in PKR
	Marginalized communities covered to total members of enterprise (caste)	%
	Poor households to total members of enterprise (Economic marginalization)	%
5 Social Indicators	Increased availability of disposable income with members	%
	Members covered with insurance - life/health/accident	%

Annexure-6: Template for Expression of Interest (EOI/Concept Note) Stage

1. Applicant Details													
Full Legal Name													
Company registration number (where applicable)													
Legal Structure	<p>Please select the most appropriate alternative that applies to your organization with an "X" from the following, and provide particular information where requested.</p> <input type="checkbox"/> Public Quoted Limited Liability Company <input type="checkbox"/> Public unquoted Limited Liability Company <input type="checkbox"/> Private Limited Liability Company <input type="checkbox"/> Company Limited by Guarantee <input type="checkbox"/> Company Limited by Association <input type="checkbox"/> Co-operative Society <input type="checkbox"/> Farmer Based Organization ('Societies') <input type="checkbox"/> Partnership; No. of Partners: <input type="checkbox"/> Sole-proprietorship <input type="checkbox"/> Other (Please specify)												
Property Rights	<p>Please select the most appropriate alternatives that applies to your organization with an "X" from the following:</p> <table style="width: 100%; text-align: center;"> <tr> <td>Land</td> <td><input type="checkbox"/> Owned</td> <td><input type="checkbox"/> Leased</td> <td><input type="checkbox"/> Rented</td> </tr> <tr> <td>Buildings</td> <td><input type="checkbox"/> Owned</td> <td><input type="checkbox"/> Leased</td> <td><input type="checkbox"/> Rented</td> </tr> <tr> <td>Plant/Machinery</td> <td><input type="checkbox"/> Owned</td> <td><input type="checkbox"/> Leased</td> <td><input type="checkbox"/> Rented</td> </tr> </table> <p>If property is leased or rented: Period of lease/rent contract:</p> <p>If property is leased: Name of the financial institution/s:</p>	Land	<input type="checkbox"/> Owned	<input type="checkbox"/> Leased	<input type="checkbox"/> Rented	Buildings	<input type="checkbox"/> Owned	<input type="checkbox"/> Leased	<input type="checkbox"/> Rented	Plant/Machinery	<input type="checkbox"/> Owned	<input type="checkbox"/> Leased	<input type="checkbox"/> Rented
Land	<input type="checkbox"/> Owned	<input type="checkbox"/> Leased	<input type="checkbox"/> Rented										
Buildings	<input type="checkbox"/> Owned	<input type="checkbox"/> Leased	<input type="checkbox"/> Rented										
Plant/Machinery	<input type="checkbox"/> Owned	<input type="checkbox"/> Leased	<input type="checkbox"/> Rented										
Type of Business Operation	<p>Please select the most appropriate alternative that applies to your organization from the following:</p> <input type="checkbox"/> Manufacturing <input type="checkbox"/> Services <input type="checkbox"/> Processing/Packaging <input type="checkbox"/> Distribution <input type="checkbox"/> Other. Please specify: <p>Please specify the products manufactured / services offered /items processed or packed / distributed:</p>												
Contact person													

Gender (for Individual applicants)	
Age (for Individual applicants)	
Official (registered) address	
Postal address (for correspondence)	
Telephone number	
Email address	
Type of business	
Year operations started	
Number of staff	
Management and organization capacity Clearly describe the management, organizational and financial capability you have to implement this project.	
2. Enterprise/Individual Operation or Activity Details	
Title of the proposal:	
Estimated new employment opportunities:	
Problem Definition: Clearly describe the specific problem your project is trying to address. Explain how solving/alleviating this problem will increase the income of smallholder by minimum 30% from the current situation and your income. (Maximum 300 characters).	
Describe your project idea to address the problem stated above. Please detail the specific objective(s) of this project, including targeted beneficiaries and/or area that you plan to reach during implementation. (Maximum 500 characters).	
Project Implementation: How will you implement your project idea? Describe the concrete steps or major activities that the project will undertake to meet your objective(s). Include the length and scope of each major activity. Explain the status of the idea: Is this a brand-new idea or has the idea already been tested or piloted? Has a feasibility study been conducted? (Maximum 700 characters).	
Marketing & Distribution: Describe current status on target commodity in market and potential towards local and export market. Provide details of an end market analysis conducted so far? (Context, channels, customers, competitors, communication and choices).	
Results: Please state the tangible expected results of your project and its direct impact on improving outcomes for the targeted beneficiaries/area. Provide estimates of the number of farmers that your project will benefit. (Maximum 300 characters).	
Measurability: Describe the specific method(s) and indicators that will be used to measure project success and implementation. Indicators should demonstrate that project objective(s) described above. (Maximum 300 characters).	

Sustainability (Organizational and Financial): What characteristics of project will ensure that it is sustainable? Describe any major challenges that project faces and how it will be overcome. (Maximum 300 characters).
Proposed Investment/ Budget (clearly identifying the items or activity being financed by the Private sector, Producers and the KP-RETP project). Note: The KP-RETP can partially finance on-farm investment for producers, market linkage or primary processing.

For KP-RETP use only:

Date application received:

Name and signatures of the receiving official:

Checklist - EOI Submission & Eligibility

S. No	Required Documents	Checkbox
1	EOI submission cover letter	<input type="checkbox"/>
2	EOI submission form	<input type="checkbox"/>
3	Copy of registration certificate (number of years since registration should not be less than 2 years)	<input type="checkbox"/>
4	Detailed profile of the applicant organization along with the details of agribusiness activities together with contact details of all major agribusiness suppliers/producers and customers during the last three years	<input type="checkbox"/>
5	Last two years audited financial statements (must have unqualified opinion of the auditors)	<input type="checkbox"/>
6	Bank statement for last one year	<input type="checkbox"/>
7	List of board members (if any) and key management together with qualifications thereof	<input type="checkbox"/>
8	Company organogram	<input type="checkbox"/>
9	Particulars of physical address in Pakistan or abroad (In case of a multinational company) with contacts in full details	<input type="checkbox"/>
10	Tax liability and adherence	<input type="checkbox"/>
11	Proposed investment plan	<input type="checkbox"/>
12	Time frame of implementation and proposed fund requirement plan	<input type="checkbox"/>
13	Tentative list of target provinces together with target number of farmers with which the company intends to establish partnership.	<input type="checkbox"/>
14	Proof of working with smallholder farmers in past with success	<input type="checkbox"/>
15	Recommendation	<input type="checkbox"/>
16	Any additional document attached, please specify	<input type="checkbox"/>

For KP-RETP use only:

All the required documents are attached: Yes No

Comments: _____

Name, designation and signatures of reviewing officer: _____

Date: _____

Annexure-7: Template for proposal development

Executive Summary

A typical business plan begins with an executive summary that is prepared after the plan is written. The purpose is to communicate the plan in a convincing way to important audiences. Summary of project objectives, outputs, outcomes, budget and financial viability need to be included.

Introduction/background of the promotor

A summary of the business activities of the company/FO (Promotor), history and the position in the marketplace should be provided here. This part gives an overview of the promotor, its vision and objectives, including the following elements:

1. Presentation of the promoters

Creation date, geographic area, number of members (FO), types of commodities/products, plot size operated by each farmer member, number of staff (Company), ongoing services provided by the promotor, property, equipment and infrastructure.

2. Focus and overview of the business the promotor is aiming to develop within its business plan.

3. Vision and mission

The vision is what the promotor aspires to and what it will concentrate its energies and resources on to make the business profitable. The mission is to be achieved through the objectives of the promoters' business plan.

4. Objectives/goals

This section includes production and/or financial-related objectives specific to the plan. Objectives should be SMART (Specific, measurable, achievable, realistic and time bound)

Market & Supply Analysis

1. Brief introduction on the current market for the product that the promotor is focusing on in the country/region/sub region: current marketing and pricing systems, potential buyers of produce.
2. Brief introduction on the type of product targeted by the promotor (conventional sector, organic, fair trade, raw, processed, etc.).
3. Areas to improve efficiency of marketing system: what are the potential areas where the promotor could improve efficiency and reduce the costs of the current marketing system (transport, processing, etc.)?
4. Possibility of market development: what is the potential for the development of new markets? Is there potential for the promotor to directly market produce nationally, internationally, etc.? If there is, would this be a more profitable option?
5. Current produce volumes and prices from potential membership/dealership or contract farmers: what prices are members/contract farmers/dealers receiving for produce, who they sell produce to (in case of FO), what are transport arrangements etc.
6. Current buyers of crops/finished products produced by potential members/processor/company: who are the key buyers of produce/finished products, what are the 'links in the chain' after the initial purchase is made.
7. Current volume of input purchase, current suppliers of inputs, prices of inputs, input supply marketing channels.
8. Current assets and equipment (warehouses, production and/or processing equipment belongs to the promotor).
9. Characterization of the FO/company business partnerships with buyers, types of contracts, price, quantity, etc.
10. Differences between sales through the FO and sales without involvement of the FO (prices, terms and conditions, etc.).
11. SWOT analysis of the ongoing capacities of the FO/company (diagnostic elements) to manage its economic services in relation to the planned business in terms of;
 - Production
 - Processing of products
 - Marketing
 - Export
 - Certification
 - Financial management

- Administration
- Management

Important: Most recent statistics need to be included with source of data.

Value Chain Analysis:

Comprehensive value chain analysis need to be included (Diagram) considering all actors and their role. In addition, identify the positives/gaps/loopholes at each stage and influencers accordingly (Table).

Function/VC Layers	Actors	Supports/Discourages	Influencers

Proposed Partnership

1. Project goals & objectives

Goals are high level statements that provide overall context for what the partnership is trying to achieve, and should align to SAPP/IFAD goals. Objectives are lower level statements that describe the specific, tangible products and deliverables that the partnership will deliver within a time frame.

2. Problem Identification

Problem Statement/Partnership Rationale is a brief analysis or summary of the problems identified relating to the partnership or issue to be addressed by the intervention. It has to be precise and point-to-point basis.

3. Project Solution for the problem

This related to the problem identification and should highlight how the intervention can address the identified problem.

4. Project outputs

This section should present the desired outputs expected through the partnership and should be measurable.

5. Project Beneficiaries

The target group should comprise of smallholder farmers (with land holdings below 2 Ac and rely on agriculture for at least 50% of their household income), with special focus on women and landless, especially the youth. However, to provide assurance for steady and adequate supply to reach the demand, 20% could be accommodate from the upper bracket of the poor to have sustainable value chains. Further, indirect beneficiaries need to be specified with their specific roles in the partnership.

6. Project geographical coverage

The programme is entitled for national coverage, though special attention and preference would need to be given to low income districts and where Agri-production potential is high. Please include Provinces, Districts and DS Divisions accordingly.

7. Project overall benefits

This should emphasize the overall benefits to smallholder beneficiaries, promotor and country as a whole.

Proposed activities and investment

1. Cost table: Contribution from each partner of the partnership (Promotor, KP-RETP, Farmers etc.).
2. Activity plan: Time line to implement proposed activities. Ideally through a gunnett chart.
3. Fund requirement plan: This should be aligned with activity plan.
4. Extension service plan: In this section, it is expected to highlight how promoter is planning to monitor and support beneficiaries during the implementation of the project. (Ex: How many staff, number of visits per beneficiary/month etc.)
5. Monitoring & evaluation plan: This should explain how promoter would monitor and evaluate the implementation of the partnership together with PMU. This could be through PMU staff (Field officer) or with the support of government officers as well.

Financial analysis

1. Financial assumptions with and without additional investment
2. Financing requirement for production.

3. Valuation of business (evaluation of in-kind contribution)
4. Calculation of net present value and internal rate of return
5. Financing plan and cash flow estimation.
6. Sensitivity analysis (If needed)

Important: Financial analysis should be done for sub models separately and entire project as a whole as well.

Risks analysis

Categorize risk factors (See the below chart) involve in the proposed project according to probability of occurrence and the severity (Impact) with a scale to be included in the matrix as given below. The risk mitigation step involves development of mitigation plans designed to manage, eliminate, or reduce risk to an acceptable level. Once a plan is implemented, it is continually monitored to assess its efficacy with the intent of revising the course-of-action if needed.

Simple Risk Matrix

Likelihood	Consequences		
	Minor	Moderate	Major
Likely	Yellow	Red	Red
Possible	Green	Yellow	Red
Unlikely	Green	Green	Yellow

Risk Treatment Key

Intolerable Risk Level. Immediate action required
Tolerable Risk Level. Risks must be reduced so far as is practicable.
Broadly Acceptable Risk Level. Monitor and further reduce where practicable.

Gender equity and social inclusion strategies

This sector should include how to transform and distribute of opportunities, choices and resources available to women and men so that they have equal power to shape their lives and participate in the process of value chain and the proposed partnership.

Further, social inclusion refers to the process of improving the conditions of disadvantaged individuals and groups - such as youth, victims of natural disasters, indigenous peoples, or other vulnerable communities to be included in the partnership.

Annexure-8: Scope of work and Evaluation Criteria

General

- To evaluate the submitted proposals by proponents under border criteria given below, highlighting the feasibility of implementing of the partnership.
 - Overall concept
 - Social feasibility
 - Legal & environmental feasibility
 - Marketing & technical feasibility
 - Economic & financial feasibility
 - Management & schedule feasibility
 - Overall sustainability
- Carry out the feasibility at the ground level to support the evaluation pointing out practical scenarios which prevails in current context.
- To provide recommendations to program management with justifications highlighting the feasibility of the partnership to be implemented and to suggest improvements, corrective actions to fine tune the proposals.
- To scrutinize the items included in investment plans of the proposals including capital assets (equipment, machineries and construction work etc.) and working capital (seeds, fertilizer, agrochemicals etc.) under below criteria;
 - Value for money (cost)
 - Quality
 - Suitability
 - Comparison with alternatives
 - Availability
 - Efficiency & effectiveness
- To assist and advice proponents to resolve any policy, legal, environmental matters which may arise during the implementation.
- Coordinate and interact with relevant staff of program management unit (PMU) and proponent to conduct the evaluation successfully.
- Review the internal appraisal compiled by the PMU and provide recommendations to program management to fine tune it.

Committee Team Leader

- Organize and lead the overall evaluation. Provide oversight to the evaluation throughout the entire evaluation cycle. Be the point person to liaise with program management.
- Ensure a thorough review and analysis of the proposal and other available secondary data by the appropriate committee members.
- Lead the selection of a purposively selected sample of implementation sites and outputs for proposed intervention.
- Ensure the final report is logical and presented in a way that clearly separates the evidence collected, conclusions, and recommendations in different sections of the report, and that conclusions and recommendations are based on the evidence presented in the report and adequately supported by information gathered through the evaluation.
- Serve as a technical specialist for a specified sector (optional) as long as it does not affect her/his performance in his/her primary committee leadership role.
- Coordinate and interact with relevant staff of program management unit (PMU) and proponent to conduct the evaluation successfully.

Technical/subject related specialists

- Interact with committee to provide expertise & insights on relevant fields to conduct the evaluation successfully.
- Provide primary and secondary data on relevant specialized field to support the evaluation conducted by the committee.
- Link committee with relevant specialized field institutes/organizations to get relevant information or any other specific requirement arise during the evaluation.
- Assist and guide the proponent to enhance the proposal with the expertise in specialized technical areas of the proposed intervention.

Annexire- 9: Score card (Business Proposal Evaluation Committee)

Category	5	4	3	2	1	Remarks
Concept						
Relevance for national priority						
National contribution (Import substitution/export oriented)						
Geographical coverage (Rural/urban)						
Viability of the partnership in long run						
Overall perception towards the beneficiary commodity/produce						
Total (Out of 25)						
<hr/>						
Social Feasibility						
Impact on rural livelihood system, vulnerability and resilience						
Woman/youth participation & gender aspects						
Impact on cultural norms & beliefs in project locations						
Existence of active farmer groups/societies						
Existence and operation of established social enterprises						
Willingness to act/form as a community/group to share mutual benefits						
Impact on direct & indirect employment generation						
Nutrition focused/sensitivity aspects						
Total (Out of 40)						
<hr/>						
Legal & Environmental Feasibility						
Impact on overall protection of public & environmental health						
Impact on effective reduction of hazardous waste toxicity, mobility & volume						
Impact of the project on the environment and the approval of the concerned institutions for license. (Statutory compliance)						
Impact on national heritage, protected areas & natural resources.						
Approval of relevant authorities/legal bodies for implementation						
Public opinion (General perception of the community)						
Incorporation of climate resilience practices						

Category	5	4	3	2	1	Remarks
Total (Out of 35)						
Marketing & Technical Feasibility						
Ability of promoter to convert farmer produce to end products with desired technology						
Ability of promoter company to transfer/disseminate appropriate technology to beneficiaries.						
Accessibility to raw materials and their quality/price						
Availability of markets for outputs/end products and the expected prices for these outputs.						
Availability of various services related to the project (i.e., extension)						
Availability of land/water/roads and other infrastructure to the project						
The costs of transporting inputs and outputs to the project's location (i.e., the distance from the markets)						
Total (Out of 35)						
Economic & Financial Feasibility						
Total estimated cost of the project.						
Financing of the project in terms of capital structure, debt to equity ratio and promoter's share of total cost.						
Existing investment by the promoter in any other partnerships.						
Projected cash flow and profitability of beneficiaries (NPV & IRR)						
Availability/willingness of banking partner for credit facilities						
Ability of beneficiaries to contribute to total investment (Working capital)						
Willingness of beneficiaries to obtain credit facility through a bank						
Total (Out of 35)						
Management & Schedule Feasibility						
Managerial capability of promoter company (Proper down the line structure and availability of staff at ground level).						
Past experience in value chain development partnerships in relation to donor funded projects.						

Project Implementation Manual
 Pakistan – Khyber Pakhtunkhwa-Rural Economic Transformation Project

Category	5	4	3	2	1	Remarks
Past experience in successful agribusiness venture and reputation						
Profitability and liquidity of the promoter company.						
Overall feasibility of completing the project within stipulated action plan proposed by the promoter company						
Overall commitment and interest towards the partnership						
Total (Out of 30)						
Overall						
Additional Comments:						
Name of the committee member:						Total Score (Out of 200):

Annexure-10: Business Planning Guidelines for NFSC

1. Executive Summary	<ul style="list-style-type: none"> Snapshot of the overall business plan and the execution.
2. Introduction	<ul style="list-style-type: none"> Introduction to the FSC (Existing setup and operation, proposed intervention and expected outcome).
3. District Context	<ul style="list-style-type: none"> Demand assessment of seeds, fertilizer, agro-chemicals, machinery etc. based on the number of PFOs, members, plot size, cropping pattern, farming system etc.
4. Strategic Orientation	<ul style="list-style-type: none"> Mission, vision, objectives and goals, key measurable indicators.
5. Product and Service Model	<ul style="list-style-type: none"> Products and services, terms and conditions.
6. Institutional Structure	<ul style="list-style-type: none"> Membership, governance, operational staff, terms of engagement, performance measurement, remuneration and other important details.
7. Procurement Plan	<ul style="list-style-type: none"> Procurement points, time, pricing mechanisms, viability of procurement points, staffing for procurement, storage and transportation
8. Storage and Processing	<ul style="list-style-type: none"> Processing facilities, machinery and plant erection, capacities, safeguards
9. Financial Resources Plan	<ul style="list-style-type: none"> Finances required, fixed investment and working capital requirements, sources, terms of borrowings, member own funds, project contribution.
10. Marketing Plan	<ul style="list-style-type: none"> Channels, brands, consumer feedback, key products, marketing strategy
11. Benefits of NFSC	<ul style="list-style-type: none"> NFSC level benefits computation and projections
12. Operation & Activity Plan	<ul style="list-style-type: none"> Proposed activity and fund disbursement plan
13. Risks and Risk Management Plan	<ul style="list-style-type: none"> Perceived risk and mitigation plan considering probability of occurrence and severity of the impact.
14. Linkages and Convergence Plan	<ul style="list-style-type: none"> Plan for institutional linkages and responsibilities
15. Financial projection as per product costing	<ul style="list-style-type: none"> Assumptions, Projected balance sheet, Profit and loss account, cash flow projections, breakeven point, IRR and NPV calculation.

Annexure-11 Indicative list of sector-wise training under component-2

Sr. No	Trade	Sector
1	MASONRY	CONSTRUCTION
2	CARPENTER	
3	STEEL FIXER	
4	TILE FIXER	
5	BUILDING ELECTRICIAN	
6	WELDING	
7	PLUMBING	
8	ROOF CEILING	
9	AC & REFRIGERATOR MECHANIC	
10	RECEPTIONIST	HOSPITALITY
11	COOKING/CHEF	
12	BAKERY PRODUCTS	
13	WAITERING SERVICES	
14	MEDICAL STORE ATTENDANT	HEALTH CARE
15	DISPENSER TRAINING	
16	LAB ATTENDANT	
17	AUTO MECHANIC	AUTMOBILE THEME
18	AUTO ELECTRICIAN	
19	CAR AC REPAIRING	
20	TRACTOR REPAIRING /PETER ENGINE REPAIRING	
21	DENTING AND PAINTING	
22	MOTOR CYCLE REPAIRING	
23	HEAVY MACHINERY OPERATION	
24	HOME APPLIANCES REPAIR	
25	MOBILE PHONE REPAIRING	
26	CAR DRIVING	GARMENTS
27	TAILORING	
28	HAND & MACHINE EMBROIDERY	
29	BABY GARMENTS	
30	APPLIQUE WORK & RILLI MAKING	
31	ADDA WORK	
32	CHESTER MAKING	

33	BLOCK PRINTING	
34	COMPUTER HARDWARE	INFORMATION TECHNOLOGY
35	COMPUTER SOFTWARE	
36	MOBILE PHONE APP DEVELOPMENT	
37	SOFTWARE DEVELOPER	
38	GRAPHIC DESIGNING	
39	AUTO CAD	
40	WEB DESIGNING	
41	LEATHER WORK AND HANDICRAFTS	ARTS AND CRAFTS
42	HAND BAG MAKING	
43	JEWELRY MAKING	
44	HAND KNITTING WORK	
45	BLUE POTTERY	
46	CERAMICS / KASHIGARI / BLUE POTTERY (OLD MULTANI CULTURE ART)	
47	HANDY CRAFT	
48	BEAUTICIAN	PARLOR MANAGEMENT
49	HAIR DRESSER	

Annexure-12: TORs for the Vocational/Entrepreneurship Training Service Provider

The Vocational/Entrepreneurial Training Organization (VOETO) should be experienced in social mobilisation and have a minimum of five years' experience of delivering vocational training and in house capacity and human resources for providing services in the region. The VOETO should have the capacity to engage with local communities for the identification of vocational training needs of the household in BISP-PSC band of 0-34 and assess the capacity of the participants to utilize the training. It should have the capacity to be gender sensitive and have women staff on its team in order to gain the confidence of women trainees and ensure the provision of training at local level in an environment which are appropriate, safe and secure for women trainees.

The VOETO should have presence in the region/division of the province for which it is being considered. The VOETO will work closely with PMU and KP-TEVTA and will ensure effective coordination of its staff with that of the PMU and other implementation partners regular basis.

The VOETO should be able to design training courses that are tailored to the needs of the target group in terms of timings, content, methodology, duration, location, utility and delivery strategy as per the parameters of the project design. VOETO should have the in-house capacity to deliver the training directly in a cost-effective manner. It should have the capacity to provide support to trainees in obtaining employment or establishing their own enterprise/business with backward and forward linkages with markets. It should develop an MIS for monitoring and evaluation of the Programme. It should have the capacity to critically evaluate its training and provide regular progress reports and information on both output and outcome indicators.

The VOETO should be able to institute a system which provides feedback from graduates on the overall impact of the training on employability, productivity and increase in incomes.

Duties and Responsibilities

Ensure selection of trainees as per the criteria outlined in the project design for all types of trainings whether conducted by VOETO or KP-TEVTA. The VOETO will be responsible for design, implementation of training, evaluation and tracking of employment status of candidates. The VOETO will also provide business incubation services for self-employed in the form of hand holding in the initial stages.

The Terms of Reference for the VOETO will be as follows:

- i. *Work plan & Budget: The VOETO will provide the PMU with a budget, detailed workplan and description of deliverables including approach and methodology for the three year period.*
- ii. *Training Needs Assessment: The VOETO will conduct a training needs assessment for the indicated trades in which men and women require training to for remunerative employment and sustainable livelihood through self-employment/enterprise development. The needs identification will focus especially on women as 50 per cent of the beneficiaries of vocational training are women.*
- iii. *Orientation on Selection of Trainees: The VOETO will provide COs with a briefing on purpose, activities and criteria for selection of candidates through an orientation.*
- iv. *Screening & Selection of Participants: VOETO will be responsible for finalizing the list of participants of vocational training after screening of the selected candidates on the basis of interest, qualification and potential, for all types of training whether delivered directly or through KP-TEVTA.*
- v. *Design and Delivery of Training Courses: VOETO will design training courses that are tailored to the needs of the target group identified in terms of timings, content and methodology for the directly delivered trainings.*
- vi. *Local Training Teams: The VOETO will use local training teams to ensure access of women.*
- vii. *Start up Support: VOETO will provide start up support either in kind or in the form of capital, as appropriate to the trade, for the self-employed beneficiaries from project resources and/or through linkages with banks for accessing the government youth development fund for enterprise development.*
- viii. *Support in Linkages with Agribusiness Component and Markets: The VOETO will support backwards and forwards linkages with Agribusiness component of the project which is expected to generate demand for jobs and services and markets both for selection of trainees and placements.*
- ix. *Identification of Public and Private Organisations for Graduate Internship Programme: The VOETO will identify potential public and private organisation for placement of graduate interns. The VOETO will have the overall implementation responsibility including, oversight, monitoring and reporting.*

- x. *Design and maintenance of MIS: The VOETO will design and maintain an MIS which will provide sex-disaggregated data and include identity card numbers, income profile, business activity undertaken etc. The system would be integrated with the PMU M&E system.*
- xi. *Evaluations and Impact Assessments: VOETO will conduct periodic studies for relevance, effectiveness and economic and social impacts.*

Reporting Requirements

The VOETO will submit the following reports to the PMU:

- a) An inception report on the need for vocational skills undertaken in the region.
- b) Monthly reports on activities undertaken (number of trainees identified and assessed, number of trainees selected for KP-TEVTA and self-delivery trainings, number of trainings conducted, number of persons trained by trade and gender, market linkages developed, etc).
- c) Quarterly reports consolidating the monthly reports on activities undertaken key achievements and lessons learnt.
- d) Yearly reports on activities undertaken key achievements and lessons learnt.
- e) End of the project report on activities undertaken key achievements and lessons learnt.
- f) Periodic evaluation and impact assessment report.

Annexure-13: Guidelines for Managing Social, Environmental and Climate Risks in Implementation

The ESMP provides guidelines for the management of potential environmental and social impacts together with climate change aspects of the project interventions. The ESMP identifies parties responsible for monitoring actions, and any training or capacity building needs. Mitigation measures have been identified to reduce present and potential impacts associated with the proposed activities. Social mitigation includes the measures creating awareness and proper mobilization, proper participation of members in the planning and implementation of activities, inclusion of women etc to mitigate effects of local disagreements and conflicts. Physical mitigation includes measures that address impacts to the physical environment, such as biological communities, vegetation, water resources, air quality and others.

The project does not involve infrastructure and other civil works development, however, there are chances that the FPOs might go for establishing fruit, vegetable or dairy processing units at local level. Generally, fruit processing (canning, drying, freezing, and preparation of juices, jams, and jellies) steps include preparation of the raw material (cleaning, trimming, and peeling followed by cooking, canning, or freezing. Plant operation is often seasonal and typically generates volumes of effluents and solid waste. The effluents contain high organic loads, cleansing and blanching agents, salt, and suspended solids such as fibers and soil particles. They may also contain pesticide residues washed from the raw materials. The main solid wastes are organic materials, including discarded fruits. Odor problems can occur with poor management of solid wastes and effluents.

Environmental impacts associated with a dairy processing unit are generation of waste and wastewater. Once started, it is a regular full time activity to be monitored regularly to avoid environmental impacts. Wastewater and packaging material waster are generated that need to disposed-off properly to avoid any contamination especially water resources. Quality control mechanisms to be in place from processing to storage and to consumer.

Details of the ESMP and mitigation measures are provided in the Table below.

Table. Social, Environmental and Climate Risk Assessment and Mitigation

Main themes	Social/Environmental/ Climate Risk Factors	Mitigation Measures at the design stage
Social Mobilization and Development (such as participatory planning, selection of target area and intervention, agri-business development	<p>Social:</p> <ul style="list-style-type: none"> ✓ Clear mechanism for social mobilization based on predetermined criteria for selection of members ✓ Community participatory planning is not institutionalized/ defined ✓ Limited awareness of the community about the project goals and objectives ✓ Limited scope for gender based community development ✓ Poor strategies for involvement of women 	<p>Social:</p> <ul style="list-style-type: none"> ✓ Well-defined community mobilization and development mechanism will be ensured ✓ Participatory planning and design will be ensured (particularly participation of women will be ensured) ✓ Community organizations will ensure coordination with local government department ✓ Role of and access to various community development facilities will be made clear to the community through consultations, meetings and seminars ✓ Technical and business support will be provided to cooperatives including business plan development Clarity about the role and responsibilities made

Main themes	Social/Environmental/ Climate Risk Factors	Mitigation Measures at the design stage
	<ul style="list-style-type: none"> ✓ Lack of awareness about Farm Services Centres and limited accessibility to cooperatives ✓ Lack of clarity about the role and responsibility of FOs <p><u>Environmental and Climate:</u></p> <p>Office establishment</p> <ul style="list-style-type: none"> ✓ Location; Easily accessible to all ✓ Noise and dust pollution during construction ✓ Labour and staff protection and safety at risk ✓ Disposal of debris and other solid waste ✓ Noise and air pollution due to (due to operation of generators) ✓ Adverse effect on plants and shrubs ✓ Vehicles parking and movement may adversely affect movement of pedestrians, animals, and birds ✓ Inadequate solid waste disposal ✓ Poor sewerage and drainage system 	<p><u>Environmental and Climate:</u></p> <ul style="list-style-type: none"> ✓ Ensure easy access with transport availability and on main road ✓ Measures taken to avoid noise and dust pollution ✓ Use of PPEs and other safety measures taken care of ✓ Good quality and well-maintained generators installed ✓ Smooth and calm operations of office.to avoid inconvenience to neighbourhood including due to vehicles parking and movement ✓ Maximum care exercised to protect plants etc ✓ Adequate disposal of solid waste material will be ensured ✓ Proper sewerage and drainage will be ensured
Establishment and Operation of PMU and Regional offices	<p><u>Social:</u></p> <ul style="list-style-type: none"> ✓ Location and accessibility ✓ Community access to PMU/regional offices is not available or limited ✓ Unavailability of Community complaint mechanism at PMU/Regional offices ✓ Lack of mechanisms for participatory planning (particularly involvement of women) <p><u>Environmental and Climate:</u></p> <ul style="list-style-type: none"> ✓ Noise and dust pollution during construction 	<p><u>Social:</u></p> <ul style="list-style-type: none"> ✓ Ensure easy access with transport availability and on main road ✓ Easy community access to PMU/Regional ensured with phone and email address widely circulated and displayed in PFOs offices, ✓ Participatory planning and design to be considered a pre-requisite (particularly participation of women will be ensured) ✓ Adequate complaint registration and redressal mechanism to be operationalized <p><u>Environmental and Climate:</u></p> <ul style="list-style-type: none"> ✓ Measures taken to avoid noise and dust pollution ✓ Use of PPEs and other safety measures ensured ✓ Good quality and well-maintained generators installed

Main themes	Social/Environmental/ Climate Risk Factors	Mitigation Measures at the design stage
	<ul style="list-style-type: none"> ✓ Labour and staff protection and safety at risk ✓ Disposal of debris and other solid waste ✓ Noise and air pollution due to due to operation of generators) ✓ Adverse effect on plants and shrubs ✓ Vehicles parking and movement may adversely affect movement of pedestrians, animals, and birds ✓ Inadequate solid waste disposal ✓ Poor sewerage and drainage system 	<ul style="list-style-type: none"> ✓ Smooth and calm operations of office.to avoid inconvenience to neighbourhood including due to vehicles parking and movement ✓ Maximum care exercised to protect plants etc ✓ Adequate disposal of solid waste material will be ensured ✓ Proper sewerage and drainage will be ensured
Climate smart technologies—HIES, raised beds, land levelling, tunnels, etc. drought resistant varieties	<p>Social:</p> <ul style="list-style-type: none"> ✓ Lack of knowledge and information about new technologies ✓ Selection of appropriate technology ✓ Use of selected technology <p>Environment:</p> <ul style="list-style-type: none"> ✓ Air, water and noise pollution ✓ Oils, grease pour and spill around ✓ Parking ✓ Use of new varieties of fruits, vegetables and other seeds. 	<p>Social:</p> <ul style="list-style-type: none"> ✓ PFOs will organize awareness campaigns about the benefits of such technologies. ✓ PFOs and project staff will help select the right technology for the right interventions ✓ Proper trainings will be organized on the use and maintenance of the proposed technologies and interventions. <p>Environment:</p> <ul style="list-style-type: none"> ✓ Machinery will be properly used and maintained to avoid and minimize any pollution ✓ Ensure proper packing and handling of oils and lubricants ✓ Vehicles and machines will be properly parked under designated sheds ✓ Certified varieties and seeds will be recommended and used under PFO and project staff/service provider guidance.
Vocational and skill development trainings	<p>Social:</p> <ul style="list-style-type: none"> ✓ Selection of candidates, courses, training institutes ✓ Gender parity ✓ Incentives and facilities for deserving candidates ✓ Number of trainees per class ✓ Location of and accessibility to selected training centre ✓ Language of trainings ✓ Familiarity with the machine/equipment and its use 	<p>Social:</p> <ul style="list-style-type: none"> ✓ Criteria developed for selection of providing the right and required training to the right persons in the right institute for getting the employment. ✓ Equal opportunity provided to the women candidates in the selected field ✓ Appropriate number of students per class to receive proper attention and time during lectures and practical ✓ Poor and deserving candidates, especially women, should be provided with incentives and facilities

Main themes	Social/Environmental/ Climate Risk Factors	Mitigation Measures at the design stage
	<p>Environment</p> <ul style="list-style-type: none"> ✓ Class rooms with adequate space and facilities for the trainees ✓ Proper seating and audio-visual facilities ✓ Separate wash rooms and other facilities for women ✓ Availability of all equipment, tools and material for training 	<ul style="list-style-type: none"> ✓ Preferably local language or Urdu will be used for lectures and teaching material. ✓ Centres should be easily accessible with public transport ✓ Special lectures on the use of machine and equipment with emphasis on precautions. <p>Environment</p> <ul style="list-style-type: none"> ✓ Ensure selection of centres with proper facilities ✓ Ensure required facilities for women ✓ Ensure all tools, equipment, electronic and mechanical devices are available
Fruit /vegetable/dairy Processing Plant (example)	<p>Social:</p> <ul style="list-style-type: none"> ✓ Selection of site ✓ Infrastructure development may affect neighbourhood environment during construction period ✓ Mechanism for members' access to various details and facilities ✓ Limited awareness of member about design and other details ✓ Lack of mechanisms for participatory planning (particularly involvement of women) ✓ Access of and inclusion of poor, marginalized and vulnerable ✓ Local privacy and gender elements ✓ Local community, gender, neighbourhood & stakeholder participation <p>Environmental and Climate:</p> <ul style="list-style-type: none"> ✓ Noise, dirt, dust and air pollution may raise 	<p>Social:</p> <ul style="list-style-type: none"> ✓ Participatory and consensus approach for site selection ✓ Adequate project construction planning and scheduling will ensure no adverse impacts on the neighbourhood ✓ Ensure access to information and all details ✓ Access to alternate routes to be ensured during construction period ✓ Participatory planning and design to be ensured (particularly participation of women to be ensured) ✓ Responsibilities for Operation and Maintenance will be well-defined, and spread through workshops and meetings ✓ Access to various facilities and finances will be made clear to members through consultations, meetings and seminars and records availability ✓ Community consent regarding gender elements, particularly privacy of women shall be addressed ✓ Stakeholders consultation including nearby communities, women shall be ensured and their concerns shall be addressed for sustainability <p>Environmental and Climate:</p> <ul style="list-style-type: none"> ✓ Measures taken to minimize pollution ✓ Use of PPEs and other safety measures ensured

Main themes	Social/Environmental/ Climate Risk Factors	Mitigation Measures at the design stage
	<ul style="list-style-type: none"> ✓ Labour and staff protection and safety at risk ✓ Material storage and vehicle movement may adversely affect movement of pedestrians, animals, and birds ✓ Lack of essential facilities for labour and workers ✓ Use of chemicals during construction and processing of products. ✓ Improper waste and chemicals disposal during construction and operation of units ✓ Wastewater disposal ✓ Inadequate sewerage and drainage system ✓ Adverse impacts on migratory birds movement ✓ Construction of cold storages (insolation needs) ✓ Storage of fruits for processing ✓ Health and safety ✓ Quality control 	<ul style="list-style-type: none"> ✓ Proper storage of material and vehicle maintenance and movement ensured to avoid inconvenience. ✓ Training on occupational hazards, storage and use of chemicals, on maintenance and operation machinery and vehicles for involved personnel will be organized. ✓ Materials and chemicals that consist of small particles or pieces must be stored in a container with a watertight cover, or if non-reactive with water, may be sprinkled with water for dust control. ✓ All machinery and vehicles must be operated with designated fuel. ✓ Appropriate sign boards will be placed along the routes ✓ Adequate planning of labour and worker camps with WASH, sewerage and drainage system will be ensured ✓ First aid facilities to be provided at site. ✓ Processing units shall not be installed in ecologically sensitive or protected areas ✓ Waste generated shall be disposed off at suitable sites and after treatment to reduce the potential for acidification ✓ Waste treatment and management plan shall be devised and implemented ✓ Eco-friendly energy supply shall be preferred. ✓ Carbon footprint of the processing unit shall be calculated and mitigation measures shall be ensured ✓ Use of water in large quantity shall be avoided and recycled ✓ Processing units shall have proper health & safety arrangements for workers ✓ Ensure quality standards of the product

Annexure-14: Annual Work Plan/Budget Format

The AWP/B will provide details of activities under each sub-component along with requisite information for monitoring.

Annexure-15: Measuring Progress against the AWP/B

Component/Outcome <i>Sub-component or Output Indicator</i>	Unit	Period:			Cumulative Actual	Appraisal Actual	% Appraisal Target %
		AWP&B	Actual	%			
Component 1 /Outcome <i>Sub-component / Output</i>							
<i>Sub-component / Output</i>							
Component 2 / Outcome							
Component 3 / Outcome							
Component 4 / Outcome							

Annexure-16: Steps in the opening of Assignment Account/Designated Account

Designated Accounts/Foreign Aid Assignment Accounts/Revolving Fund Accounts (RFAs) are opened and maintained at National Bank of Pakistan with the approval of Finance Department and Accountant General (AG). This account is opened for foreign aided projects and is non-lapsable but requires re-authorization at the start of each fiscal year. Foreign Aid Assignment Accounts are governed through detailed executive notifications (*accounting procedures*) issued by the Finance Division from time to time – *the latest notification was issued in August 2013 for the revision of the procedures*. Following is the process for opening of RFA:

Step		Responsibility	Timeline
1	Check, if the ADP of GOKP contains budget allocation. If not then initiate the process for allocation of budget through Technical Supplementary Grant via Finance Department.	Project Director or authorized officer of DA's in line department.	Upon signing of Grant Agreement
2	Send a request to the Administrative Secretary of the relevant government's department for opening of respective RFA. <i>The request will contain information such as account name, bank branch from where it will operate, authorized signatories and specimen signatures, budget head from which the allocation of funds will be made available, and any other condition for operation of the account;</i>	Project Director or authorized officer of DA's in line department.	Upon signing of Grant Agreement
3	The relevant Department Administrative Secretary/Principal Accounting Officer will approve the request for opening of RFA for onward submission to the FD for issuance of Sanction. <i>The request will include: Copy of PCI, Copy of Grant Agreement, Form A called the Sanction for opening of Assignment Account (contains the name of authorized officers and their specimen Signatures).</i>	Administrative Secretary	1 week
4	The Finance Department will give sanction for the opening of RFA and addressed to Accountant General's for the issuance of authority to the designated branch of the National Bank of Pakistan (NBP). <i>The authorization letter will be issued directly to NBP by the AG.</i>	Secretary Finance	1 week
5	The Accountant General's Office shall issue authority directly to NBP for opening of RFA and copy forwarded to line department. <i>The authority letter contains: Account Title, the bank branch from where it shall operate; Authorized cheque signatories and specimen signatures. Budget head from which the allocation of funds will be made.</i>	AG	1 week

6	Send copy of grant agreement, sanction of FD and authority of AG to the SBP through NBP for grant of NOC for opening of RFA.	Project Director or authorized officer of DA's in line department.	1 week
7	Submit an application to NBP for the opening of RFA along with the sanctions/approvals of FD/State Bank and AG. <i>The application will also include: Account opening form (duly completed signed and stamped), the specimen signature card, the CNIC of authorized signatories.</i>	Project Director or authorized officer of DA's in line department.	1 week
8	NBP will issue a cheque book for withdrawing of grant/funds from the RFA.	NBP	1 week

Steps in Annual Revalidation/ Re-authorization of RFA

Step	Responsibility	Timeline
1	Project Director or authorized officer of DA's in line department.	First week of July every year
2	Administrative Secretary	Same week of receipt of above request letter
3	Secretary Finance	1 week of receipt of the above letter & all documents
4	AG	1 week of receipt of the above letter & all required documents

Important Instructions for Operating RFA (hereinafter referred as Designated Account)

- Any changes in the signatories will be approved by the Administrative Secretary of the relevant line department and circulated accordingly by the Project Director.
- All payments, except for an authorized petty-cash to be notified in writing by the Project Director to relevant NBP branch, shall be made directly to the recipients through 'payees account only' cheques after making due deductions.

- Except for the fund releases from IFAD, no deposits will be made in the Designated Account.

Annexure-17: Checklist for reviewing withdrawal applications

FORM 100 - APPLICATION FOR WITHDRAWAL	Yes or No
1. Sequential numbering of withdrawal application	
2. Withdrawal application amount tallies with sequentially numbered summary sheets	
3. Categories/subcategories charged according to schedule 2 of financing agreement	
4. Percentage of financing applicable for each category or subcategory	
5. Availability of funds in categories and the overall financing amount	
6. Currency of payment	
7. Completeness and accuracy of banking instructions	
8. Complete name and address of correspondent bank	
9. WA is signed by Authorized Representative	
10. Expenditure summary sheet by category attached	
STATEMENT OF EXPENDITURE	
1. Eligibility of expenditures claimed	
(a) Within SOE financial ceiling	
(b) Expenditures under specific category [-----] eligibility	
2. Form 102 supported by signed Form 101 (for items over the financial ceiling)	
DESIGNATED ACCOUNT – REPLENISHMENT REQUESTS	
1. Amount within ceiling figure agreed as a reasonable limit [-- US\$ or --]; or per AWP/B period	
2. Amount at least equal to 30 per cent of the advance or 3 months of expenditure;	
3. Amount agreed sufficient to cover a specific reporting period (revolving fund option)	
4. Exchange rate used	
5. Completeness of designated account banking and account details	
6. Enclosed designated account reconciliation and bank statements	
SUPPORTING DOCUMENTATION (attached when/if required)	
1. Copy of contract	
2. Copy of invoice, certified by Project Director	
3. Copy of bank guarantee and performance guarantee (for advance payment)	
4. Copy of delivery receipt	
5. Copy of evidence of payment	
6. Completed Form 101	
7. Completed Form 102 (A or B) including reference to AWPB, name of the supplier, invoice contract number, total contract value, date of payment, list of supporting documentation, and payment reference (bank/ cash)	
PROCUREMENT	
1. Copy of 'no objection(s)' provided by IFAD (attached)	
2. Copy of Contract Payment Monitoring Form(s) -duly Signed (attached)	
3. Copy of Register of contracts with reference to the procurement plan- duly signed (attached)	

<p>COMPLIANCE WITH CONDITION(S) FOR DISBURSEMENT</p> <ol style="list-style-type: none"> 1. In accordance with terms in section E of the Financing Agreement 2. In accordance with terms in the Letter to the Borrower/Recipient 	
<p>EXPENDITURE INCURRED/COMMITTED BEFORE PROJECT COMPLETION DATE</p> <ol style="list-style-type: none"> 1. Expenditure verified as eligible: <ol style="list-style-type: none"> (a) contract signed before project completion date (b) goods delivered before project completion date (c) services completed and/or rendered before project completion date 	

Notes: Supporting Documentation

(i) For all cases described in (ii) through (vi) below:

- ✓ The signed contract or confirmed purchase order – showing the specified amount that is due to be paid;
- ✓ The bank guarantee for advance payment, as specified in the contract documents;
- ✓ The bank guarantee for performance, as specified in the contract documents;
- ✓ Copies of communications sent by the IFAD country programme manager to the lead project agency providing the ‘no objection’ (whether post or prior) to the contract award; and
- ✓ Evidence of payment.

(ii) For payment of goods, in addition to (i):

- ✓ Supplier’s invoice, duly certified for payment by the project director – specifying the goods, their quantities, and prices;
- ✓ Bills of lading or similar documents; and
- ✓ As appropriate, the certificate of delivery (to include condition of goods on delivery).

(iii) For payment of consultants’ services and other services, in addition to (i):

- ✓ The supplier’s or consultant’s claim, duly certified for payment by the project director and showing sufficient detail. If such services relate to the importation of goods (for example, freight and insurance payments), adequate reference should be given to enable the Fund to relate each of these items to specific goods whose cost has been or is to be financed by the financing closing date; and
- ✓ As appropriate, a certificate of delivery of satisfactory services. If the consultant provided training it should be specified how many workshops/people trained together with a list of participants. If the Consultant developed a manual or a study this study should be attached or indicated in the certificate, etc.

(iv) For progress and retention payments of civil works, in addition to (i):

- ✓ The claim of the contractor, including a financial progress report, stating the work performed and the amount due;
- ✓ A certificate – signed by the project consultants or owner’s representative, if any, or by the borrower’s chief engineering officer or resident supervising engineer assigned to the project, to the effect that the work performed is satisfactory and the payment claimed is due in accordance with the terms of the contract; and
- ✓ A copy of the contract payment monitoring form.

(v) For payment of credit lines/grants etc.. in addition to (i):

- ✓ Duly certified financial reports;
- ✓ Copies of the sub-agreements with the MFIs;
- ✓ Approved minutes of the technical committee (if applicable); and/or
- ✓ Payment requests from the MFI and evidence of payment.

(vi) For payment of Trips, fuel, stationary and other expenses in addition to (i):

- ✓ Supplier invoices;
- ✓ Evidence of payment;
- ✓ Back to office report;
- ✓ Travel authorization; and/or
- ✓ Expense reports by the traveller (including invoices).

Annexure-18: Designated Account Reconciliation (Imprest Fund)

Designated Account Reconciliation Statement (imprest account)																			
Designated Account No:																			
Bank Name:																			
1. Total Advanced by IFAD	USD _____																		
2. Less total amount recovered by IFAD	USD _____																		
3. Equals present outstanding amount advanced to the designated account (line 1 less line 2)	USD _____																		
4. Balance of designated account per attached bank statements as of (Date: day/month/year)	USD _____																		
5. Plus balance of the project account(s) (listed separately)	USD _____																		
Plus balance of sub accounts (listed separately)	USD _____																		
Plus balance of Cash in Hand	USD _____																		
Total of Bank Balances (designated A/C, PA, SUB accounts & cash in hand balance) (line 4+line 5)	USD _____																		
6. Plus total amount claimed in this WA no.	USD _____																		
7. Plus total amount withdrawn from the designated/PA/Grant account and not yet claimed for replenishment) or WAs pending submission	USD _____ _____																		
8. Plus amounts claimed in previous applications but not yet created at the date of bank statement and/or claimed after date of bank statement	USD _____																		
<table border="1"> <thead> <tr> <th>Application No.</th> <th>Date</th> <th>USD</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td>\$</td> <td></td> </tr> <tr> <td></td> <td></td> <td>\$</td> <td></td> </tr> <tr> <td></td> <td></td> <td>\$</td> <td></td> </tr> </tbody> </table>	Application No.	Date	USD	Amount			\$				\$				\$				
Application No.	Date	USD	Amount																
		\$																	
		\$																	
		\$																	
9. Minus Interest earned (to be completed. If zero, please enter zero)	USD _____																		
10. Total Advance accounted for (line 5 through line 9)	USD _____																		
11. Explanation of any difference between the totals appearing in Lines 3 and 10	USD _____																		
e.g.	Non eligible amount to be refunded to the designated account																		
e.g.	USD _____																		
	calculation errors in application of percentage financing counterpart financial resources to be																		
	USD _____																		

Annexure-19: Sample Financial Statements

STATEMENT OF RECEIPTS AND PAYMENTS (BY CATEGORY OF EXPENDITURES) FOR THE YEAR ENDED June 30, 201X

	<u>Ref.</u> <u>Note</u>	20XX	20XX	Cumulative
Receipts from IFAD				
Initial Deposit				XXX
Replenishments to SA		XXX	XXX	XXX
IFAD Direct Payments	5	XXX	XXX	XXX
Government Funds	6	XXX	XXX	XXX
Other Donors	7			
Other Receipts	8			
TOTAL FINANCING		XXX	XXX	XXX
 PROJECT EXPENDITURES: (BY CATEGORY OF EXPENDITURES)				
IFAD Financed				
Vehicles, Motorcycles and Equipment	9	XXX	XXX	XXX
Technical Assistance, Trainings, workshops and Studies		XXX	XXX	XXX
Support for Adaptive Research		XXX	XXX	XXX
Support for Knowledge Management and Communication		XXX	XXX	XXX
Support for Improved Agricultural Extension		XXX	XXX	XXX
Support for Access to Key Agricultural Inputs		XXX	XXX	XXX
Salaries and Allowances		XXX	XXX	XXX
Incremental Operating Costs		XXX	XXX	XXX
		XXX	XXX	XXX

SAMPLE
**STATEMENT OF RECEIPTS AND PAYMENTS (BY CATEGORY OF EXPENDITURES) FOR THE YEAR
ENDED June 30, 201X**

	Ref. Note	20XX	20XX	Cumulative
Government Funds				
Vehicles, Motorcycles and Equipment	#	XXX	XXX	XXX
Technical Assistance, Trainings, Workshops' and Studies		XXX	XXX	XXX
Support for Adaptive Research		XXX	XXX	XXX
Support for Knowledge Management and Communication		XXX	XXX	XXX
Support for Improved Agricultural Extension		XXX	XXX	XXX
Support for Access to Key Agricultural Inputs		XXX	XXX	XXX
Salaries and Allowances		XXX	XXX	XXX
Incremental Operating Costs				
		XXX	XXX	
		XXX	XXX	XXX
		XXX		
TOTAL PROJECT EXPENDITURES		XXX	XXX	
BALANCE C/F	4	XXX	XXX	
		XXX		

SAMPLE
**STATEMENT OF RECEIPTS AND PAYMENTS (BY
COMPONENT) FOR THE YEAR ENDED JUNE 30, 201X**

Notes	201X	201X-1	Cumulative to date
	MWK XXX	MWK XXX	MWK XXX
Balance B/F	4		
FINANCING			
IFAD Credit			
Initial Deposit			XXX
Replenishments to SA	5	XXX	XXX
IFAD Direct Payments	6	XXX	XXX
Government Funds	7	XXX	XXX
Other Donors	8		
Other Receipts			
TOTAL FINANCING		XXX	XXX
 PROJECT EXPENDITURES: (BY COMPONENT)			
IFAD			
Adaptive Research and Knowledge Management			
Adaptive Research	XXX	XXX	XXX
Knowledge Management and Communication	XXX	XXX	XXX
Farmer Adoption of GAPs			
Awareness Raising and Sensitisation	XXX	XXX	XXX
Access to Key Agricultural Inputs	XXX	XXX	XXX
Programme Management and Coordination			
	XXX	XXX	XXX
	XXX	XXX	XXX
	XXX	XXX	XXX
Government Funds			
Adaptive Research and Knowledge Management			
Adaptive Research	XXX	XXX	XXX
Knowledge Management and Communication	XXX	XXX	XXX
Farmer Adoption of GAPs			
Awareness Raising and Sensitisation	XXX	XXX	XXX
Access to Key Agricultural Inputs	XXX	XXX	XXX
Programme Management and Coordination			
	XXX	XXX	XXX
	XXX	XXX	XXX
TOTAL PROJECT EXPENDITURES		XXX	XXX
BALANCE C/F	4	XXX	XXX

SAMPLE
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED JUNE 30, 201X

	Notes	201X Budget	201X Actual	Variance
		MWK	MWK	MWK
FINANCING				
IFAD Credit				
Replenishments to SA		XXX	XXX	XXX
IFAD Direct Payments		XXX	XXX	XXX
Government Funds		XXX	XXX	XXX
TOTAL FINANCING		XXX	XXX	XXX
PROJECT EXPENDITURES: (BY CATEGORY OF EXPENDITURES)				
Cat	IFAD Financed			
1 Equipment	Vehicles, Motorcycles and	XXX	XXX	XXX
2 Studies	Technical Assistance, Trainings, workshops and	XXX	XXX	XXX
3A Research	Support for Adaptive	XXX	XXX	XXX
3B	Support for Knowledge Management and Communication	XXX	XXX	XXX
4A	Support for Improved Agricultural Extension	XXX	XXX	XXX
4B	Support for Access to Key Agricultural Inputs	XXX	XXX	XXX
5	Salaries and Allowances	XXX	XXX	XXX
6	Incremental Operating Costs	XXX	XXX	XXX
		<hr/>	<hr/>	<hr/>

SAMPLE
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL
AMOUNTS FOR THE YEAR ENDED JUNE 30, 201X

		201X Budget	201X Actual	Variance
	Notes	MWK	MWK	MWK
Government Funds				
Vehicles, Motorcycles and Equipment	1	XXX	XXX	XXX
Technical Assistance, Trainings, workshops and Studies	2	XXX	XXX	XXX
Support for Adaptive Research	3A	XXX	XXX	XXX
Support for Knowledge Management and Communication	3B	XXX	XXX	XXX
Support for Improved Agricultural Extension	4A	XXX	XXX	XXX
Support for Access to Key Agricultural Inputs	4B	XXX	XXX	XXX
Salaries and Allowances	5	XXX	XXX	XXX
Incremental Operating Costs	6	XXX	<u>XXX</u>	<u>XXX</u>
TOTAL PROJECT EXPENDITURES		XXX	XXX	XXX
Surplus/Deficit for the period		XXX	XXX	XXX

The excess/deficit of actual expenditures over the Budget of 10% was due to....

SAMPLE

STATEMENT OF DESIGNATED ACCOUNT ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 201X

Account No: _____
Bank: _____
Address: _____

	USD	MWK
--	-----	-----

Opening Balance	Notes	XXX	XXX
Add:			
IFAD Replenishments:			
Date	WA No	XXX	
Date	WA No	<u>XXX</u>	
		XXX	
Bank Interests		XXX	XXX
Total		XXX	XXX
Deduct:			
Transfers to Operating Accounts:			
Date		XXX	
Date		<u>XXX</u>	
		XXX	
Bank Charges		XXX	XXX
Exchange Rate Difference		XXX	
Closing Balance as at 30/06/201X (as per Bank Statement)		XXX	XXX

SAMPLE
STATEMENT OF DESIGNATED ACCOUNT RECONCILIATION
FOR THE YEAR ENDED JUNE 30, 201X

Account No: _____
 Bank: _____
 Address: _____

Notes		
	USD	MWK
1 Initial Deposit	XXXX	XXXX
2 Less amount(s) recovered:	XXXX	XXXX
3 Outstanding Amount advanced	XXXX	XXXX
Represented by:		
Special Account Balance as at 4 30/6/201X	XXXX	XXXX
Plus amounts claimed but not yet credited as at 30/6/201X: WA WA	XXX Date XXX Date XXX	XXXX XXXX
Plus amounts withdrawn not yet claimed, composed of: Was Prepared not yet submitted: WA WA	XXX XXX XXX	XXXX XXXX
WAs not yet prepared:	XXX	
6 Total amount withdrawn not yet claimed	XXXX	XXXX
Less Interest earned and/or plus Bank charges (if included in the 7 Special Account)	XXXX	XXXX
8 Total Designated Account Advance as at 30/6/201X	XXXX	XXXX
Difference between Line 3 and line 8	XXXX	XXXX

Notes:

- a Explain any difference between lines 3 and line 8
- b Indicate if amount in line 6 is eligible for financing by IFAD and provide reasons for not claiming

SOEs-WITHDRAWAL APPLICATION STATEMENT
FOR THE YEAR ENDED JUNE 30, 201X
By Category of Expenditure

Note	Category Description	Category Description	Total	In USD (Equivalent)	Rejected from IFAD	Net Reimbursed
Category No.	1	2				
Withdrawal Application #	Xxx Xxx Xxx	Xxx Xxx Xxx		Xxx	xxx	xxxx
Total						
W/A Pending Submission						
Withdrawal Application #	XXX XXX XXX	Xxx Xxx Xxx		xxxx	xxx	xxxx
Total	xxx	xxxxx		xxx	xxx	xxx

Note: Withdrawal Applications are submitted for reimbursement to IFAD using the historical exchange rate of the transfers to the Operating Account. Expenditures partially or totally rejected by IFAD (if any) should be detailed here. This statement should be reconciled with the Statement of Receipts and Payments

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 201X

FINANCIAL REPORTING UNDER INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)

In accordance with International Public Sector Accounting Standards (IPSAS), notes to the financial statements of an entity should:

- Present any information about the basis of preparation of the financial statements and the specific accounting policies selected and applied for significant transactions and other events, and
- Provide additional information which is not presented on the face of the financial statements but is necessary for a fair presentation of the entity's cash receipts, cash payments, cash balances and other statements as statement of financial position

SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

A Basis of Preparation: The financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting

B Cash Basis of Accounting: The cash basis of accounting recognizes transactions and events only when cash is received or paid by the entity.

C. Foreign Currency Transactions: Foreign currency translation for the income and expenditure account items are converted using the actual historic exchange rate at the conversion from designated to local account. Where part of the expenditures has to be met from the proceeds of subsequent draw-downs from designated to local account, this is done on First in First out (FIFO) basis. All local expenditures paid from the local accounts/currency are translated back to the USD at the actual rate used for the transfer from designated to local account. Cash balances held in foreign currency are reported using the closing rate. Gains/Losses on foreign currency transactions/balances are dealt within the Statement of Designated Account Activities

BUDGET

The budget is developed on the same accounting basis (cash basis), same classification and for the same period as the financial statements. Material variances (above XXX) have been explained as notes to the financial statements

DIRECT PAYMENTS

These payments were made directly by IFAD from the Loan/Grant account to the specified supplier/service provider in accordance with the terms and conditions of the financing Agreement

Note: Include here details of direct payments, WA, Date, currency and amount received, amount in local currency

CASH/FUND BALANCES Reconciliation

Cash Accounts
Advances

201X	201X-1
MWKXXX	MWKXXX
XXX	XXX
XXX	XXX

Analyses of aging of advances to be included detailing and providing reasons for long outstanding advances

CASH DETAILS

200X	200X-1
MWK	MWK

A/c No _____	Project Operating/ Holding Account	XXX	XXX
A/c No _____	IFAD Designated Account (as per SA Statement)	XXX	XXX
Petty cash		XXX	XXX

GOVERNMENT COUNTERPART FUNDS

Details here. Cumulative contributions, yearly contributions (compared to budget). For information only Include details of tax treatment and counterpart contributions as tax exemption.

BENEFICIARIES CONTRIBUTION

Details here. Cumulative contributions, yearly contributions (compared to budget).

OTHER DONOR FUNDS

200X	200X-1
MWK	MWK

List of Donors

XXX	XXX

Add details of cumulative and expected contributions

OTHER RECEIPTS

200X	200X-1
MWK	MWK

YEARLY PROCUREMENTS

Include here a list of the yearly procurements including methods

ALLOCATION AND USE OF THE FUNDS OF THE LOAN/GRANTS

Category	Allocated		Disbursed		Available Balance	
	SDR	USD	SDR	USD	SDR	USD
1 Vehicles, Motorcycles and Equipment	XXX	XXXX	XXXX	XXXX	XXXX	XXXX
2 Technical Assistance, Trainings, workshops and Studies	XXX	XXXX	XXXX	XXXX	XXXX	XXXX
3A Support for Adaptive Research	XXX	XXXX	XXXX	XXXX	XXXX	XXXX
3B Support for Knowledge Management and Communication	XXX	XXXX	XXXX	XXXX	XXXX	XXXX
4A Support for Improved Agricultural Extension	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
4B Support for Access to Key Agricultural Inputs	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
5 Salaries and Allowances	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
2 Incremental Operating Costs	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
	XXXX	XXXX	XXXX	XXXX	XXXX	XXXX

RECONCILIATION OF FUNDS DISBURSED BY IFAD AND FUNDS RECEIVED BY THE PROGRAMME

Annexure-20: Guidelines for Interim Financial Reporting

Annex A: Interim Financial Progress Reports (Minimum requirements/mandatory reports)

Type of report	Disclosed Information	Remarks
Report 1: Sources and Uses of Funds (all financiers)	<p>This report discloses:</p> <ul style="list-style-type: none"> - how much funds the project has received from different financing sources; - how these funds have been spent by expenditure category during the reporting period as well as cumulative. - the opening and closing projects cash bank balances. - 	<ul style="list-style-type: none"> • This report is part of project financial statements. • The Statement of Sources and Uses of funds should include payables and receivables as well as exchange rate differences (unrealized) to allow for the conversion of opening and closing bank balances to a different reporting currency. Adding receivables and payables makes the report fit modified cash and accrual basis of accounting • Prepared in the functional/presentation currency of the entity. • Only cash Beneficiary contribution should be reported. Not in-kind • Aggregate cash forecasts can be added to provide information that would facilitate disbursement planning. • Funds provided by other donors to programme should be included or disclosed, even if these are provided bilaterally to the same programme.

Report 2: Summary of Expenditures by Loan Categories and By Financiers	This report discloses how much funds the project has received from each financier and how these sources have been spent by project category. This report also discloses the hard commitments (contracts signed but not yet paid) per category and financiers	<ul style="list-style-type: none"> • Variation of this report already part of the Project financial statements (sources and uses of funds) • Prepared in the functional/presentation currency of the entity. • Amounts referring to Financing Agreement / should also be expressed in the same currency as the expenditures to allow for comparison of a versus actual expenditures. <p>Only cash Beneficiary contribution should be reported. Not in-kind</p>
Report 3: Financial performance by financier by component	<p>This report discloses:</p> <ul style="list-style-type: none"> - how much funds the project has received from each financier ; - how these funds have been spent by project component during the reporting period and cumulatively. - The report also compares these figures with the targets set in the Annual Work plan and Budget and the Project design report (PDR). 	<ul style="list-style-type: none"> • Variation of this report already part of the aide memoire (main text and table 3b of annex 3) • Prepared in the functional/presentation currency of the entity. • Amounts referring to AWPB and PDR should also be expressed in the same currency as the expenditures to allow for comparison of design/budget versus actual expenditures. • Only cash Beneficiary contribution should be reported. Not in-kind
Report 4: Special/Design ated Account Reconciliation Statement Imprest account/revolv ing fund	This report discloses and tracks the funds received through the Designated account.	<ul style="list-style-type: none"> • Part of project financial statements and submitted together with Withdrawal Applications SA/DA replenishment requests • The currency of the Designated Account reconciliation statement should be in the currency of the designated account.
Report 5: Statement of Expenditures/	This reports discloses the disbursed funds by Withdrawal Application and Category. It also lists the Withdrawal Applications pending submission to IFAD.	<ul style="list-style-type: none"> • Normally part of Project financial statements. • The amounts of the statement should be

Disbursement - Withdrawal Application Statement	Disbursement method used for each WA is disclosed.	<p>expressed in two currencies - the currency of the Designated account (for Replenishments) and the currency of the WA or currency in which transactions are recorded in the accounting software (Usually local currency)</p> <ul style="list-style-type: none"> The expenditures of the Disbursement statement should be categorized by Withdrawal application and disbursement method. The FMS/Finance Officer should make sure that all WA including direct payments, reimbursements and letter of credits are included in statement.
Report 6: Project cash flow forecast	This report discloses the breakdown of the project's cash forecast for the following two quarters by financier. The breakdown includes opening and closing balances of the different accounts as well as estimated income and from different financiers and estimated expenditures by category.	<ul style="list-style-type: none"> Required by IFAD only on ad hoc basis. Should be part of the projects monthly internal reporting (for management use)
Report 7: Progress report on Audit recommendations	This report summarizes all the recommendations made by the external auditors of the project, the project management's action plan to address these recommendations and the current status of these planned actions..	<ul style="list-style-type: none"> Should be Part of the external audit report and management letter

Sample Supplementary Interim Financial Progress Reports (Minimum requirements)

Sample Optional reports depending on the project's activities and the project risk profile		
Type of report	Disclosed Information	• Remarks
Physical and Financial Progress report	This report captures the physical progress made and links it to the cost. The report also compares the actual cost and physical progress with targets and cost estimates set in the AWPB and the PDR	<ul style="list-style-type: none"> • Suitable for civil works such as road construction, irrigation pipelines, hill lakes etc.. • Use simplified or proxy indicators of physical progress, consistent with M&E design where possible. • For 'soft' expenditures output indicators may be explored when feasible (e.g. number of training events held for Training expenditures)
Rural finance-credit line report	This report captures all the expenditures incurred (micro loans & grants disbursed) under the microfinance component/credit line category. The report discloses the individual grants and loans disbursed during the reporting period by financing source and compares them with the AWPB.	<ul style="list-style-type: none"> • Suitable for rural finance components including loans, matching grants, grants etc.
Implementing Partner monitoring	This report discloses the advances paid to the different implementing partners. It also discloses the justified amount and the outstanding balance of the contract.	<ul style="list-style-type: none"> • Suitable for projects/activities implemented by several implementing partners.
Training and workshop monitoring report	This report discloses expenditures related to different training events. It also discloses the number of events held and number of participants in each event.	<ul style="list-style-type: none"> • Suitable for projects/activities characterized by training, technical assistance and capacity building. • Appropriate only when such expenditure is a significant proportion of total financing provided. <p style="text-align: right;">561.</p>
Project Management Cost	This report discloses the breakdown of expenditures incurred within the project management cost component/ category. This report also	<ul style="list-style-type: none"> • Usually a variation of this report if part of Project financial statements and should also be examined during supervision missions

	<p>compares the actual expenditures with the AWPB for the reporting period and an the cumulative expenditures against the allocation as per the PDR/Financing agreement.</p>	<p>and hence part of the aide memoire.</p>
Fixed asset register	<p>This report discloses all the fixed assets, their location, purchase value, tag number etc.. Maintaining an up-to date fixed asset register is an important Internal control element reducing risk of misuse and theft.</p>	<ul style="list-style-type: none"> • Recommended to be part of the Project financial statements

Annexure-21: TORs of Internal Auditing Firm

Note: In case an individual consultant is preferred instead of a firm, these TORs shall be modified accordingly without chaning the substance of work.

A. Introduction

International Fund for Agriculture Development (IFAD) is a specialized UN Agency to finance agricultural development projects, primarily for food production in the developing countries with a focus on eradicating poverty. IFAD provides financing primarily for projects and programmes specifically designed to introduce, expand or improve food production systems and to strengthen related policies and institutions. IFAD is funding several initiatives in Pakistan in line with its mission. The Khyber Pakhtunkhwa Rural Employment and Agribusiness Promotion is being implemented for the same objectives.

Planning and Development Department, Government of KPK is the Lead Implementing Agency for the programme. A Programme Management Unit (PMU) is established under P&D with three (3) satellite Regional PMUs for implementation. The RCUs are based in (to be inserted later). Basic information on the KP-RETP Project is provided below.

B. Project objectives, geographic area of intervention and target groups

Project Goal. The overall goal of the programme is to contribute to poverty reduction, and to food and nutrition security of rural households. The development objective is improved rural income and employment through high value agriculture in a sustainable and climate-resilient manner.

Target Area. The project will cover all the 35 districts of the province in a phased manner. The project will also create complementarity and synergies with the IFAD financed NPGP and other similar donor funded projects. Coordination among complementary projects and programmes will be facilitated by the Project Steering Committee and relevant sections of the planning and development department at the provincial level. Coordination for complementarities and synergies will be the responsibility of Project Management Unit.

Target Groups. The primary target groups for the project will consist of the HHs falling in the PSC 0 – 40. Women and youth will be particularly targeted with specific interventions aiming at economic and social empowerment. The project will validate beneficiaries' data to mitigate exclusion/inclusion errors through service providers/local organizations as appropriate. For gender empowerment, religious and community leaders and village elders/jirga will be engaged following the successful approach used for this purpose in other projects. Smallholder farmers targeted for the production of high value agriculture and livestock will be assisted as members of farmer organizations.

Project Beneficiaries: Around 440,000 households or around 3.5 million persons will benefit directly or indirectly from household level interventions including (i) economic graduation and insertion (assets transfer, youth job market readiness/employment skills and vocational trainings; productive investments - start-up capital) and (ii) market oriented FPOs, and FSCs with market study, business plan, professional management, matching grant investments, private partnership, processing development and clear break-even point as well as exit strategy. Additionally, the target group (focus on the youth and women) will also benefit from capacity building, financial literacy, trainings for climate risk and resilience, nutrition, asset management for enhancing the effectiveness of the assets, enterprise and

business development. Investments in PFOs and 4Ps will create additional jobs from which women and youth will specifically benefit, especially those trained under component 2.

Theory of Change. Transfer of productive asset to the poor combined with vocational and managerial trainings and start-up capital establish enabling environment for graduating them out of poverty. Similarly, organizing very small farmers into market-oriented professional cooperatives as well as 4Ps (dairy transformation in particular) puts them on sustainable economic graduation KP-RETP will benefit in particular from the tools and methodologies / approaches developed for this purpose.

C. Project Components

The proposed project will have three components: (i) Agribusiness Development (Professional Farmers Organizations and 4P Development), (ii) Economic Graduation and Employment Promotion (Assets Provision and Skills Development); and, (iii) Programme Management and Policy Support. Component 1 will create the necessary potential within the repositioned agribusinesses and 4Ps while the asset and skills creation will enable poorer households to avail to opportunities of both income and employment. Component 1: Agribusiness Development (US\$ 77 million)

This component shall consist of two mutually reinforcing subcomponents as follows: (i) Professional Farmer Organizations Development and (ii) Agro Value Chain 4Ps with the aim of including farmers in value chain process and increasing their incomes. The target population is one that has a Poverty Score Card score between 0-40. The project will validate BISP data to ensure that only those who meet the PSC criterion are actually targeted.

- i. Professional Farmer Organizations Development. The project will develop 550 multi-purpose restructured Professional Farmer Organizations (PFOs) with 300 - 700 producers per organization. PFOs shall be managed professionally by qualified staff recruited through proper testing. FPO shall be formally registered and provided mentoring over short to medium term. An investment ranging between USD 70,000 and USD 100 000 is estimated to be required for each PFO to which 30% will be provided by members of FPOs whereas the remaining 70% will be contributed by the project. FPOs will use the funds to lend money to members for inputs/services and also provide support for improving the marketability of the produce by aggregation, grading, processing, packaging, and certification—where needed generate best value for farmers. The PFO's net profit will be limited to the operational cost recovery to maximize profit for farmers. The average estimated net incremental income generated per farmer will be in the rage of USD 1000 – 2,000 per year. The component will also reorganize/modernize 45 Farm Service Centers (FSCs) that were established to organize farmers for better access to agriculture inputs and allied services.
- ii. Agro Value Chain 4Ps. The project will establish 15 Producer Public Private Partnerships (4Ps)—each covering an estimated 1,000 producers. For this purpose, well-qualified and experienced private partner shall be selected through a competitive process for value chain development. The project seeks to increase average income of a project beneficiary (farmer) USD 150 equivalent per month. The selected private firms—engaged on a 3-5 years contract, shall enable producers to meet the demand characteristics and requirements of the private company. The project shall provide financing for investment for this purpose. The 4Ps model will also be developed as a link to the PFOs under a contract farming modality.

Component 2: Economic Graduation and Employment (USD 92.5 million)

The target population is one that has a Poverty Score Card score between 0-23. The project will validate BISP data to ensure that only those who meet the PSC criterion are actually targeted. This component will focus on creating sustainable livelihoods for the target beneficiaries. It is estimated that about 25,000 jobs will be created because of project activities involving PFOs, FSCs, and 4Ps. The project will work with KP TEVTA and Service Provider to impart target beneficiaries skills-based trainings, mentoring and financial assistance to generate self-employment for an estimated 60,000 beneficiaries.

The beneficiaries of this component will be women (50%) and youth (50%) who will undergo skills development trainings at recognized institutes and be facilitated in finding jobs or starting business. An Implementing Partner shall be engaged competitively with accountability to ensure that 70% of the trainees under the component either find sustainable jobs or start business after six months of training. Trainees that want to start business shall be provided some seed capital and management coaching/mentoring. The project will also provide internships for graduate youths to facilitate their transitioning to full time jobs subsequently.

Component 3: Programme Management, Policy and Policy Support (USD 12 million)

Based on previous good experience, the project will be placed under the Planning and Development Department. A Project Management Unit will be established at Peshawar and three Regional PMUs will also be set up in order to handle the distance / geographic coverage of the project. The PMU will report to the Project Steering Committee (PSC). The allocation includes the cost of the PMU and equipment (USD 10 million) plus USD 2 million for the policy support and MOU/equipment with the different line departments.

D. Objective of Assignment

To mitigate fiduciary risks associated with project activities and to strengthen internal control processes, PMU requires services of a Chartered Accountant Firm ("the firm") to conduct periodic Internal Audit of PMU activities for BES Project, systems and transactions.

Purpose and Definition of Internal Audit. Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. Internal Audit helps an organization accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve effectiveness of risk management, control, and governance processes.

Purpose of hiring Internal Auditor is to help project accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve effectiveness of risk management, control, and governance processes. Project perceives that Internal Auditor shall:

- ✓ provide assurance that financial and operational risks are understood and appropriately managed;
- ✓ promote establishment of best practices;
- ✓ identify opportunities for pragmatic efficiency and effectiveness improvements, primarily in internal controls and risk analysis;
- ✓ advise on matters regarding internal controls and risk management;
- ✓ evaluate risk management procedures and internal controls;
- ✓ provide comprehensive process assurance services.

Professional Standards. Internal Auditor shall carry out its responsibilities in accordance with professional standards including those issued by Institute of Internal Auditors and International Federation of Accountants, internal auditor carrying out the assignment is expected to maintain highest standard of:

Integrity: Integrity of internal auditor exhibits highest level of professional objectivity in gathering, evaluating, and communicating information about activity or process being examined. Makes a balanced assessment of all relevant circumstances and is not unduly influenced by its own interests or by others in forming judgements.

Confidentiality: Internal auditor respects value and ownership of information received and do not disclose information without appropriate authority unless there is legal or professional obligation to do so.

Competence: Internal auditor applies knowledge, skills, and experience needed in performance of assignment.

Authority and Independence: Internal Auditor will have full, free and unrestricted access to project's records, physical properties, personnel and other entities relevant to an area under review. Internal Auditor will have no responsibility for or authority over any of activities or operations subject to its review. Internal Auditor shall not perform any operational duties, develop and install systems and procedures, initiate or approve accounting transactions, prepare records, or engage in any other activity which it would normally review and appraise and which could reasonably be construed to compromise in appearance or fact, independence and/or objectivity of Internal Auditor.

E. Scope of Work and Responsibilities:

Internal Auditor shall provide internal audit services to the project. Internal Audit of project will be carried out as per approved internal audit plan agreed between project management and firm

Scope of work of Internal Auditor is to determine whether project's risk management, controls, and compliance processes, as designed and represented by management, are adequate and functioning. Control frameworks are developed in compliance with GoKP Rules and Regulations, IFAD's Guidelines as well as international standards such as Committee of Sponsoring Organizations model — COSO-ERM and ISACA's (Information Systems and Control Association) COBIT (Control Objectives for Information and related Technology).

Internal Auditor should review that whether projects' control framework ensures that:

- i. Risks are appropriately identified and managed.
- ii. Significant financial, managerial, and operating information is accurate, reliable and timely.
- iii. Employees' actions and transactions are in compliance with internal policies, standards, procedures, and external applicable laws and regulations.
- iv. Resources are acquired economically, used efficiently, and adequately protected.
- v. Programs, plans, and objectives are achieved.
- vi. Quality and continuous improvement are fostered in project's control process.
- vii. Significant legislative and regulatory issues impacting project are recognized and addressed appropriately.

Internal Auditor will carry out its responsibilities by:

- i. Developing an Internal Audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, external auditor, or Project Steering Committee (PSC). Agreeing plan with project director and submitting to PSC for review and approval.
- ii. Executing Internal Audit plan, as approved and revised, from time to time.
- iii. Performing advisory services, beyond assurance services, to assist management in meeting project's objectives, where required. (Clarification: As an internal auditor, it is important to remain independent of management operations and project implementation activities. IA firm can certainly add value and provide advisory to improve controls design and overall internal controls environment that may assist management in meeting project's objectives).
- iv. Reporting suspected fraud, investigation of significant suspected fraudulent activities within the project, if any, and notify PSC of results.(Exclusion: As mentioned above, TORs requires reporting suspected frauds, investigation of significant suspected activities within the project, if any, and notify the PSC of the results. While performing internal audit procedures, where IA firm identify instances / indicators of possible fraudulent activities, red flags will be reported to concerned / appropriate level with details noted based on information available. However, investigation

of any such fraudulent activity cannot be covered as part of current internal audit scope of work due to following reason:

- a. It is not practically possible to assess the nature of fraud and extent of work required to investigate the same.
- b. Fraud investigation require specific competency based on nature of fraud. This cannot be ascertained/ covered under current scope of work. If there are such services required, these can be provided under separate arrangement).
- v. Communicating results of Internal Audit and recommendations for improvement to Project Director. Obtaining written management responses as to corrective action planned or taken within a specified time from issuance of audit reports. Evaluate and monitor disposition of proposed actions and their expected effectiveness. Instances of residual risk that may be unacceptable will be discussed with management and, if unresolved, reported to PSC.
- vi. Physical verification of a sample of project assets, activities and outputs in districts where project is being implemented.
- vii. Issuing internal audit reports to Project Director as well as PSC.
- viii. Employing professional audit staff with sufficient knowledge, skills, experience, and professional certifications to carry out audit of project.
- ix. Communicating opportunities for improving management control, functioning and organization of project to management and PSC.

Control assurance activities performed Internal Auditor will include:

- ✓ Reviewing reliability and integrity of financial and operating information and how it is identified, measured, classified and reported.
- ✓ Reviewing systems established to ensure compliance with laws and regulations.
- ✓ Reviewing systems established to safeguard assets and, when appropriate, verifying existence of assets.
- ✓ Appraising economical and efficient use of resources.
- ✓ Evaluating adequacy and effectiveness of project's processes for controlling activities and managing risks.
- ✓ Testing key financial reporting controls in identified financial systems and processes.
- ✓ Identifying significant risks to ability of project to meet its objectives, communicating them to management and ensuring that management has taken appropriate action to guard against those risks.
- ✓ Performing early entry engagements to assist management in incorporating an adequate control structure in new systems and processes.
- ✓ Reviewing reports of external auditor, monitoring compliance against recommendations of auditors and reporting status to Additional Secretary (Development) and PCC.

Key consideration to the scope of work

Internal audit firm will assess the controls from design / improvement perspective and perform test of controls as per International Standards of Internal Auditing prescribed by Institute of Internal Auditors, USA. A risk-based sampling methodology as prescribed by internal auditing standards issued by IIA shall be followed. However, current internal audit scope does not cover performing any financial audits (providing assurance on financial reports as per International Auditing Standards) or technical / performance audits or impact assessments.

1. The IA firm shall obtain and rely on the information made available to us by the concerned management officials of the project. For such data basic sanity and consistency checks may be applied to ensure its reasonability and a sample may be selected to verify some of the transactions, however, any intentional or unintentional errors/misreporting may not necessarily identified as a result.
2. The Internal audit firm will be performed based on a sample transaction basis, which may be selected on a judgmental and / or random basis depending on nature of process being audited. There would always be a

- sampling risk, that is sample selected may not be truly representative of population being tested. Hence all the issues may not be identified had entire population being tested.
3. Implementation of the recommendations of internal audit shall be the responsibility of project management. Internal audit firm on a periodic basis shall perform a follow up audit and provide status of implementation to the management.
 4. Internal audit firm will not authorize, execute or consummate transactions or prepare any books of accounts or otherwise exercise any other authority on behalf of the project.
 5. Internal audit firm will not obtain / maintain custody of any assets.
 6. Internal audit firm will not act in any capacity equivalent to a member of management or an employee.
 7. Internal audit firm will not act as pre-auditor or pre-approver of the transactions or in any capacity equivalent to a member of management or an employee.
 8. Client shall provide (or cause others to provide) to Consultant, promptly, the information, resources and assistance (including access to records, systems, premises and people) that we reasonably require to perform the Services.
 9. Timelines will be discussed for each internal audit execution and reporting at the time of internal audit planning and agreed/ defined in the internal audit plan. Timelines are subject to timely availability of the information/ meeting time by the project management.
 10. Moreover, with respect to follow-up of the DG audit comments, internal audit shall follow up on the points related to control weaknesses and process deficiencies relevant to our scope and period of audit. Any transaction level points or rectification required or any investigation related to it, will not be part of our follow up scope.

Project Activities / Processes where Internal Auditor should particularly focus include:

Control Environment. Control environment risk factors incorporate management's attitude, awareness, and actions concerning an organization's control environment. It is important that Internal Auditor obtain sufficient knowledge of PMU control environment to determine whether collective effect of these factors establishes, enhances, or mitigates effectiveness of specific control techniques. In making this determination, Internal Auditor should consider PMU managements' philosophy and operating style, managements' monitoring of performance and compliance with laws and regulations.

Financial Management .Internal Auditor shall perform a review of financial and internal control structure at PMU and report if they are in accordance with international standards to determine adequacy of existing controls related to management of all funds received by entities. Internal Auditor shall obtain sufficient understanding of entities' financial management system and provide evaluation of management control environment, accounting system and control procedures in order to determine adequacy of system to control and account for funds transferred to it.

Procurement Management. Internal Auditor shall review project's procurement processes with an objective to provide assurance that they are effectively designed in accordance with Bank's procurement guidelines and are operating efficiently. This will involve review of project's procurement policies and procedures for procurement planning, avoidance of improper business practices and conflicts of interest, competitive procurement, ordering procedures, invoice examination policies and procedures to ensure payments are made only for goods and services received.

Contract Management. Internal Auditor shall review project's processes for contract management and administration to provide assurance that all parties to contract fully meet their respective obligations as efficiently and effectively as possible, delivering business and operational outputs required from contract and providing value for money. Internal Auditor shall carry out a detailed review of contract

administration functions such as inspection and acceptance, agreement modifications, disputes, proper accounting and termination etc. Internal Auditor will also liaise with External Auditors including provision of internal audit reports, discussion on project risks and compliance with recommendations.

Quality Assurance. Internal Auditor shall develop and maintain a quality assurance and improvement program that covers all aspects of Internal Audit activity related to the project. This should enable evaluation of conformance of Internal Auditor activities with Institute of Internal Auditors International Professional Practices Framework (IPPF), Code of Ethics and best practices.

F. Reporting Arrangements

For administrative and contractual matters, Internal Auditor shall liaise with Project Director. Envisaged reporting arrangements for internal auditor are summarized below:

Project Director

- Contractual matters including payment for internal audit services.
- Discussion on level of risks, areas where management needs support and time allocations to prepare internal audit plan
- Preparation and submission of internal audit plan for project.
- Agreeing on dates and schedule for internal audit.
- Submission of draft internal audit report.
- Discussion on draft internal audit report.
- Submission of final internal audit report incorporating management comments.
- Reporting on follow-up of internal audit recommendations for project.
- Reporting on follow-up of external audit recommendations.

Project Steering Committee (PSC)

- Submission and approval of internal audit plan.
- Submission of internal audit reports.
- Attending meetings where internal audit reports are discussed.
- Follow-up on directives of PSC.
- Reporting on follow-up of internal audit recommendations.
- Reporting on follow-up of external audit recommendations.

G. Deliverables & Payment

Consultant shall be entitled to fee on submission invoice along with relevant deliverables as per contract agreement.

Percentage of fees	Activity
60%	Upon submission of Draft Deliverables
40%	Upon submission of Final Deliverables

In case of no management comments received on draft report within 2 weeks of submission of draft report, the draft report will be considered final for the purpose of raising final invoice.

Out of pocket expenses (reimbursable) shall be billed on an actual basis (except for per-diem). The above mentioned out of pocket expenses are based on estimated time and cost to be spent by our team. Further it would comprise other expenses directly related to project execution. The amount proposed is the maximum ceiling for out of pocket expenses.

Further, Out of Pocket Expenses are for the work to be performed in KP, the expenses will be arranged / reimbursed by KP-RETP.

H. Place of assignment

Place of assignment is Peshawar Quetta, with field work as required. Internal Auditor shall provide an electronic copy and three (3) hardcopies of the each deliverable.

Consultant's Personnel

#	Positions to be included in the proposals
1.	Engagement Partner
2.	Quality Assurance Lead
3.	Project / Internal Audit Manager
4.	Project / Audit Supervisor
5.	Senior Consultant / Team Members (02)

I. Qualifications

- The firm must be registered with Institute of Chartered Accountants of Pakistan (ICAP).
 - The firm must be on Quality Control Rating (QCR) list of ICAP
 - The firm must not be blacklisted or debarred by any government department.
 - The firm must have an aggregate experience of not less than ten years in providing internal audit services in public/private sector.
 - The firm must have undertaken 5 internal audit service assignments in the last five years.
 - The firm must have undertaken at least one internal/external audit engagement of a project funded by IFAD, United Nations or the World Bank or ADB in the last 5 years.
 - The firm shall govern themselves by adherence to The Institute of Internal Auditors' Code of Ethics. The Institute's International Standards for the Professional Practice of Internal Auditing shall be adhered to by the firm.
- a) The payment will be made quarterly upon the delivery of satisfactory quarterly report.

Application Process

a) Interested qualified firms are encouraged to apply for the above mentioned consultancy by sending the detailed CV along with the cover letter clearly mentioning (i) the position in the email/letter subject line, AND (ii) the expected daily consulting fee for the year to the following email address:

b) The deadline for the application is xx.xx.2019, day.

Annexure-22: Financial Tables for the Supervision Missions

These financial tables are required for the supervision mission and they are placed as Appendix 2 to the Supervision Mission Report. IFAD has prescribed the format for these tables which is given hereunder for the guidance of the finance team.

Appendix 2: Financial: Actual financial performance by financier; by component and disbursements by category

Table 2A: Financial performance by financier

Financier	Appraisal '000)	(USD '000)	Disbursements (USD '000)	Per cent disbursed
IFAD loan				
IFAD grant				
Co-financier				
Government				
Total				

Table 2B: Financial performance by financier by component (USD '000)

Component	IFAD loan			IFAD grant			Co-financier			Government			Domestic 1			Total		
	Apprais al	Actua l	%															
.....
.....
.....
.....
.....

Table 2C: IFAD loan disbursements (SDR, as at [Insert date: dd-m-yy])

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
I							
II							
III							
IV							
V							
	Initial deposit						
	Total						

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

Annexure-23: Format for measuring compliance with legal covenants

Supervision missions assess the extent to which a project has complied with applicable compliance requirements contained in the Financing Agreement, Letter to Borrower etc.

The following table is part of the Supervision Mission Report as Appendix 3

Appendix 3: Compliance with legal covenants: Status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Section 4.02	PCU to open and maintain a Project Account (in ...); GO? to make an initial deposit equivalent to USD ??????			
Section 4.02	GO? to replenish Project Account quarterly in advance			
Section 4.03	Procurement of goods, works and services carried out in accordance with the procedures laid down in Schedule 3			
Section 4.04	Insurance of vehicles, equipment and civil works financed from the loan proceeds to be consistent with sound commercial practice.			
Section 4.05, section 11.10(b)	Audit report submitted to IFAD.			
Section 4.06	Progress reports to be submitted to IFAD on a quarterly basis.			
Schedule 4, para 7	AWPB to be submitted to the Fund, for its review and comments			
Schedule 4, para 8(a)	A Mid-Term Review (MTR) to be carried out jointly by the Borrower and IFAD.			
Schedule 4, para 16	Project to be exempted from all import duties, excise taxes and value added tax (VAT) on investment expenditures			

Pakistan

KP Rural Economic Transformation Project

Project Design Report

Annex 9: Integrated Project Risk Matrix (IPRM)

Mission Dates: 5 to 14 April 2021

Document Date: 08/11/2021

Project No. 2000002333

Report No. 5791-PK

Asia and the Pacific Division
Programme Management Department

Overall Summary

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

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

Country Context	Substantial	Moderate
Political Commitment	Moderate	Low
Risk: Pakistan was one of the first countries to endorse SDG in 2015 when the Parliament approved SDGs as the national development agenda. A major national social safety net programme called Benazir Income Support Programme (BISP) was initiated in 2008 which since its inception has been supported by successive governments. The budgetary allocations for BISP have been increasing consistently since the start of the programme despite fiscal constraints. The Government in 2018 introduced a comprehensive multidimensional poverty reduction strategy and launched a national poverty graduation Initiative called "Ehsaas". The Federal Government formulated a National Youth Development Framework (NYDF) in 2020 which focuses on social, economic and political empowerment of youth including skills development and youth entrepreneurship through soft loans. An IFAD finance National Poverty Graduation Programme had been included as integral part of Ehsaas. Under the strategy a new Ministry for Social Protection and Poverty Alleviation was created which is mandated to devise pro-poor policies and programmes and consolidate the existing policies and programmes.	Moderate	Low
Mitigations: To mitigate any risk, the IFAD country team will continue to support the government's efforts for agriculture, rural transformation and youth development. The partnership with the government resulted in the provision of 34% government contributions for scaling up and alignment with government poverty reduction, youth men and women skill development and employment, value chain and climate resilience agriculture development.		
Governance	Substantial	Moderate
Risk: After the 18th amendment to the constitution in 2008 almost all key sectors related to IFAD's mandate and its administrative and fiscal responsibility are now provincial subjects. However, challenges remain in the development of a strong system for the delivery of development priorities in an efficient, equitable and transparent manner and through participatory development approaches. There are striking differences in resource allocation and management, availability of services and local government systems, leading to disparities in the pace and level of development across provinces and districts.	Substantial	Moderate

Mitigations: The planning and development Department and Government line departments in Khyber Pakhtunkhwa are generally well placed in terms of human resources, technical and delivery capacity. However, financial constraints often result in sub-optimal performance. The project will assist the Government in addressing management and technical capacity gaps for improved and demand based service delivery with focus on shifting service delivery and support system to the community and the private sector. The project will particularly enhance capacity to respond to climate change and risk reduction and to respond to the changing demand for technologies for high value agriculture, value chain development and market demand based vocational skills development and employability of youth. The existence of a network of community organisations in the provinces, engagement of NGOs as service provider for social mobilisation and participatory development approach of the project will provide opportunities for inclusiveness, equity and transparency.		
Macroeconomic	Substantial	Moderate
Risk: The country's macroeconomic situation has worsened since 2018, due to high fiscal and current account deficits and low levels of reserves. The medium-term growth outlook was forecasted to be impacted by COVID- 19. However, initial estimates for FY 2020/21 indicate a GDP growth of 3.94%. This surprising performance is attributed to smart lockdown policies, relief package for daily wage workers and low income HHs, support for the industrial, trade and agriculture sectors, cutting of policy rates etc. Some analysts estimate that since 2018, poverty is likely to have increased by about 10 million persons due to economic challenges and more recently owing to the COVID-19 pandemic	Substantial	Moderate
Mitigations: The project will mitigate the effects of the macroeconomic situation and the COVID 19 impact on the target population with a strong focus on poverty reduction through skill trainings and gainful employment opportunities for youth and value chain approaches and through identified opportunities for encouraging the participation of the private sector in the value chains.		
Fragility and Security	Substantial	Moderate
Risk: Pakistan's security environment has improved since 2014 as a result of concerted counter terrorist and counter militant operations. The security situation in the province is generally stable but remains unpredictable with a few terrorist-related incidents recorded in the Newly Merged Districts (former FATA) of the province. Out of 35 districts of the province, about 4-5 newly merged districts along the border of Afghanistan remain unpredictable. Since 2014, a number of UN agencies including UNDP, UNICEF, WFP, FAO and UNHCR and WHO are present in Peshawar. International staff of UN agencies and diplomats are allowed to travel to the province subject to authorisation/NOC by the federal and provincial governments. Political Situation: Despite opposition attempts for a change in government, the position of the ruling party is expected to be stable. Recently the current PM took vote of confidence and has won the election of chairperson of the Senate. In view of the somewhat effective containment of the COVID 19 impact and the recent GDP growth, higher than expected, there is no immediate risk of any mass unrest.	Substantial	Moderate

Mitigations: Security: The situation will be continuously monitored and appropriate mitigation measures will be put in place if deterioration of security should emerge in any district. The project will follow a phased approach and will have a mixed implementation methodology including partnership/sub-contracts with local organizations as well as direct implementation by project personnel where acceptability of partners is an issue or securing clearance to operate remains a challenge. UNDSS advisory will be followed and government security operates will be used for districts with substantial risks. Additionally, the experience of IFAD indicates that the engagement of local service providers for social mobilisation, a participatory approach and strong involvement of community networks provide opportunities for offsetting security risks to some degree. Political: Significant improvements have been made. Despite the constraints due to COVID 19, the current government has successfully mobilised the diaspora to increase remittances, retired the highest ever foreign debts, improved the current account deficit, and achieved a higher GDP growth than expected and released pro poor policies and programmes. Agreements between donors and the Pakistan/provincial governments are always owned and honoured by the successive governments. The current government increased the pledge to the IFAD Replenishment. Therefore, there is no risk to the project and its implementation in case of change in government at Federal and Provincial level.		
Sector Strategies and Policies	Substantial	Moderate
Policy alignment	Moderate	Low
Risk: The project is well aligned with the federal and provincial government policies and priorities and relevant SDGs. Project design and outcomes respond to the Government's poverty reduction strategy as announced in the National Poverty Graduation Initiative called "Ehsaas" in 2019 and the National Youth Development Framework (NYDF) of 2020. The project also responds to the provincial government priorities for high value agriculture development through value chain approach and youth and women development as articulated in relevant policies. There is, however, a notable risk of KP TEVTA not being able to design and deliver the courses that would address the existing and emerging supply gaps in the labour market. This could prevent the project achieving sustainable employment targets that justify the investments in the first place. Since a new government will take over after the election of 2023, there is also a risk of change in government priorities subsequently.	Moderate	Low
Mitigations: KP TEVTA shall be assisted to establish robust institutional arrangements to conduct labour market assessments periodically and keep its course offerings relevant to the demand of labour market. Also KP TEVTA shall be enabled to use modern approaches for skills testing and certification—in collaboration with NAVTEC, which is the highest regulatory body for technical and vocation education in Pakistan. The PSC shall include all key stakeholders to ensure the issues of labour market and employments are holistically discussed and followed up. IFAD's IFAD's past and on-going projects and programmes have supported and will support government priorities notably for poverty reduction and agriculture development. Generally, foreign funded project and commitments are not affected with the change in government.		
Policy Development and Implementation	Substantial	Moderate

Risk: Recognising its increased responsibilities after the 18th constitutional amendment, the provincial government formulated policies for youth, women empowerment, and agriculture. The agriculture policy is cognizant of the unique and diverse agro-climatic conditions of the province which provides great potential for the development of high value crops as well as the development of the livestock sector through the value chain approach and private sector involvement. Youth development policies, strategies and programmes gained focus during the last 10 years. However, a key challenge in Pakistan has been the execution of policies including concrete actions, associating reforms and strategies and regulatory frameworks etc.	Substantial	Moderate
Mitigations: The project will provide support for effective implementation of the relevant parts of the policies including the associating strategies, frameworks and capacity building. The strategic interests of smallholder farmers and livestock holders, women, and youth will be addressed by promoting their visibility through recognizing the critical role that they play in the value chains and addressing their needs and priorities. Market demand-based and competency-based trainings and focus of employability will be introduced through capacity building for KP-TVETA. The project shall focus on generating new, simple, and replicable approaches for policy implementation—working collaboratively with all key stakeholders. This will ensure that the successful approaches become visible and generate a strong traction for a wider adoption and implementation by the provincial government.		
Environment and Climate Context	Substantial	Moderate
Project vulnerability to environmental conditions	Substantial	Moderate
Risk: Rural populations in the province are faced with inherent vulnerability to weather related environmental conditions such as increased variability of monsoons, impact of receding glaciers on the river systems, decreased capacity of existing water reservoirs, and extreme events including floods and droughts. The provincial government has a climate change policy and most climate-sensitive sectors have climate-compatible medium term plans and budget—which also include performance indicators and targets. Climate actions have been mainstreamed into policy landscape largely with assistance from donors. However, the relevant line departments i.e. agriculture, industry, livestock, etc. continue to lack technical capacity to implement provincial government's climate change agenda. Hence, there is material risk that the line departments and other parties i.e. PFOs, FSCs, Private Partners, and KP TEVTA etc. would not effectively mainstream climate aspects in implementing project activities.	Substantial	Moderate
Mitigations: The project will facilitate the provincial government in implementing the concept of green development envisaged in the climate change policy. Some proposed mitigation actions include the appropriate screening for climate smart agriculture, food and fruit processing facilities and other subprojects to be proposed by the PFOs, the promotion of sustainable land and water management practices, and the capacity building of government staff and beneficiaries for risk reduction and for building resilience. Provisions shall be included in the contractual agreements with implementing partners to ensure compliance with climate action in project activities. A Climate Change Specialist shall be part of the core team at PMU to ensure oversight of project planning, execution, and reporting from climate change perspective. Detailed guidelines shall also be included in PIM to facilitate the process.		
Project vulnerability to climate change impacts	Moderate	Low

Risk: The present and projected climatic patterns and trends for precipitation and temperature indicate that seasonal variations in temperature and precipitation will increase, resulting into more frequent and intensified extreme weather events. The climate change induced impacts include severe water stress; food insecurity due to decreasing agricultural and livestock production; the degradation of ecosystems and biodiversity loss. However, most of the proposed activities under the project are soft in nature and are not going to be substantially impacted by climate change.	Moderate	Low
Mitigations: The project will ensure that climate change resilience is made a central factor in the prioritization and selection of activities, in line with the provincial government's climate change policy. Support will be provided to equip the small holder farmers with knowledge, skills, crop choices and practices in different locations and agro-climatic condition to better cope with climate change induced challenges and with the introduction and promotion of climate smart agriculture technologies and services including efficient water use. The approval of interventions would be subject to an environmental screening process to ensure that the construction does not have any adverse social or environmental impact.		
Project Scope	Substantial	Moderate
Project Relevance	Substantial	Moderate
Risk: The main risk under component 1 are: weak capacities and business orientation of farmer, limited access to finance for better technologies for the production and the promotion of value added agri-processed products, weak services, absence of facilitation for public private producer partnerships (4Ps). Under component 2. the key risk is the outdated TVET curricula resulting in a strong disconnect between the demand from various sectors for specific types of skilled labour and no focus on employability. For the last three decades, the development of the province, particularly NMDs, has been a high priority of the government, to offset the fallout of conflict in Afghanistan and as well as to consolidate the recent peace and development gains and to achieve the objective of a balanced regional development of the Five Year Plan 2018-23.	Substantial	Moderate
Mitigations: The project scope, approach and proposed activities were identified in consultation with the federal and provincial governments and with reference to their development priorities and are highly relevant to IFAD 11's business model and corporate priorities. The project builds on evidence based lessons from IFAD (SPPAP and ETI-GB) and other donor-financed projects and programmes. In line with the priorities of the provincial government and IFAD, the transformation potential of agriculture for enhanced incomes and employment will be pursued by addressing the critical issues in the farm, off-farm and non-farm value chains, including through professional and market oriented farmer organizations, private sector engagement and access to financial services. Youth, men and women will be a priority target group. The project will provide an opportunity for realizing the dividends of the "youth bulge" in terms of addressing critical challenges related to human capital development. In view of the current state of agriculture regarding productive employment and TVET challenges and barriers to rural youth employment and business development, the project adopts a multi- dimensional, coordinated and integrated approach to address diverse supply and demand constraints and keeping in view the diverse regional level market demands for labour. The project will specifically focus on youth employability for employment and self employment/entrepreneurship in agriculture and other emerging sectors in the province, through a range of activities tailored to the needs and interests of different target youth groups. The institutional capacity gaps will be addressed through the reorientation of existing government Farm Services Centres and the strengthening of the agriculture extension and research services and TVET for the provision of demand based services.		
Technical Soundness	Moderate	Low

Risk: The project is technically robust and is based on lessons learnt. Component 1 benefits from the Pakistan (ETI-GB), the Sri-Lanka (NADEP/SAP) and the Asian Pacific Farmer Programme (APFP Laos, Cambodia and Mongolia in particular). Lessons from Pakistan (SPPAP) are fed into the design of component 2. One of the potential risks that can be foreseen is that the innovative aspects of the project i.e. improving the agriculture sector productivity and competitiveness through the development of value chains and responding to climate change challenges and community-centric service delivery, are hindered due to skills and capacity gaps within the service providers and beneficiaries.	Moderate	Low
Mitigations: The project design has been kept simple in terms of number, type and range of activities as well as the implementation arrangements. The project will invest in capacity building of beneficiaries and extension services. The project will create an enabling environment for private sector involvement through farmers organisations, improving the quantity and quality of crops and livestock and developing better linkages with markets and value chain actors.		
Institutional Capacity for Implementation and Sustainability	Substantial	Moderate
Implementation Arrangements	Moderate	Low
Risk: Inherent institutional capacity risks are moderate in the province. The planning and development department and line departments are reasonably well placed in terms of management capacities and exposure to participatory development approaches. However, start up delays are common and technical capacity and the skills level of public service delivery institutions may pose a challenge for the implementation of the projects approaches and interventions.	Moderate	Low
Mitigations: As per IFAD experience, the project is well placed under the Planning and Development Department which has a long history of planning and implementation of multi-sectoral participatory development projects. A Project Steering Committee headed by the Additional Chief Secretary of P&D Department, will provide the policy level guidance, oversight, coordination and will take corrective actions where warranted. The project management staff will be recruited on a competitive basis from the public and private sector. To mitigate the risk of start up delays, assistance will be provided for the formulation of the PC-I, parallel to the finalization of the project design so that the PC-I is approved well in time. The IFAD country team will provide frequent implementation support in the initial stage of the project. Additionally, adequate resources have been provided for technical capacity building. Additionally, adequate resources have been provided for policy support and capacity building for Farm Services Centres, agriculture extension services and TVET for the provision of demand based services		
Monitoring and Evaluation Arrangements	Substantial	Moderate
Risk: Owing to skills and capacity constraints, the M&E systems may not be well-positioned to track performance in terms of outputs and instead focus on inputs, thereby contributing to the project delivery risk.	Substantial	Moderate

Mitigations: An M&E system will be developed to provide project management, the Government and IFAD with reliable and timely information on project execution performance and results and to ensure efficient and effective project implementation. The M&E system will aim at: (i) Monitoring project execution (ii) Monitoring outreach and (iii) measuring and evaluating project results and monitoring the critical assumptions identified in the log frame. A Key element of the M&E system will be poverty graduation tracking and participatory monitoring and evaluation. BISP PSC data will be used as a benchmark to track the progress of poverty graduation of beneficiaries.		
Project Financial Management	Substantial	Moderate
Project Organization and Staffing	Moderate	Low
Risk: -Hiring process is subject to political interference. This may result in competent HR not being selected and/or delays in recruitment. -Market for private enterprises that may want to become part of 4P arrangements is thin and there is risk of qualified partners not being available/selected.	Moderate	Low
Mitigations: I. Core staff of the PMU—Project Director, Finance Manager/FM Specialist, FM Specialist, M&E Specialist should be engaged within eight (8) weeks of the date of signing of the Financing Agreement. IFAD's representative should take part in the process of recruitment as an observer. ii. Well structured finance unit within the PMU that includes competent and qualified staff who are capable of carrying out project financial management as per the fund requirements. iii. Competent management—especially FM official should be hired in each PFO as one of the access condition for IFAD funds; iv. Post-qualification due diligence of staff should be mandatory for private partners to be engaged under P4R arrangements. All finance staff to undertake IFAD Online Finance Management practices and procedures course. In addition to that, finance staff should attend induction sessions on IFAD financial management requirements as conducted by IFAD Finance Officer.		
Project Budgeting	Substantial	Moderate
Risk: Component 2 (Economic Graduation and Employment) is the largest component of the project. It is envisaged to be funded by the government through ongoing projects. TEVTA is the major partner but it has very limited development budget which can be a constraint. Second, it is not clear at this stage how the ongoing schemes shall be identified and leveraged to achieve project outcomes. There is also issue of role clarity vis-à-vis line departments i.e. agriculture, industries, social welfare, local government etc. under this component which needs to be resolved upfront.	Substantial	Moderate
Mitigations: I. PMU should get the approval of AWPB & Procurement Plan through the PSC (by 30 April each year). ii. AWPB/Procurement Plans should be prepared in consultation with implementing partners and these IPs should be supported by PMU/RPMUs to ensure proper estimation of funding requirements in the AWPB iii. Roles and responsibilities of line departments with reference to such contribution should be clearly stated in the notification/MOUs.		
Project Funds Flow/Disbursement Arrangements	Moderate	Low

Risk: Delays in the opening of account, ambiguities around the counterpart funding can result in implementation difficulties for the project. The government contribution shall comprise (a) "cash"—USD 9.1 million (23%) for payment of taxes and project management costs; and (b) USD 31.3 million (77%) that will be leveraged from ongoing development projects under the provincial Annual Development Plan. PFOs—which are implementing partners under component 1, need significant handholding to be able to manage FM function properly. In the absence of a competent FM function, the risk of funds not being used effectively is quite high. This could significantly impair prospect of project delivery.	Moderate	Low
Mitigations: I. Designated Accounts for the project will be opened within eight (8) weeks of the date of signing of the Financing Agreement; ii. Access conditions for release of funds to FOs/IPs shall be clearly established in MOUs/contractual agreements'. These conditions should be identified in the PIM as well. iii. Counterpart Fund requirements shall be clearly established. A formal MOU/Notification needs to be made by the provincial government for this purpose clarifying what will be the counterpart inputs/activities and how they would be measured and reported in project accounting system. iv. Checklists and timelines shall be established for release of payments against different types of claims and shall be strictly adhered to.		
Project Internal Controls	Substantial	Moderate
Risk: Instances of non-compliance with applicable internal controls have been reported by the Auditor General of Pakistan in recent audit reports and therefore specific controls—established under Accounting Policies and Procedures Manual need to be emphasized for compliance. Supervision missions should specifically examine whether the project is in full compliance with these internal control requirements. The M&E processes within P&DD are weak and provincial internal audit arrangements don't cover P&DD.	Substantial	Moderate
Mitigations: I. Financial management procedures as part of the PIM need to be approved by the PSC and shared with IFAD within eight (8) weeks of the date of the signing of Financing Agreement; ii. No funds should be released to any PFO unless it meets all access conditions i.e. dedicated account or separate ledger for tractability of project funds in a PFO's account (as appropriate), deposit of its share, engagement of competent FM official, orientation training on accounting, record keeping, and financial reporting. iii. Post-qualification due-diligence should be carried out of all private partners selected through a competitive process for 4P arrangements before they are awarded contracts. iv. Specific internal controls such as monthly reconciliation of bank accounts, maintenance of Fixed Asset Register on prescribed format, monthly budget vs expenditure review etc. shall be mandatory. v. Internal Auditor shall review project transactions, processes, procedures, and performance at least semi-annually to provide assurance regarding the fiduciary controls, risk management and monitoring mechanisms in place. vi. FM manual needs to be finalized and the finance team exposed to related IFAD's requirements—including those relating to fraud risk awareness and mitigation; the FM officials at FOs. vii. A system of Quarterly Progress/Financial Monitoring shall be institutionalized covering all Implementing Partners.		
Project Accounting and Financial Reporting	High	Moderate

Risk: In several cases, IFAD projects not using appropriate accounting software ran into financial reporting difficulties. The FM system also does not act as an effective decision support system for the project. Project must procure an accounting software the fully comply with IFAD's accounting and financial reporting requirements.	High	Moderate
Mitigations: I. An appropriate Accounting Software i.e. TOMPRO needs to be procured, installed and the finance team trained in its use. Financial reports should be auto-generated from the procured accounting software. ii. Integration of the PFOs/FSCs/Private Partners under 4Ps arrangements, expenditures in the PMU accounting software. Relevant procedures to be identified in the PIM. iii. PMU shall submit to IFAD; Quarterly Interim Financial Reports within 45-day of period end, annual unaudited financial statements within 4-month of year end and annual audited Financial Statements within 6-month of year end. iv. FM staff should be orientated to comply with IFAD's requirements in their work—including those relating to IFAD's Anti-corruption policy.		
Project External Audit	Substantial	Moderate
Risk: Delays in submission of audit reports, weak-follow up with audit office resulting in backlog of audit findings, non-resolution of audit findings causing the amounts involved in those audit findings to convert into ineligible expenditure	Substantial	Moderate
Mitigations: I. PMU needs to engage with Director General Audit (KP), through P&DD for timely completion of audit. Scanned copies of the final audit report are encouraged to be sent as soon as the report is ready to ensure on-time submission and to avoid delays resulting from mail services. Then the hard copy can follow to IFAD ICO in Islamabad. ii. Audit observations should be settled within six (6) months after the Audit Report has been shared with the P&DD to avoid backlog of unresolved audit findings. iii. Follow up meetings with the Auditors should be requested to settle any unsettled audit findings from previous years.		
Project Procurement	Substantial	Moderate
Legal and Regulatory Framework	Substantial	Moderate
Risk: The legal and regulatory framework exists in the form of Public Procurement Rules of the Public Procurement Regulatory Authority of Pakistan and the Khyber Pakhtunkhwa Public Procurement of Goods, Works and Services Rules of Khyber Pakhtunkhwa Public Procurement Authority (KP-PPRA) for ensuring compliance to its various provisions and rules. The KP-PPRA only exercises regulatory functions, and procurement entities/projects are responsible to undertake the procurement. Inadequate capacities often lead to non compliance of rules and delays in procurement.	Substantial	Moderate
Mitigations: As per IFAD general conditions for financing, the procurement of goods, works and services shall be carried out in accordance with the provisions of the KP-PPRA procurement regulations, to the extent that such are consistent with the IFAD Procurement Handbook and Guidelines 2019. The PIM will contain clear indication of rules, regulations, policies and procedures to be adopted in order to ensure compliance with IFAD's Project Procurement Guidelines.		
Accountability and Transparency	Substantial	Moderate

Risk: Risks related to Accountability and Transparency include: slow procurement processing and decision making with potential implementation delays; unclear defined roles in the contract management system with potential time and cost overrun and poor-quality deliverables.	Substantial	Moderate
Mitigations: IFAD will ensure the compliance of procurement principles as per IFAD's procurement handbook and guidelines through implementation support, monitoring and prior review thresholds. The IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations shall apply to the project procurement processes. Accountability for following the expedited approval processes and assigning staff with responsibility of managing each contract will be maintained and ensured through oversight by the IFAD country team in close coordination with the borrower's oversight agencies.		
Capability in Public Procurement	Substantial	Moderate
Risk: Generally there are limited capacities in administration, and the management of contracts leading to mis-procurement and delays	Substantial	Moderate
Mitigations: Qualified and experienced procurement staff, including a Procurement Specialist and a Contract Monitoring Officer, will be recruited to carry out procurement activities. The staff will be provided focused training and assistance by the IFAD country office for capacity building.		
Public Procurement Processes	Substantial	Moderate
Risk: There is a risk that delays in the initiation and the completion of procurement processes, due to inefficient planning, bidding, contract award and contract management, may result in negative implications for project implementation performance and cost overruns.	Substantial	Moderate
Mitigations: The prevailing government rules and acts for public procurement generally conform to the IFIs', including IFAD's, procurement guidelines. The expedition of all stages of the procurement process for timely completion, compliance and oversight of procurement process, will be ensured and hands-on implementation support will be provided through implementation support missions by IFAD.		
Environment, Social and Climate Impact	Moderate	Low
Biodiversity Conservation	Moderate	Low
Risk: There is a moderate risk of, or threat to the loss of biodiversity, availability of diversified nutritious food, ecosystems and ecosystem services, or the unsustainable use/production of natural resources.	Moderate	Low
Mitigations: The project is unlikely to have any adverse impact on biodiversity in the project area. The project will invest in eco friendly infrastructure and support the introduction of climate smart and sustainable technologies for agriculture and livestock. Communities will be consulted and sensitised on the need to conserve biodiversity and will be engaged in all such efforts.		
Resource Efficiency and Pollution Prevention	Low	Low

Risk: There is a low risk of causing pollution to air, water, and land, and of inefficient use of natural resources that may threaten people, ecosystem services and the environment.		Low	Low
Mitigations: To mitigate any risk, the project plans to invest in various measures that will promote resource efficiency. These include efficient water use technologies for agriculture production, sustainable livestock production systems and climate and social risks mitigation actions.			
Cultural Heritage			No risk envisaged - not applicable
no cultural heritage sites in the project area			
Indigenous People			No risk envisaged - not applicable
no presence of indigenous people			
Labour and Working Conditions		Moderate	Low
Risk: The risk that the project may cause exploitative labour practices like in-kind community contributions of labour left to the chronically, extreme and vulnerable poor (BISP Poverty Score Card Category 0-16) at the expense of their wage earning opportunities		Moderate	Low
Mitigations: The risk will be mitigated, as practiced in other IFAD financed project, through exempting the chronically, extreme and vulnerable poor (BISP Poverty Score Card Category 0-16) from any cash or in kind contributions.			
Community Health and Safety		Moderate	Low
Risk: There are no envisaged risks of significant negative impacts on community health and safety. In fact, the project expects to have several positive impacts through climate smart and sustainable agriculture technologies, including the promotion of IPM and reduced use of pesticides. The project interventions are also expected to result in greater availability of high nutrition value foods in households and communities, which are a key driver of health. Exposure to spread of COVID 19 in group meetings and training may pose a minor risk.		Moderate	Low
Mitigations: For COVID 19, mitigation measures will include awareness creation and sensitisation for social distancing, wearing of masks etc.			
Physical and Economic Resettlement			No risk envisaged - not applicable
n/a			
Greenhouse Gas Emissions		Low	Low

Risk: The risk of any significant increase of greenhouse gas (GHG) emissions and thereby of contributing to anthropogenic climate change is minimal.	Low	Low
Mitigations: No specific mitigation measures are required.		
Vulnerability of target populations and ecosystems to climate variability and hazards	High	Moderate
Risk: Pakistan is one of the most vulnerable countries in the world as a huge portion of its population depends on the on farm and off farm sectors. The effects of climate change are being felt in rural areas in and across ecosystems with adverse impacts on natural resources and the livelihoods that they support. This exposure to vulnerability is predicted to be exacerbated with impending impact of climate change. Declining water availability and soil degradation is impacting agriculture at a time when demand for agricultural products continues to rapidly rise due to population growth and improving diets. The poor are likely to be hit hard by climate change, and their capacity to respond to climate change is lowest.	High	Moderate
Mitigations: To reduce exposure to the inherent risks, the project will promote production technologies that reduce exposure to increased variability as well as investments in water resources management. Awareness raising and building resilience, particularly among the poor, will be a key capacity building intervention.		
Stakeholders	Low	Low
Stakeholder Engagement/Coordination	Low	Low
Risk: Stakeholder engagement and coordination risks are low as the project will use the successfully tried and tested institutional arrangements for stakeholder consultation and coordination among and between implementation agencies and stakeholders. The province has long history of implementation of donor funded participatory integrated development projects	Low	Low
Mitigations: The project design and its institutional arrangements are based on extensive discussions with government and on lessons learnt. Key stakeholders include the government planning and development and line departments, NGOs/Rural Support Programmes, existing community organisations/groups and private sector engaged in agriculture value chains. The Project Steering Committee will facilitate the provincial level coordination and mechanisms have been put in place at operational/field level for inter departmental, NGOs/RSPs, private sector and community level coordination.		
Risk: There is a minimum risk related to the selection of the target group and the participation of poor, smallholder farmers, women and youth in the project activities.	Low	Low

Mitigations: The selection of the target group and households, particularly the extreme, chronically and vulnerable poor, will be guided by the BISP Poverty Scorecard. A national Poverty Score Card based on Proxy Mean Testing was developed for the identification of poor households eligible for unconditional cash transfer. IFAD introduced this accurate and reliable targeting tool in the country which has a hallmark for targeting strategies for poverty reduction and smallholder agriculture development and is being adopted across the country by government and donors.		
Stakeholder Grievances	Low	Low
Risk: The risk is low as the participatory development approach warrants that beneficiaries, target groups and stakeholders can lodge grievances and have corrective measures taken by the project.	Low	Low
Mitigations: The tried and tested participatory development model prevailing in the province and beneficiary feedback mechanisms through regular community organisations conferences and participatory M&E are affective tools for grievance redressal and corrective measure by the project. Additionally, most parts of the province has a traditional alternative dispute resolution system called Jirga for individual and community level grievance redressal and dispute resolution. However, environmental and social policies related complaints can be registered in writing by post or by email with PMU and Regional Project Management office who will examine and resolve the issue to the satisfaction of complainant within two weeks. Any project level grievance is not foreseen as it is being developed with the involvement of the KP government and project interventions will be implemented through community participation. However, in case of any issue during implementation, PMU and Project Steering Committee will be the right fora for its resolution. The complaint will have to be registered with PMU who will collect the required information, listen to the concerned parties and dispose of the complaint per merit within three weeks or refer it to PSC who will review it in detail and decided it within four weeks. Complaints can also be registered with IFAD by email (SECAPcomplaints@ifad.org) for a fair and timely resolution through an independent process		

Pakistan

KP Rural Economic Transformation Project

Project Design Report

Annex 10: Exit Strategy

Mission Dates: 5 to 14 April 2021

Document Date: 08/11/2021

Project No. 2000002333

Report No. 5791-PK

Asia and the Pacific Division
Programme Management Department

Exit strategy – KP-REAP

The theory of change is based on the premise that a market-driven approach will best help smallholders to sustainably increase their income and improve their livelihoods. Further, when this approach is mainstreamed into the delivery of technical and vocational trainings, it generates employable workforce which readily meets unmet labour demand. The project creates and exploits the symbiotic relations between the demand and supply forces and focuses on institutional/capacity development to ensure safe exit and the sustainability of project outcomes as briefly described below:

- The smallholders—organized into Professional Farms Organization (PFOs) as legal entities will generate demand for inputs/services (including microfinancing)—based on clearly thought-out business plans, whereas the existing Farm Services Centres—transformed into commercial entities, will become the suppliers these inputs/services. Registered PFOs will have more bargaining power and a greater capacity for market penetration. Public-Private-Producer Partnerships (4Ps)—created for agribusiness value chains development, will be linked with these PFOs and the FSCs, shall work collaboratively to enable smallholders/PFOs to optimize yield and quality of their produce per acceptable standards. This will—in turn, give smallholders a fair price for their effort.
- Institutional capacity at KP TEVTA to conduct labour market assessment and design market-responsive courses shall be enhanced. The project would train about 25,000 people for new jobs at new entities i.e. PFOs, 4Ps, and FSCs that would continue requiring these people beyond the project's life. All technical and vocational trainings shall be based on labour supply gaps and where viable—complemented with start-up capital to enable trainees to have sustainable self-employment. Further, trainees shall be linked with government's low-cost microcredit programs i.e. Kamyab Jawan Program to facilitate further business development/expansion as appropriate. Fresh graduates shall be facilitated to get internships with potential employers under contracts which would require the latter to offer regular jobs upon the completion of the internships. Most fresh graduates don't get jobs because their degrees don't prepare them for the job market. The internship opportunity would address this gap. The government is committed to replicating this internships-led-sustainable-job-creation model once it shows impact.
- All MOUs/contracts with partner organizations shall establish requirements of market study, proper business planning—with clear breakeven point and profitability of the institutions supported, rigorous oversight and reporting. In case of technical/vocational trainings, the requirement of facilitating trainees in finding jobs shall be included in contractual arrangements with the service providers. Most project interventions—by design are co-financed by beneficiaries (FPOs, 4Ps, NFSs, internships for job placement etc.). As a result, all partner organizations will contribute to the sustainability of project outcomes.

The **specific strategy for successful exit under component 1** revolves around 3 main elements namely 1) establishment/restructure of autonomous new farming service centers (NFCs) 2) establishment of self-sustain 4P partnerships and 3) gradual transformation of newly established/restructured FPOs. All three (3) elements are interlinked and the success of the exit strategy depends on the coherence and interdependence between each element during subsequent implementation.

Under first element, the establishment/restructure of autonomous NFSCs, it's a pre-requisite that the established NFSCs would run as independent entities with a professional management. Ideally, the NFSCs should run as private sector entities and the role of PMU is to empower the established entities as much as possible to develop a self-functional structure (Administration, finance and operation) to build greater autonomy. Therefore, the recruitment of professional staff is key for the development of such autonomous structure as NFSC will play an integral role in procurement & delivery of quality inputs/services and market linkages/coordination etc. It's expected that NFSCs to handle all transactions with respective FPOs through bank accounts which would develop a healthy credit history with banks/financial institutes. Such mechanism would enable them to obtain financial services through banks even after the project period which highlights the gradual transformation in to formal banking sector. Further, PMU would encourage those individuals whom have completed the training under component 2 (Skill development & employment promotion) to take up specific roles under NFSCs & FPOs to create more ownership and loyalty towards such roles.

Similarly, FPOs would be strengthened through a capacity development program to ensure those entities would possess greater bargaining power and to perform better under business related partnerships or even 4Ps. As in the case of NFSCs, the established FPOs will develop a strong credit history with financial institutes as they continue to conduct transactions with NFSCs and prospected buyers which would enable them to access formal lending facilities upon completion of the project. In addition, the FPOs will be able to develop a substantial revolving fund within the entity itself by expanding their member base and to continue the lending operation as multi-purpose cooperatives. Moreover, PMU would assist FPOs to develop their own identity/brand through the proposed training support by service providers which would create strong presence/demand in respective markets.

Finally, the establishment of 4Ps will promote establishment of rural infrastructure (Collection centers, dryers etc.) in villages as private sector may invest in such facilities to streamline their supply/value chain activities. PMU would encourage FPOs or even NFSCs to involve in management of such facilities with the support of private sector promoters on a commission/equity based sustainable models. This would enable technology transfer from private sector to grass root levels in a healthy manner. In addition, it's expected that farmers, FPOs and NFSCs would develop greater understanding during the implementation of those 4Ps which would develop loyalty and trust among respective partners to continue the partnership even after project period. Further, the strategy promotes continuous engagement in provincial government support through extension/R&D activities where partners will be able to access laboratory facilities, new germplasms on a continuous basis through memorandum of understanding (MOU) between NFSCs/4P promoters which would run even after the project period.

Pakistan

KP Rural Economic Transformation Project

Project Design Report

Annex 11: Mainstreaming themes – Eligibility criteria checklist

Mission Dates: 5 to 14 April 2021

Document Date: 08/11/2021

Project No. 2000002333

Report No. 5791-PK

Asia and the Pacific Division
Programme Management Department

Mainstreaming themes – Eligibility criteria checklist				
	<input type="checkbox"/> Gender transformational	<input checked="" type="checkbox"/> Youth sensitive	<input checked="" type="checkbox"/> Nutrition sensitive	<input checked="" type="checkbox"/> Climate finance
Situation analysis	<input type="checkbox"/> National gender policies, strategies and actors <input type="checkbox"/> Gender roles and exclusion/discrimination <input type="checkbox"/> Key livelihood problems and opportunities, by gender	<input checked="" type="checkbox"/> National youth policies, strategies and actors <input checked="" type="checkbox"/> Main youth groups <input checked="" type="checkbox"/> Challenges and opportunities by youth group	<input checked="" type="checkbox"/> National nutrition policies, strategies and actors <input checked="" type="checkbox"/> Key nutrition problems and underlying causes, by group <input checked="" type="checkbox"/> Nutritionally vulnerable beneficiaries, by group	
Theory of change	<input type="checkbox"/> Gender policy objectives (empowerment, voice, workload) <input type="checkbox"/> Gender transformative pathways <input type="checkbox"/> Policy engagement on GEWE	<input checked="" type="checkbox"/> Pathways to youth socioeconomic empowerment <input checked="" type="checkbox"/> Youth employment included in project objectives/activities	<input checked="" type="checkbox"/> Nutrition pathways <input checked="" type="checkbox"/> Causal linkage between problems, outcomes and impacts	
Logframe indicators	<input type="checkbox"/> Outreach disaggregated by sex <input type="checkbox"/> Women are > 40% of outreach beneficiaries <ul style="list-style-type: none"> • IFAD empowerment index (IE.2.1) 	<input checked="" type="checkbox"/> Outreach disaggregated by sex and youth	<input checked="" type="checkbox"/> Outreach disaggregated by sex and youth, and IPs (if appropriate) <ul style="list-style-type: none"> • Output level CIs <ul style="list-style-type: none"> ◦ CI 1.1.8 Mandatory • Outcome level CIs (at least one of below) <ul style="list-style-type: none"> ◦ CI 1.2.8 ◦ CI 1.2.9 	
Human and financial resources	<input type="checkbox"/> Staff with gender TORs <input type="checkbox"/> Funds for gender activities <input type="checkbox"/> Funds for IFAD empowerment index in M&E budget	<input checked="" type="checkbox"/> Staff with youth TORs <input checked="" type="checkbox"/> Funds for youth activities	<input checked="" type="checkbox"/> Staff or partner with nutrition TORs <input checked="" type="checkbox"/> Funds for nutrition activities	IFAD Adaptation Finance \$13,548,000 IFAD Mitigation Finance \$0 Total IFAD Climate-focused Finance \$13,548,000
ECG Remarks	Gender This project is gender mainstreamed and not marked as gender transformative Nutrition TORs for nutrition partner will be prepared Youth TORs for youth expertise in the PMU will be developed <input type="checkbox"/> No social inclusion themes			

Pakistan

KP Rural Economic Transformation Project

Project Design Report

Annex: ESMF

Mission Dates: 5 to 14 April 2021

Document Date: 08/11/2021

Project No. 2000002333

Report No. 5791-PK

Asia and the Pacific Division
Programme Management Department



Investing in rural people

Pakistan

Khyber Pakhtunkhwa – Rural Employment and Agribusiness Promotion Environmental and Social Management Framework

Document Date:

Project No. [Insert project number]

Report No: [Insert report number] [If not final PDR delete line]

Asia and Pacific Region

Programme Management Department

Currency equivalents

Currency Unit	= PKR
US\$1.0	=154 PKR

Weights and measures

1 kilogram	=	1000 g
1 000 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

ADP	Annual Development Programme
BISP	Benazir Income Support Programme
EAD	Economic Affairs Division
EPA	Environmental Protection Agency
EU	European Union
FAO	Food and Agriculture Organization of United Nations
FATA	Federally Administered Tribal Areas
IFAD	International Fund for Agricultural Development
KM	Knowledge Management
Km	Kilometer
KP	Khyber Pakhtunkhwa
MTR	Mid-Term Review
NGO	Non-Government Organization
NMD	Newly merged districts
NPGP	National Poverty Graduation Programme
NRSP	National Rural Support Programme
P&D	Planning & Development Department
PIM	Programme Implementation Manual
PMU	Project Management Unit
PPAF	Pakistan Poverty Alleviation Fund
PRA	Participatory Rural Appraisals
PME	Planning, Monitoring and Evaluation System
PSC	BISP Poverty Scorecard
RSP	Rural Support Programme
SDGs	Sustainable Development Goals
SECAP	Social, Environment and Climate Assessments in Project
SMP	Social Mobilization Partner
SRSP	Sarhad Rural Support Program
UNDP	United Nations Development Programme
USD	United States Dollar
WFP	World Food Progamme

Table of Contents

CURRENCY EQUIVALENTS	I
WEIGHTS AND MEASURES	I
1: INTRODUCTION.....	5
KHYBER PAKHTUNKHWA	6
APPROACH AND METHODOLOGY	9
2: PROJECT OVERVIEW.....	11
KHYBER PAKHTUNKHWA – RURAL EMPLOYMENT AND AGRIBUSINESS PROMOTION	11
COMPONENTS/OUTCOMES AND ACTIVITIES	11
PROJECT COST ESTIMATES.....	12
PROJECT RISKS.....	12
PROJECT IMPLEMENTATION.....	12
3: THE LEGISLATIVE, REGULATORY AND POLICY FRAMEWORK.....	14
NATIONAL AND PROVINCIAL LAWS AND REGULATIONS.....	14
PAKISTAN ENVIRONMENTAL PROTECTION ACT 1997	14
PAKISTAN ENVIRONMENTAL PROTECTION AGENCY REVIEW OF IEE AND EIA REGULATIONS 2000.....	14
NATIONAL ENVIRONMENTAL QUALITY STANDARDS.....	15
NATIONAL WATER POLICY 2018	15
NATIONAL CLIMATE CHANGE POLICY 2012	15
CLIMATE CHANGE ACT 2017.....	16
FOREST ACT 1927	16
LAND ACQUISITION ACT 1894	16
ANTIQUITY ACT 1975	16
RESETTLEMENT POLICY.....	16
NATIONAL CULTURE POLICY 2018	17
PAKISTAN PENAL CODE 1860	17
COOPERATIVES SOCIETIES ACT 1925.....	17
CONSTITUTION, ACTS AND RULES ON LABOR.....	17
OBLIGATIONS UNDER INTERNATIONAL TREATIES	17
IFAD ENVIRONMENTAL AND SOCIAL SAFEGUARDS	24
IFAD POLICY ON AGRICULTURE AND RURAL DEVELOPMENT.....	24
IFAD GENDER AND TARGETING POLICY.....	25
IFAD GUIDELINES ON SECAP	26
INSTITUTIONAL FRAMEWORK.....	36
4: SOCIAL AND ENVIRONMENTAL SETTING.....	38
INTRODUCTION TO SOCIAL AND ENVIRONMENTAL SETTING	38
5: POTENTIAL ENVIRONMENTAL AND SOCIAL IMPACTS	40

ENVIRONMENTAL AND SOCIAL IMPACTS	40
6: ENVIRONMENTAL AND SOCIAL ASSESSMENT PROCESS	44
6.1 INTRODUCTION	44
6.2 SUB-PROJECT SELECTION AND SCREENING.....	44
EXCLUSION LIST	50
APPROVAL OF ENVIRONMENTAL AND SOCIAL WORK	50
QUARTERLY AND ANNUAL MONITORING AND REVIEWS	50
7: ENVIRONMENTAL AND SOCIAL MANAGEMENT PLAN	52
ANNEXURE 1. SUMMARY OF IFAD GUIDANCE STATEMENTS.....	68

1: INTRODUCTION

Pakistan is a lower-middle income country with a per capita income of US\$ 1,641¹ and an estimated GDP of USD 314 billion. The services sector (61 per cent) is the largest contributor to the economy, followed by industry (20 per cent) and agriculture (19 per cent). The latter absorbs 42 percent of labour force, generates important source of foreign exchange earnings and stimulates growth in other sectors. The Government of Pakistan (GoP) is focusing on supporting small and marginalized farmers to increase the productivity of high value niche crops and livestock, foster agribusiness development through value chain approach, access to financial services and improve climate resilience of small farmers.

Pakistan's economy has been hit by the COVID 19 pandemic and the country's GDP is estimated to experience a negative 0.38 percent growth in FY20 compared to a pre-COVID19 growth of more than 5.8% in 2018 and 5.6% in 2017. This is the 2nd contraction in decades and reflects the effects of COVID-19 containment measures that followed monetary and fiscal tightening prior to the outbreak. Economic growth is projected to remain below potential, averaging 1.3 percent for FY21-22.

Pakistan is the sixth most populous country in the world with a population of 207 million and expected to reach 280 million by 2030. Currently, 63 percent of the population is below the age of 30. Pakistan has the 9th largest labour force in the world with almost 4 million youth attaining working age every year. Pakistan's youth unemployment is higher than other South Asian countries like India, Bangladesh and Nepal. Enrolment in Pakistan's specialised Technical Vocational Education and Training (TVET) sector remains low (13 percent of total youth) despite high demand for skills training among both genders.

Women in rural areas of Pakistan are considerably disadvantaged with respect to disparities in access to resources, services and rights. The Global Gender Gap Index report of 2020 ranked Pakistan 151 out of the total 153 countries. Around 37% of the households (HHs) in the country are considered food insecure². Pakistan is 'on course' to meet two targets for maternal, infant and young child nutrition (MIYCN). Pakistan has made some progress towards achieving the target for stunting, but 37.6% of children under 5 years of age are still affected, which is higher than the average for the Asia region (21.8%).

A 2008 nationwide poverty survey, being updated since 2017, established a national well-being registry, to target the most vulnerable, ranking HHs on a scale from 0 to 100 (Poverty Score Card). Appendix 1 describes the typology of poverty bands and related score card ratings. Per the registry definitions, the corresponding IFAD target groups in Pakistan are within the band scale of 0 to 40 or around 100 million people. Ehsaas³ programme is the biggest safety net programme in the world, providing unconditional cash transfers to the most vulnerable 5 million people. Pakistan continues to face significant human development challenges with an HDI rank of 152nd out of 189 countries

Table 1 gives the gender and rural-urban divide as per 2017 census. Males make about 51 percent of the total population while females are a bit less than 49 percent. More than 63 percent people have been living in rural areas and about 36 percent make the urban population. According to UNDP, about 64 percent of the population is younger than 30 years out of which 29 percent makes the age group of 15 to 29 years

¹ Economic Indicators 2019/2020, Ministry of Finance, Government of Pakistan

² National Nutrition Survey 2019.

³ National Poverty Graduation Initiative (NPGI) locally named as Ehsaas (meaning sentiment/empathy in Urdu language). ³ Economic Indicators 2019/2020, Ministry of Finance, Government of Pakistan

³ National Nutrition Survey 2019.

³ National Poverty Graduation Initiative (NPGI) locally named as Ehsaas (meaning sentiment/empathy in Urdu language)

Table 1. Population of Pakistan with details of male-female and rural-urban divide as per 2017 census.5

Unit	Total population (million)					
	Total of Pakistan		Male		Female	
	No.	Percent of total	No.	Percent of total	No.	Percent of total
Pakistan	207.77		106.45	51.23	101.31	48.76
Rural	132.19	63.62	67.30	32.39	64.89	31.23
Urban	75.58	36.38	39.15	18.84	36.43	17.53

Literacy in Pakistan. The overall literacy rate improved from 58 percent in 2015-16 to 60 percent in 2018-19 where overall male and female literacy rate was 71 and 49 percent, respectively. Urban literacy rate has reached 74 percent as compared to the rural areas rate of 51 percent. Rural male population was 65 percent literate while urban males were 80 percent in 2018-19. Rural women literacy rate was 38 percent which was much lower than 67 percent of men (Economic survey of Pakistan 2018-19).

Poverty in Pakistan. According to estimates of Ministry of Planning and Development in 2017, about 24% of Pakistan's population lived below the national poverty line; comprising of 31% in rural areas and 13% in urban areas. Like almost every country around the globe, Pakistan's economy suffered in 2020. The GDP growth rate for fiscal year 2019–20 was – 0.4 per cent — the first time it fell negative in seven decades. Per capita income fell from US\$1625 to US\$1325. COVID-19 closures and lockdowns to limit the spread of the virus are also contributing to growing unemployment and poverty.

Youth. About 64 percent of Pakistan population is below the age of 30 while 29 percent ages between 15 and 29 years which makes it one of the youngest country in the world and second in south Asia after Afghanistan. Regarding literacy, 29 percent young people are illiterate and only 6 percent have more than 12 years of education. While, 39 percent are employed (32 of them males and 7 females), 57 of 100 youth (16 males and 41 females) are neither working nor seeking jobs, and only 4 percent are unemployed and actively looking for work (<http://hdr.undp.org/en/content/unleashing-potential-young-pakistan#>).

Pakistan is an agricultural country where about 47 percent of the people are dependent on agriculture, however, its total contribution to the economy is about 19 percent followed by industry 20 percent while the services sector is contributing 61 percent. Around 64% of the population lives in rural areas mostly depending on agriculture. The incidence of poverty has decreased in these areas from 41 to 39 percent during the period 2015-16 to 2018-19 at the national level⁴ (SPDC, January 2021). In terms of absolute numbers, five million persons have been added in the population below the poverty line during the period 2015-16 and 2018-19. Close to 73 million persons were estimated poor during the year 2015-16, while the estimated poor population was 78 million in 2018-19.

Khyber Pakhtunkhwa

Population of KP. Khyber Pakhtunkhwa is the third most populated province of Pakistan after Punjab and Sindh. Recently, the erstwhile Federally Administered Tribal Areas (FATA)

⁴ Updating Pakistan's Poverty Number for the year 2019, Social Policy and Development Centre (SPDC) Karachi-Pakistan, Jan. 2021 (Online at <https://mpra.ub.uni-muenchen.de/105135/> MPRA Paper No. 105135, posted 15 Jan 2021 01:15 UTC)

ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK

mostly bordering Afghanistan have also been merged in the province leading to overall increase in area as well as population. Based on 2017 census, the total population of KP before merger of FATA was 30.52 million, out of which more than 81 percent was living in rural areas and about 19 percent was living in cities (Table 2). Total population of merged areas was 5.0 million mostly comprising of rural areas (97 percent).

About 50.67 percent people are male and 49.32 percent are female while a small fraction is transgender in KP. Merged areas had more male population than KP in 2017. Around 51.11 percent were males and 48.89 percent were females in merged areas. The urban division between male and female population in merged areas is more pronounced than KP. About 5 percent more males than women are living in cities of merged districts (Table 2).

Table 2. Population of KP, merged areas and combined based on 2017 census.

Unit	Total population (million)				Percent population		
	Male	Female	Transgender	Total	Male	Female	Total
Khyber Pakhtunkhwa	15.468	15.055	0.000913	30.52	50.675	49.322	
Rural	12.495	12.298	0.000223	24.79	50.397	49.602	81.229
Urban	2.972	2.757	0.00069	5.730	51.877	48.111	18.771
Merged areas	2.556	2.445	0.000027	5.002	51.109	48.891	
Rural	2.482	2.378	0.000027	4.860	51.069	48.930	97.163
Urban	0.074	0.067	0	0.142	52.469	47.531	2.837
Grand total (KP + merged areas)	18.024	17.500	0.001	35.52	50.736	49.261	
Rural	14.977	14.676	0.000	29.65	50.507	49.492	83.472
Urban	3.047	2.824	0.001	5.872	51.891	48.097	16.528

Figure 1 shows the combined population of KP and merged areas where 83.5 percent people were living in rural eras and only 16.5 percent were in urban centers. Overall, urban female population is comparatively less than rural areas.

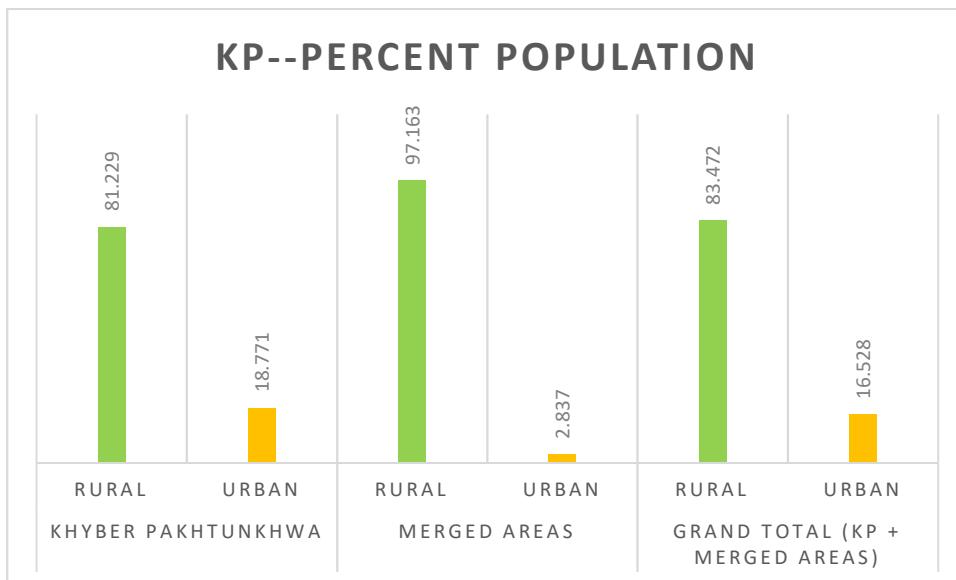


Figure 1. Graphical presentation of KP population with male-female and rural-urban comparison based on 2017 census.

Education and literacy. The Pakistan Social and Living Standard Measurement Survey (PSLM) 2019-20 shows that 56 percent children in KP excluding merged areas and 54 percent including merged areas attended school while literacy rate was 55 and 53 percent with and without merged areas, respectively. According to the survey, overall youth, aging between 15 and 24 years, literacy rate was 67 percent, out of which 81 percent was in urban areas and 65 percent in rural. Male and female literacy rate was 85 and 49 percent, respectively.

Poverty in KP. Like the rest of the country, poverty had also been declining in KP since 2010 but the trend has been reversed recently. The Household Integrated Economic Survey (HIES) of 2018-19 showed that poverty had increased in KP where 36 percent population was poor in 2018-19 as compared to 27 percent in 2015-16. The incidence is higher in urban than rural areas. Poverty has increase by about 11 points in cities as compared to 8.5 points in villages and small towns (Table 3). Similarly, overall vulnerability to poverty has also increased from 54 percent in 2015-16 to 59 percent in 2018-19 in KP. Again, vulnerability to poverty is also higher in urban areas than urban.

Gender. Women population in KP is a bit less than half but their involvement in economically productive activities is quite poor and the story starts from the beginning. Girls enrollment both in government as well private schools was 34percent against 66 percent of boys in 2014-15. Out of 12 percent school children in 2015, only 4 % were girls. KP's 80 percent population is rural where women are largely confined to domestic labor, animal husbandry and agriculture work, though their degree of involvement in formal and informal labor markets varies from district to district. In 2014, only 44,124 women (17 percent) out of 256,486 men were in government service in KP. The proportion of women working in the informal economy has increased significantly from 66 percent in 2003-2004 to 73 percent in 2013-14. Despite lower earning potential women in the informal sector tend to work from home (<https://www.theigc.org/wp-content/uploads/2016/04/Kamal-Woodbury-2016-Working-paper.pdf>). According to a

study published in 2018, women only represent 0.21 per cent or 6,444 people of the total migration from Pakistan, (ILO, 2018);

Child labor. Reliable data is not available on the issue, however, its incidence is not denied in the province; it prevails with greater extent in the informal sector and also in the agriculture sector (The Khyber Pakhtunkhwa Child Labor Policy 2018). The largest number of child workers was in Punjab province, followed by Sindh, Khyber Pakhtunkhwa and Baluchistan. Child labour in Pakistan is prevalent in agriculture, domestic work, coal mining, production of bricks, carpets, glass bangles, leather and surgical instruments and production and/or transport of drugs. Child trafficking is also prevalent in Pakistan which, can result in commercial sexual exploitation and forced begging. Child Domestic Labor as the Worst Forms of Child Labor (WFCL) which is behind closed doors and girls are in majority (90%). Their invisibility increases their vulnerability and potential violence Bonded labor in brick kilns exists in areas where they exist (https://www.ilo.org/islamabad/whatwedo/projects/WCMS_764614/lang--en/index.htm).

PURPOSE OF ESMF

The ESMF will be used by REAP in order to ensure that all environmental and social safeguards are adequately addressed and that where required, relevant capacity building and training needs are established for effective implementation of the project.

The main purpose of the ESMF is to:

- Establish procedures and methodologies for the environmental and social assessment, review, approval and implementation of investments to be financed under the Project;
- Specify appropriate roles and responsibilities, and outline the necessary reporting procedures, for managing and monitoring environmental and social concerns related to project investments;
- Determine the training, capacity building and technical assistance needed to successfully implement the provisions of the ESMF;
- Establish the project funding needed to implement the ESMF requirements;
- Provide practical information resources for implementing the ESMF.

The ESMF provides a guide for the integration of environmental and social considerations into the planning and implementation of the proposed project activities. It further provides a basis for environmental assessments of all sub-projects to be carried out under this proposed financing.

It focuses on the nature and extent of significant adverse environmental impacts that may result from the project activities. It will also serve as a framework for screening environmental issues for the concerned project activities and will establish a unified process for addressing environmental and social safeguards issues on sub-projects from preparation, through review and approval, to implementation.

APPROACH AND METHODOLOGY

In order to assess the potential impacts and propose mitigation measures together with management plan, the strategy involved consultation with various stakeholders, community and literature review (such as review of existing policies and guidelines). The rationale of consultations was to take on board views from different stakeholders, at least from local level, district level, and central government level. The strategies of executing this assignment followed five steps:

- (a) Review of activities and their implementation approach and processes for sub-projects;

ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK

- (b) Identification and analysis of potential environmental and social impacts the implementation processes will likely trigger and generate within and around the project activities;
- (c) Development of a screening process for negative impacts for proposed project sites and project activities;
- (d) Identification of appropriate mitigation measures for the predicted impacts and compilation of a management plan for addressing environmental and social impacts during implementation, operation and maintenance of the project activities.

Important phases of the study include:

- Data Collection;
- Literature review;
- Desk studies and visit to potential sub-project site;
- Stakeholders consultation;
- Characterization of the baseline conditions;
- Identification of potential impacts;
- Identification of impact mitigation measures; and
- Preparation of an Environmental and Social Management Plan.

Field visits and Stakeholder consultations

The consultant undertook field visit to Peshawar, Swabi, Bannu, Kohat, D I Khan and Dhakki area to meet government officials, management of farm services centres and farmers between 4 to 14 April 2021. The field visit enabled the consultant to observe the social and environmental setting of the proposed project activities in the existing physical conditions. The visits and consultations helped the consultants to understand better about stakeholders' feelings of project benefits and the potential impacts of the proposed sub-project implementation and subsequent operations. The consultations provided insights about potential impacts of the sub-projects, social and environmental setups and constraints, institutional capacities, available guidelines and policies.

2: PROJECT OVERVIEW

Khyber Pakhtunkhwa – Rural Employment and Agribusiness Promotion

Goal and objective. As per Concept Note of the project, the overall goal of the programme is to contribute to poverty reduction, and to food and nutrition security of rural households. The development objective is improved rural income and employment through high value agriculture in a sustainable and climate-resilient manner.

Target area and implementation: The project will cover all the 35 districts of the province as per request of the GoKP. The project will be implemented in a phased manner (10 districts rolled out in year 1 and 2 each) managed through 4 regional offices (5 districts per region). Then, 3 districts per year and per sub office will integrate the programme so that the 35 districts will be covered by year 4; and this will leave enough time to implement the REAP throughout the province. Coordination among complementary projects and programmes will be facilitated by the Project Steering Committee and relevant sections of the planning and development department at the provincial level. Coordination for complementarities and synergies will be the responsibility of Project Management Unit.

Target Groups: The primary target groups for the project will consist of the HHs falling in the PSC 0 – 34. (0 to 40 for component 2). Women and youth will be particularly targeted with specific interventions aiming at economic and social empowerment. They will be identified through the local organizations and in particular the village councils / community organizations (validation of their PSC status). For gender empowerment, as per the Diamer experience (NADP), religious and community leaders and village elders/jirga will be engaged with. Smallholder farmers targeted for the production of high value agriculture and livestock will be assisted as members of farmer organizations (300700 members), and the 4P models.

Project Beneficiaries: Around 440,000 households or around 3.5 million persons will benefit directly or indirectly from household level interventions including (i) economic graduation and insertion (assets transfer, youth job market readiness/employment skills and vocational trainings; productive investments - start-up capital) and (ii) market oriented professional farmer organizations (around 550) with market study, business plan, professional management, matching grant investments, private partnership, processing development and clear break-even point as well as exit strategy. Additionally, the target group (focus on the youth and women) will also benefit from capacity building, financial literacy, trainings for climate risk and resilience, nutrition, asset management for enhancing the effectiveness of the assets, enterprise and business development. Investments in PFOs and 4Ps will create additional jobs from which women and youth will specifically benefit, especially those trained under component 2.

Project interventions.

Components/outcomes and activities

Component 1: Agribusiness Development – Professional Farmers Organization and 4Ps Development This Component shall consist of two mutually reinforcing subcomponents as follows: (i) Professional Farmer Organizations Development and (ii) Agro Value Chain 4Ps.

Sub Component 1.1: Professional Farmer Organizations Development: The project will develop 550 new or restructured Professional Farmer Organizations (PFOs) with 300 - 700 producers per organization. These PFOs will be multi-purpose and not seasonal.

Sub Component 1.2: Agro Value Chain 4Ps development: The project will develop 20 4Ps, with a minimum of 1,000 producers per 4P.

Component 2: Economic Graduation and Employment This component will support around 200,000 ultra-poor and poor households with limited access to land and with a specific focus on women (50 per cent) and youth (50 per cent) to develop their skills to

become employable or to create their own employment / business in order for them to improve significantly and in a sustainable way their livelihood.

Component 3: Programme Management, Policy and Institutional Support: The project will be placed under the Planning and Development Department. A Project Management Unit will be established at Peshawar and additional regional offices will be set up in order to handle the distance / geographic coverage of the project.

Project benefits. Total incremental benefit is estimated to the tune of USD 517 million generating annually, by REAP, starting around mid-term of the project:

Total direct Economic Graduation of 3.5 million people (500 000 HHs) plus an additional estimated 100 000 HHs indirect beneficiaries (services and sub employment) or **around 15 percent of the KP province overall population.**

Total direct improvement of Livelihood (Health, nutrition, education) of 3.5 million people.

Additional benefits include;

- ✓ Contribution for 3.5 million people to become bankable in the formal banking system
- ✓ First KP Provincial PFO representation set up and capable to interact with the GoKP on the economic interest / constraints of the small farmers.
- ✓ Climate resilience / Nutrition / youth and Gender promotion as model in KP province

Project Cost Estimates

The estimated investment requirement for the project is **USD 197 million** over 7 years which will impact directly around 3.5 million rural poor covering the entire province. IFAD financing will consist of USD 100 million loan on blend terms (IFAD 11 conditions for Pakistan). Government of Khyber Pakhtunkhwa and co-financers will contribute approximately USD 77 million through leveraging on-going PSDP for employment, skills, SME development and loan schemes and in the form of taxes and duties. Beneficiary contributions will amount to about USD 20 million. Co-financing are under discussion with EU as well with other donors.

Project Risks

Unstable security situation is considered a risk in KP, however, the situation has substantially improved in most parts. Sporadic events in the newly merged districts may hinder IFAD supervision activities in some specific areas but involvement of local consultants and partner organizations together with government institution will help run project activities. Operational risks include start-up delays due to slow preparation of PC-1, PMU establishment and recruitments, procurement and lengthy approval processes. IFAD will facilitate preparation of PC-1 while an interim PMU will be established for timely start-up of the project. The project is categorized as "B" in terms of environment and social category while in terms of climate risk, it is a "moderate" risk project.

Project Implementation

The Economic Affairs Division, Government of Pakistan will be the coordinating agency at Federal level while the Planning and Development Department, Government of Khyber Pakhtunkhwa will be the executing agency. A Provincial Project Steering Committee (PSC), chaired by Additional Chief Secretary, will be the oversight and governance mechanism. A Project Management Unit in Peshawar, headed by a Project Director, will be responsible for planning, coordination, financial management, procurement and M&E function of the project activities accountable to the PSC. Regional Project Management Committees will be established to implement project activities in the respective divisions. Other key implementing partners include Vocational and Management training institutes, Agro-

ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK

business firms, Agro-business organizations, line departments particularly Agriculture, Livestock and Cooperatives, Environment, Social Welfare, Election and Local Government and Industries. In addition, Farm Services Centres, Farmer Organisations and cooperatives will be closely engaged with. A Finance Manager will be responsible for the management of project budgets and finances. Separate Bank accounts will be maintained for IFAD and Government funds. The Project Implementation Manual (PIM) will be notified at the start of the project to articulate in detail projects planning, coordination, financial management and reporting requirements covering PSC, PMU and all implementing partners.

3: THE LEGISLATIVE, REGULATORY AND POLICY FRAMEWORK

This chapter discusses the policy, legal and administrative framework relevant to the environmental and social assessment of the proposed Project.

National and Provincial Laws and Regulations

Pakistan's statute books contain a number of laws concerned with the regulation and control of the environmental and social aspects. However, the enactment of comprehensive legislation on the environment, in the form of an act of parliament, is a relatively new phenomenon. The laws relevant to the project and possible subprojects are briefly reviewed below.

Pakistan Environmental Protection Act 1997

The Pakistan Environmental Protection Act 1997 is the basic legislative tool empowering the government to frame regulations for the protection of the environment, where the 'environment' has been defined as: (a) air, water and land; (b) all layers of the atmosphere; (c) all organic and inorganic matter and living organisms; (d) the ecosystem and ecological relationships; (e) buildings, structures, roads, facilities and works; (f) all social and economic conditions affecting community life; and (g) the inter-relationships between any of the factors specified in sub-clauses 'a' to 'f'. The Act is applicable to a broad range of issues, including socioeconomic aspects: for example, land acquisition, air, water, soil, marine and noise pollution, and the handling of hazardous waste.

Sections 11 prohibits discharge or emission of any gaseous, liquid or solid waste or noise in an amount, concentration or level in excess of the National Environmental Quality Standards (NEQS) specified by the Pakistan Environmental Protection Agency (Pak-EPA), while Section 13 prohibits import of hazardous wastes. Section 14 prohibits handling of hazardous substance except under license or in accordance with provision of any local law or international agreement. Section 15 prohibits operation of motor vehicles whose emission of air pollutant or noise is in excess of the NEQS or the established ambient standard. Section 17, Clause 7 states that the Director General of the federal or the provincial environmental protection agency may require the perpetrator to pay penalty.

The powers of the federal and provincial Environmental Protection Agencies (EPAs), established under the Pakistan Environmental Protection Ordinance 1983, have also been considerably enhanced under this legislation; they may conduct inquiries in aid of legislation into possible breaches of environmental laws either of their own accord, or upon the registration of a complaint.

The requirement for environmental assessment is laid out in Section 12 (1) of the Act. Under this section, no project involving construction activities or any change in the physical environment can be undertaken unless an initial environmental examination (IEE) or an environmental impact assessment (EIA) is conducted, and approval is received from the federal or relevant provincial EPA. Section 12 (6) of the Act states that the provision is applicable only to such categories of projects as may be prescribed. The categories were later defined in the Pakistan Environmental Protection Agency Review of IEE and EIA Regulations, 2000.

Pakistan Environmental Protection Agency Review of IEE and EIA Regulations 2000

The Pakistan Environmental Protection Agency Review of IEE and EIA Regulations 2000 developed by the Pak-EPA under the powers conferred upon it by the Pakistan Environmental Protection Act, provide the necessary details on preparation, submission and review of the IEE and the EIA. Categorization of projects for IEE and EIA is one of the main components of the Regulations. Projects have been classified on the basis of expected degree of adverse environmental impacts. Project types listed in Schedule I are designated as potentially less damaging to the environment, and those listed in Schedule II as having potentially serious adverse effects. Schedule I projects require an IEE to be conducted, provided they are not located in environmentally sensitive areas. For

Schedule II projects, conducting an EIA is necessary. A development project may not fall under either Schedule I or II.

If the project for which this document was prepared includes construction of new irrigation canals, it will be considered a Schedule I project. If no new irrigation canal will be constructed and only the existing ones are to be rehabilitated or modernized, the project will be categorized under Schedule II.

National Environmental Quality Standards

The National Environmental Quality Standards (NEQS), promulgated under the Pakistan Environment Protection Act 1997, specify the following standards:

- Maximum allowable concentration of pollutants in gaseous emissions from industrial sources;
- Maximum allowable concentration of pollutants in municipal and liquid industrial effluents discharged to inland waters, sewage treatment and sea (three separate set of numbers);
- Maximum allowable emissions from motor vehicles;
- Ambient air quality standards;
- Drinking water standards; and
- Noise standards.

National Water Policy 2018

The objective of Pakistan's first National Water Policy, approved in April 2018, is to take cognizance of the emerging water crisis and provide an overall policy framework and guidelines for a comprehensive plan of action. The policy concedes that management of water resources is a national responsibility, but irrigation, agriculture, water supply (including drinking water), the environment and other water-related sub-sectors are provincial subjects.

The policy covers all water-related issues, including: water uses and allocation of priorities; integrated planning for development and use of water resources; environmental integrity of the basin; impact of climate change; trans-boundary water sharing; irrigated and rainfed agriculture; drinking water and sanitation; hydropower; industry; groundwater; water rights and obligations; sustainable water infrastructure; water-related hazards; water quality management; awareness and research; water conservation measures; legal framework and capacity building of institutions in the water sector.

National Climate Change Policy 2012

The goal of the National Climate Change policy is to ensure that climate change is mainstreamed in the economically and socially vulnerable sectors and to steer Pakistan towards climate resilient development.

The policy has the following main objectives:

- To pursue sustained economic growth by appropriately addressing the challenges of climate change;
- To integrate climate change policy with other interrelated national policies;
- To focus on pro-poor gender sensitive adaptation while also promoting mitigation to the extent possible in a cost-effective manner;
- To ensure water security, food security and energy security of the country in the face of the challenges posed by climate change;
- To minimize the risks arising from the expected increase in frequency and intensity of extreme weather events such as floods, droughts and tropical storms;
- To strengthen inter-ministerial decision making and coordination mechanisms on climate change;

- To facilitate effective use of the opportunities, particularly financial, available both nationally and internationally;
- To foster the development of appropriate economic incentives to encourage public and private sector investment in adaptation measures;
- To enhance the awareness, skill and institutional capacity of relevant stakeholders; and
- To promote conservation of natural resources and long-term sustainability.

Climate Change Act 2017

The Climate Change Act was passed in 2017. The objective of the Act is to tackle the pressing climate risks and secure global funding to implement projects to boost the country's climate resilience, protect lives and livelihoods of the people, mainly those associated with agriculture. The new law established a Pakistan Climate Change Council, Pakistan Climate Change Authority and Pakistan Climate Change Fund.

Forest Act 1927

The Forest Act 1927 seeks to consolidate the laws relating to: forests; transit of forest produce; and duty that can be levied on timber and other forest products. The Forest Act provides for the creation of various classes of forests. It also allows provincial governments to declare state-owned forest lands to be reserved forests or protected forests and to assume control of privately owned forest land. The Act establishes three categories of forests: Reserve Forests; Protected Forests; and Village Forests. The Act prohibits any person to: set fire in a forest; quarry stone; remove any forest-product; or cause any damage to a forest by cutting trees or clearing up the area for cultivation or any other purpose.

Land Acquisition Act 1894

The Land Acquisition Act (LAA) of 1894, amended from time to time, has been the *de facto* policy governing land acquisition and compensation in the country. The Act is the most commonly used law for acquisition of land and other properties for development projects. It comprises of 55 sections pertaining to: area notifications and surveys; land acquisition; compensation and apportionment of awards; disputes resolution; penalties; and exemptions. The Act allows the acquisition of private land by a government agency, after the government pays a pre-determined compensation to cover the losses incurred by landowners from surrendering their land.

Antiquity Act 1975

The Antiquities Act of 1975 ensures the protection of cultural resources in Pakistan. Antiquities have been defined in the Act as: ancient products of human activity; historical sites; sites of anthropological or cultural interest; and national monuments. The law prohibits new construction in the proximity of a protected antiquity and empowers the Government of Pakistan to prohibit excavation in any area that may contain articles of archeological significance.

Under this Act, the project proponents are obligated to:

- Protect antiquities from destruction, theft, negligence, unlawful excavation, trade and export;
- If an archeological discovery is made during the course of the project, it should be protected and reported to the Department of Archeology, Government of Pakistan, for further action.

Resettlement Policy

Resettlement Policy of Pakistan was drafted by the Pakistan Environmental Protection Agency in 2002 and is not yet approved by the parliament. In the absence of a specific

resettlement policy, the Land Acquisition Act 1894 has been the policy governing resettlement and compensation to the persons affected by a project. However, the provisions of Land Acquisition Act 1894 do not take into account the changes that have taken place with respect to social, cultural, economic and environmental landscapes in which they operate. Furthermore, the Act does not take into account gestation periods. Since the Land Acquisition Act is a national law that is implemented on a provincial basis, dispensations in compensation and resettlement packages can differ from province to province for similar cases of resettlement.

National Culture Policy 2018

Pakistan's first National Culture Policy was launched in May 2018. The culture policy envisages preservation of national heritage, integrating minorities' culture, promotion of art and craft, and revival of regional languages to highlight the positive image of Pakistan.

Pakistan Penal code 1860

The Pakistan Penal code 1860 deals with the offences where public or private property or human lives are affected due to intentional or accidental misconduct of an individual or organization. The Code also addresses control of noise, noxious emissions and disposal of effluents. Most of the environmental aspects of the Code have been superseded by the Pakistan Environmental Protection Act 1997.

Cooperatives Societies Act 1925

The Cooperative Societies Act aims to facilitate the formation and working of co-operative societies for the promotion of thrift, self-help and mutual aid among agriculturists and other persons with common economic needs so as to bring about better living, better business and better methods of production and for that purpose to consolidate and amend the law relating to co-operative societies in the province.

Constitution, Acts and Rules on Labor

The Constitution of Pakistan defines labor rights in the following articles: Article 11 prohibits all forms of slavery, forced labour and child labour; Article 17 stipulates the rights to exercise freedom of association and to form unions; article 18 establishes the right to enter upon any lawful profession or occupation and to conduct any lawful trade or business; article 25 affirms the right to equality before the law and prohibition of discrimination on the grounds of sex alone; and article 37(e) makes provision for securing just and humane conditions of work, ensuring that children and women are not employed in vocations unsuited to their age or sex, and for maternity benefits for women in employment.

In addition to Article 18 of the Constitution, Industrial Relations Ordinance 2002 pronounces on the conditions of termination of contracts. Maximum working hours are determined in Factories Act 1934; West Pakistan Shops and Establishments Ordinance 1969 and Mines Act 1923. Factories Act 1934 makes provisions for paid leave, while work conditions related to maternity are defined by Article 37 of the Constitution, Maternity Benefit Ordinance 1958 and Mines Maternity Benefit Act 1941. Employment of children is framed by Article 11(3) of the Constitution, Factories Act 1934 and Employment of Children Rules 1995.

Obligations under International Treaties

Nagoya Convention on Biological Diversity

Often shortened to Nagoya Convention on Biological Diversity, Convention on Biodiversity or CBD, the full title in English is Nagoya Protocol on Access to Genetic Resources and their Fair and Equitable Sharing of Benefits Arising from their Utilization to the Convention on Biological Diversity. Nagoya Protocol, which entered into force in 2014, is a supplementary agreement to the Convention on Biological Diversity adopted in Rio de Janeiro in 1992.

The Convention has three objectives: to conserve biological diversity; to promote the sustainable use of its components; and, to encourage equitable sharing of the benefits

arising out of the utilization of genetic resources. The Protocol strengthens legal certainty and transparency for providers as well as users of genetic resources. It does so by: making conditions for access to genetic resources more predictable; and, supporting sharing of benefits that arise from genetic resources. In case indigenous and local communities have established rights to grant access to genetic resources, contracting parties must obtain their prior informed consent and ensure fair and equitable benefit-sharing, by taking into account existing community and customary laws, procedures, use and exchange. The original Convention was ratified by and entered into force in Pakistan in 1994. The Protocol entered into force in the country in February 2016.

Convention on Wetlands of International Importance especially as Waterfowl Habitat

Frequently referred to as Ramsar Convention, it seeks to halt the progressive encroachment on and loss of wetlands, which are among the most diverse and productive ecosystems and indispensable for sustainable management of freshwater and biodiversity. According to the Convention, wetlands encompass: lakes and rivers; underground aquifers; swamps and marshes; wet grasslands; peatlands; oases; estuaries; deltas and tidal flats; mangroves and other coastal areas; coral reefs; and all human-made sites such as fish ponds, irrigated lands, rice paddies, reservoirs and salt pans.

The parties to the Convention commit to: promote wise use of wetlands; designate qualified wetlands to the list of Wetlands of International Importance for its effective management; and, cooperate internationally to manage transboundary wetlands, shared wetland systems and species. Pakistan ratified the Convention in August 1976, and it entered into force four months later.

Four major wetland complexes exist in Pakistan: North Western Alpine, Salt Range, Central Indus Plain and Makran Coast, and 19 sites designated as Ramsar sites. Wetlands degradation in Pakistan, as elsewhere, is believed to be: changes in land use; population growth; and, economic development.

Convention on International Trade in Endangered Species of Wild Fauna and Flora

The Convention on International Trade in Endangered Species of Wild Fauna and Flora, abbreviated as CITES, aims to ensure that international trade in specimens of wild animals and plants does not threaten their survival. Currently it covers more than 35,000 species of plants and animals. The trade is estimated to amount to billions of dollars each year, including hundreds of millions of plants and animal specimens in the form of food project, leather and fur goods, musical instrument, timber, tourist knickknack or medicine. The scale of illegal trade is represented by 7,000 species, over 164,000 seizures and 120 countries since 1999.

The concerned species are listed in three appendices to the Convention, each corresponding to one of the three levels of protection provided. The species listed under the first appendix are subject to the strictest regulation as they are threatened with extinction, and those under the third appendix the least. Appendix III lists species that are protected in at least one country, which has asked other CITES parties for assistance in controlling the trade. This list may be changed unilaterally by a CITES party.

The Convention was ratified by Pakistan in April and entered into force in the country in July 1976. In Annex I, there are 59 species that concerns Pakistan. In Annexes II and III, 202 and 36 species, respectively. The animals exported from Pakistan include: freshwater turtles; tortoises; marine turtles; raptors; Indian pangolin; snakes; other reptiles; fur animals, such as fox, jackal wolf, freshwater otter; sharks; and, invertebrates, such as scorpions. A recent study revealed that trade of animals was thriving in all corners of the country, especially in Karachi and Peshawar. Dried Indian cobra and sand lizard are reported to be consumed widely in Khyber Pakhtunkhwa and Punjab. Among the 55 wildlife species found on sale, 7 are listed under Appendix I of CITES, 15 and 6 in Appendices II and III, respectively.

United Nations Framework Convention on Climate Change, Kyoto Protocol and Paris Agreement

The United Nations Framework Convention on Climate Change, abbreviated as UNFCCC, sets its objective to stabilize greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system. It has been ratified by 192 parties, which include all United Nations member states, and entered into force in 1992. The Kyoto Protocol to UNFCCC was agreed in 1997, although the discussions on the details contributed until 2004. According to the Protocol, industrialized countries and countries of the former Soviet bloc must cut their emissions of greenhouse gases by an average of about 5% for the period 2008-2012 compared with 1990 levels. Kyoto Protocol was ratified by and entered into force in Pakistan in January and April, respectively, in 2005.

At the Paris climate conference of UNFCCC in 2015, 195 countries adopted a universal, legally binding global climate agreement, the first of its kind: Paris Agreement. The governments agreed to the goal of limiting to 1.5°C the increase in global average temperature above pre-industrial levels. Paris Agreement was ratified by and entered into force in Pakistan in November and December, respectively, in 2016. In Pakistan, the Climate Change Act 2016 was passed in March 2017, establishing a policy-making Climate Change Council and a Climate Change Authority to prepare and supervise the implementation of climate change adaptation and mitigation projects. The main concern in the country has been the scant amount of action on the ground because of lack of capacity at the Provincial level. Pakistan submitted its Intended Nationally Determined Contribution (INDC) prior to the Paris Agreement; the country "intends to reduce up to 20% of its 2030 projected" greenhouse gas "emissions subject to availability of international grants to meet the total abatement cost ... amounting to about US\$ 40 billion at current prices."

United Nations Convention to Combat Desertification in Those Countries experiencing Series Drought and/or Desertification, Particularly in Africa

The objective of the United Nations Convention to Combat Desertification (UNCCD) is to "combat desertification and mitigate the effects of drought in countries experiencing serious drought and/or desertification, ... with a view to contributing to the achievement of sustainable development in affected areas[,"] and with special attention to arid, semi-arid and dry sub-humid areas. It recognizes that, in order to achieve this goal, we need "long-term integrated strategies that focus simultaneously, in affected areas, on improved productivity of land, and the rehabilitation, conservation and sustainable management of land and water resources, leading to improved living conditions, in particular at the community level." The Convention is the sole legally binding international agreement linking environment and development to sustainable land management.

Pakistan ratified the Convention in 1997, and it entered into force in the country in the same year. A National Action Programme to Combat Desertification in Pakistan was elaborated in 2002 in the framework for the Convention. It identified main causes of desertification as: water erosion; wind erosion; soil fertility depletion; deforestation; overgrazing; biodiversity loss; waterlogging and salinity; drought; flooding; and, socioeconomic factors. The areas estimated to be affected by water erosion and wind erosion were approximately 11 million and 3-5 million hectares, respectively. Wind erosion was considered responsible for close to one-third of total soil loss. Remedial measures proposed included: afforestation and agroforestry; crop production management, including horticultural crops; livestock and rangeland management; soil and water resources management, especially related to water use efficiency and soil fertility rehabilitation; and, biodiversity conservation.

Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides

Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides, or the Rotterdam Convention for short, covers pesticides and industrial chemicals that have been banned or severely restricted for health or environmental reasons by the Parties to the Convention and which have been notified by Parties for inclusion in the Prior Informed (PIC) procedure. The Convention legally obligates implementation of the PIC procedure of these chemical products. By doing so, it promotes shared responsibility and cooperative efforts among Parties in the international trade of certain hazardous chemicals for the ultimate purpose of protecting human health and the environment from potential harm. The Convention also contributes to the environmentally sound use of those hazardous chemicals, by facilitating information exchange about their characteristics, by providing for a national decision-making process on their import and export and by disseminating these decisions to Parties. Pakistan signed the Convention in 2005 and it entered into force in the country in the same year.

Stockholm Convention on Persistent Organic Pollutants

The Stockholm Convention on Persistent Organic Pollutants was established to protect human health and the environment from chemicals that do not degrade easily. As they persist in the environment, they become spatially spread and accumulate in the fatty tissues of fauna, including humans. Such organic pollutants are harmful to the environment and human health: cancer; birth defects; damage to immune, reproductive and nervous systems. The Convention obligates its parties to eliminate or reduce the release of persistent organic pollutants into the environment. Climate Change is expected to elevate the planet's vulnerability to persistent organic pollutants, by way of higher atmospheric temperature and extreme weather events.

Pakistan affixed a simple signature to the Convention in 2001, which was subsequently ratified and entered into force in the country in 2008. It was followed by a "National Implementation Plan for Phasing Out and Elimination of POPs from Pakistan Under Stockholm Convention Article 7(a)" in 2004.

A recent study on the subject concluded that the country is highly contaminated with organochlorine pesticides (OCPs), polychlorinated biphenyls (PCBs), polybrominated diphenyl ethers (PBDEs), dechlorane plus (DP), and polychlorinated naphthalenes (PCNs). The efforts to eliminate the chemicals from the environment and to prevent exposure to them are hampered by lack of environmental quality standards, food safety standards, and appropriate inventory of persistent organic pollutants as waste.

International Labour Organization Convention No. 184 concerning Safety and Health in Agriculture

The International Labour Organization Convention No. 184 concerning Safety and Health in Agriculture deals with agricultural and forestry activities carried out in the context of agriculture. Hence, it covers crop production, forestry product collection and harvesting, animal husbandry and insect raising, the primary processing of agricultural and animal products by or on behalf of the operator of the undertaking as well as the use and maintenance of machinery, equipment, appliances, tools, and agricultural installations, including any process, storage, operation or transportation which are directly related to agricultural production. It aims at preventing accidents and injury to health from engaging in such work, by eliminating, minimizing or controlling hazards in the agricultural working environment. Pakistan has not ratified the Convention.

International Covenant on Economic, Social and Cultural Rights

The International Covenant on Economic, Social and Cultural Rights guarantees human rights related to economics, society and culture. The overall framework is given by the Universal Declaration of Human Rights and the Covenant gives legal force to the Declaration, as is the case for the International Covenant on Civil and Political Rights. The rights covered by the Covenant on Economic, Social and Cultural Rights include: rights to

work in just and favourable conditions and to strike; rights to social security, to adequate standard of living, to health and rights of families, mothers and children needing special protection and assistance; rights to education and to participation in cultural life. Pakistan ratified the Covenant in 2008.

In 2016, a National Action Plan on Human Rights was launched, which covered: policy and legal reforms; access to justice; implementation of key human rights priorities; implementation of international treaties to which Pakistan was a party; establishment and strengthening of national human rights institutions; and an implementation and monitoring mechanism for the Plan. A budget of 750 million rupees had been allocated for establishing institutional mechanisms to implement the Plan. Implementation was overseen by a national task force. The country reported to the United Nations that challenges in implementing the Covenant included: limited resources; inadequate accountability mechanisms; and a need for improved training and awareness-raising for law enforcement agencies on human rights.

Convention on the Rights of the Child

The Convention on the Rights of the Child, ratified by Pakistan in 1990, stipulates the civil, political, economic, social, health and cultural rights that should be enjoyed by any human being under the age of eighteen, unless the age of majority is attained earlier under national legislation. It focuses on the needs specific to children, including: right from birth to a name; right to acquire a nationality; right to know and be cared for by her or his parents; right to preservation of her or his identity; right to maintain personal relations and direct contact with both parents on a regular basis, except if it is contrary to the child's best interests; right to express her or his own views freely in all matters; right to freedom of expression; right to freedom of thought, conscience and religion; and right to freedom of association and to freedom of peaceful assembly. According to one NGO, Pakistan's progress in safeguarding child rights remains slow, although children make up nearly half of Pakistan's population, making it one of the largest populations of children in the world.

International Labour Organization Convention No. 107 concerning the Protection and Integration of Indigenous and Other Tribal and Semi-Tribal Populations in Independent Countries, and Convention No. 169 concerning Indigenous and Tribal Peoples in Independent Countries

In 1957 the International Labour Organization (ILO) adopted the Convention No. 107 concerning the Protection and Integration of Indigenous and Other Tribal and Semi-Tribal Populations in Independent Countries. ILO was the first international entity to officially recognize the importance of issues related to indigenous peoples, and the Convention was the first international treaty to address their human rights. It entered into force in 1959.

Later, it was recognized that the underlying assumption of Convention No. 107 was that indigenous people should be integrated into the dominant socioeconomic and cultural system. Convention 107 was revised in 1989 to become Convention No. 169 to acknowledge that indigenous peoples are distinctive, integrationist approach was obsolete and its application was detrimental.

Pakistan ratified the Convention No. 107 in 1960 and is in force. The country has not ratified the later Convention. It is one of the 62 Conventions and Protocols of ILO not ratified by the country.

United Nations Declaration on the Rights of Indigenous People

The United Nations Declaration on the Rights of Indigenous People was adopted by a majority of member states in 2017. Pakistan was among these 143 states. The Declaration recognizes "the need to respect and promote the inherent rights of indigenous peoples which derive from their political, economic and social structures and from their cultures, spiritual traditions, histories and philosophies, especially their rights to their lands, territories and resources" and that "respect for indigenous knowledge, cultures and

traditional practices contributes to sustainable and equitable development and proper management of the environment."

Also recognized is "the right of indigenous families and communities to retain shared responsibility for the upbringing, training, education and well-being of their children, consistent with the rights of the child." It reaffirms individual and collective human rights for the indigenous peoples and that the historical, cultural and socioeconomic particularities of each people should be taken into account.

The indigenous peoples in Pakistan include: Kochis, Rabari, Baluch, Bakarwal, Kehal, Jogi, Kabootra, Sanyasi and Kalash. The Kalash is one of the smallest with 5,000 people. The government of Pakistan recognizes the Kalash as a religious minority, but not as an indigenous group.

Convention on the Elimination of all Forms of Discrimination against Women

The Convention on the Elimination of All Forms of Discrimination against Women, often described as the international bill of rights for women, obliges signatory countries to eliminate discrimination against women in political and public life and to promote equal rights for women and men. It also requires countries to take measures to: change harmful stereotypes based on gender; end exploitation of prostitution and trafficking in women; ensure equal rights in education for women; guarantee equal access to health care; eliminate discrimination in economic and social life against women, including employment, payment, law application, marriage and family life; give attention to the role and problems of rural women. Pakistan's accession to the Convention took place in 1996.

In terms of indices established by United Nations Development Programme – Human Development Index and Gender Inequality Index- Pakistan ranked 150th and 133rd, respectively, among 168 countries in 2017. Pakistan belonged to the group of least developed countries with respect to Gender Development Index among five groups.

Codex Alimentarius 2015

Codex Alimentarius is a collection of internationally adopted food standards and related texts. Their aim is to protect consumers' health and ensure fair practices in the food trade. The Codex Alimentarius includes standards for all major foods—whether processed, semi-processed or raw—for distribution to the consumer. Materials for further processing into foods should be included to the extent necessary. The Codex includes provisions on: food hygiene; food additives; residues of pesticides and veterinary drugs; contaminants; labelling and presentation; methods of analysis and sampling; and import and export inspection and certification. Pakistan is a member since 1970.

Institutional Setup for Environmental Management

Climate Change Ministry and EPA: Pakistan's per capita emissions are one of the lowest in the world. However, Pakistan remains in the top 10 countries that have been significantly vulnerable to extreme climate events during the last two and half decades. The Climate Change Ministry has been established in April 2012 and is headed by the federal minister.

1. The Ministry has three attached organizations:
 - i) Pakistan Environmental Protection Agency (Pak EPA)
 - ii) Zoological Survey Department, and
 - iii) Global Change Impact Studies Center (GCISC)
2. The environment wing of the ministry is responsible for the Multilateral Environmental Agreements (MEAs) including the United Nation Framework Convention on Climate Change (UNFCCC) and Kyoto Protocol. The Ministry of Climate Change has prepared Framework for implementation of Climate Change Policy (2013), which provides priority based adaptation and mitigation measures in Pakistan to cope with adverse impacts of climate change and to control and reduce Green House Gases (GHG) emissions during 2014-2030.

3. EPA. The KP government has established Environmental Protection Agency (EPA) was established in 1989 under the administrative control of Physical Planning and Housing (PP&H) Department. However, it is now working under the newly created Environment Department. EPA head office at Peshawar while the three directorates at Abbottabad ,D.I.Khan, and Swat along with regional offices at Gadoon Swabi are also functional.
4. Irrigation Department is also involved in flood control and protection and drainage.
5. KP Provincial Disaster Management Authority (PDMA) deals with natural or man-made disasters in Khyber Pakhtunkhwa and is mandated to engage in activities concerning all four stages of Disaster Management Spectrum.

Provincial policies and Acts in vogue include:

Climate Change Policy 2016. The goal of the policy is to ensure that climate action is mainstreamed in the development planning and especially in the economically and socially vulnerable sectors of the economy; and to steer Khyber Pakhtunkhwa towards green growth and climate compatible development. Some of the important objectives include:

- i. Enhance awareness of the impacts of climate change among all stakeholders for necessary appropriate measures to combat and minimize these impacts
- ii. Mainstream climate change in long term development planning as a vehicle for the implementation of the provincial Green Growth Strategy
- iii. Integrate adaptation and mitigation measures into key relevant sectors' policies, strategies, and plans
- iv. Facilitate action in Khyber Pakhtunkhwa on climate adaptation and mitigation, while promoting long term sustainability
- v. Enhance interdepartmental coordination and cooperation for effective climate action.
- vi. Ensure water, food and energy security for Khyber Pakhtunkhwa province in the face of a changing climate
- vii. Address climate change risks particularly those arising from climate induced disasters.
- viii. Ensure interests of vulnerable groups and gender aspects are adequately addressed in climate development strategies and planning
- ix. Develop bases to secure sufficient financial and technological support, and strengthen institutional and human resource capacities to achieve policy objectives;
- x. Be able to tap financial and technological opportunities available internationally

KP-Youth Policy 2016. The KP government links its youth development work with education, sports, mobility, tourism and culture in the short and prosperity in the long run. The government has visualized the youth policy for creating an enabling environment for the youth by providing them equitable opportunities to realize their full potential in a safe, secure, conducive and congenial environment, working for a developed and prosperous Pakistan. One of the major objectives is that the youth possesses economic and social competencies for their future market and social roles through an enabling quality education. The focus of the policy on youth groups, including male and female, rural and urban, literate and illiterate, and vulnerable youth groups i. e. minority youth, workshop workers, differently-abled youth, religious seminary students, jail inmates, transgender; internally Displaced Persons (IDPs) and refugee youth.

Wildlife and Biodiversity Act 2015. Main aim of this Act is to strengthen the administration of the organization to effectively manage wild animals and their habitats and to conserve biological diversity and to realize its intrinsic and extrinsic values through sustainable use and community participation.

ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK

Management of hunting and protection and conservation of Wildlife sanctuary, Site of Special Scientific Interest, Wildlife Refuges, National Parks, Biosphere Reserves, National Natural Heritage Sites and Game Reserves have been covered under this Act.

KP Water Act 2020. The Act authorizes the provincial government to establish Water Resources Regulatory Authority, Water Resources Commission and other relevant regulatory organs and service providers for the conservation, management, protection and judicious distribution among different users and its safe disposal.

Agriculture Policy—A Ten Years Perspective 2015. A very important policy document of the KP government that defines the role of Agriculture Department and explores potentials for agriculture under a Ten Years perspective from 2015 to 2025. Some important actions proposed under the strategy included: Enhance Production, Processing and Marketing, strengthening systems for technology generation, assessment and dissemination, Creating accredited laboratory and inspection system for product certification, Rangeland Development, Disaster Risk Preparedness, etc. Many of the proposed actions are yet to be taken, however, the document provides a good platform for future plans and actions.

Food Security Policy. The final draft of the policy is aimed at attaining sustainable food security, poverty alleviation and generating employment opportunities through achieving higher sustainable economic growth in the province. Short term, medium term and long term plans have been devised to ensure implementation of the policy.

KP Prohibition of Employment of Children Act, 2015 to prohibit the employment of children and to regulate employment of adolescents in certain occupations and processes in the Province of Khyber Pakhtunkhwa.

KP Child Labor Policy 2018. One of the most important objectives of the policy is eradication of child labour, particularly, of its worst forms and gradual elimination of all forms of child labour from all the sectors of KP economy with the intention to declare KP a child labour free province.

IFAD Environmental and Social Safeguards

REAP project has been designed considering the above mentioned policies and guidelines together with IFAD Strategy and Action Plan on Environment and Climate Change 2019-2025. The Project has also been designed in compliance with IFAD's guidelines on Social, Environmental and Climate Assessment Procedures (SECAP), and is provided as a separate document. The following is a summary of the relevant pieces of policies.

IFAD Policy on Agriculture and Rural Development

IFAD is one of the largest sources of development financing for agriculture and rural development in developing countries. In line with the Sustainable Development Goals (SDGs) and other international relevant agreements IFAD's core mandate is to support the social and economic empowerment of poor rural women and men. As such, it is opposed to any investment that will have a negative impact on its target groups. In respect to the overall goal of environmental and economic sustainability, IFAD is committed to take a proactive and innovative approach to promote projects and initiatives that are specifically designed to deliver significant environmental, social and climate adaptation and mitigation benefits.

IFAD Indigenous Peoples' Policy

This Policy on Engagement with Indigenous Peoples aims to enhance IFAD's development effectiveness in its engagement with indigenous peoples' communities in rural areas. It

sets out the principles of engagement IFAD will adhere to in its work with indigenous peoples, and the instruments, procedures and resources IFAD will deploy to implement them.

Indigenous people account for an estimated 5 per cent of the world's population, but 15 per cent of those people living in poverty. In many countries, rural poverty is increasingly concentrated in indigenous and tribal communities.

IFAD's Strategic Framework identifies indigenous peoples as an important target group because they face economic, social, political and cultural marginalization in the societies in which they live, resulting in extreme poverty and vulnerability for a disproportionate number of them. To reach them requires tailored approaches that respect their values and build upon their strengths. In its engagement with indigenous peoples, IFAD will be guided by nine fundamental principles: (a) cultural heritage and identity as assets; (b) free, prior and informed consent; (c) community-driven development; (d) land, territories and resources; (e) indigenous peoples' knowledge; (f) environmental issues and climate change; (g) access to markets; (h) empowerment; and (i) gender equality.

The formulation of the ESMF document recognises these principles so that they can be implemented throughout the project cycle.

IFAD Gender and Targeting Policy

Poverty targeting, gender equality and empowerment are cornerstones of IFAD's work to reduce rural poverty and food and nutrition insecurity. This puts people – rural women, men, youth and indigenous peoples – at the centre of IFAD's development projects and policy engagement. This unique approach aims to support the development of inclusive, equitable, sustainable and resilient rural societies and agriculture sectors that are food secure and able to take advantage of the opportunities provided by growing markets, thus providing a springboard to rural transformation. Thus, IFAD has developed a deliberate Policy to address this issue.

IFAD Land Policy

Secure access to productive land is critical to the millions of poor people living in rural areas and depending on agriculture, livestock or forests for their livelihood.

It reduces their vulnerability to hunger and poverty; influences their capacity to invest in their productive activities and in the sustainable management of their resources; enhances their prospects for better livelihoods; and helps them develop more equitable relations with the rest of their society, thus contributing to justice, peace and sustainable development (IFAD, 2008)

The Fund's first strategic objective is to help "ensure that, at the national level, poor rural men and women have better and sustainable access to ... natural resources (land and water), which they are then able to manage efficiently and sustainably." Land access and tenure security issues are linked, directly or indirectly, to all the strategic areas of IFAD's interventions.

The IFAD Policy on Improving Access to Land and Tenure Security has been formulated to: (a) provide a conceptual framework for the relationship between land issues and rural poverty, acknowledging the complexity and dynamics of evolving rural realities; (b) identify the major implications of that relationship for IFAD's strategy and programme development and implementation; (c) articulate guiding principles for mainstreaming land issues in the Fund's main operational instruments and processes; and (d) provide the framework for the subsequent development of operational guidelines and decision tools.

In the policy, land refers to farmland, wetlands, pastures and forests. Land tenure refers to rules and norms and institutions that govern how, when and where people access land

or are excluded from such access. Land tenure security refers to enforceable claims on land, with the level of enforcement ranging from national laws to local village rules, which again are supported by national regulatory frameworks. It refers to people's recognized ability to control and manage land – using it and disposing of its products as well as engaging in such transactions as the transferring or leasing of land.

IFAD Guidelines on SECAP

These are Guidelines on Social, Environmental and Climate Assessment Procedure (SECAP). IFAD remains committed to mainstreaming social, environmental and climate change solutions. IFAD's updated Social, Environmental and Climate Assessment Procedures (SECAP) were approved by the Associate Vice-President of IFAD's Programme Management Department in July 2017. This SECAP 2017 Edition provides guiding values and principles, and defines an improved course of action for assessing social, environmental and climate risks to enhance the sustainability of results-based country strategic opportunities programmes (RB-COSOPs), country strategy notes (CSNs), programmes and projects.

Included in SECAP are a series Guidance Statements which are used in guiding the programme in avoiding and mitigating any impacts that may arise due to the project (Annexure 1). These include:

1. Guidance statement 1 – Biodiversity
2. Guidance statement 2 – Agrochemicals
3. Guidance statement 3 – Energy
4. Guidance statement 4 – Fisheries and aquaculture
5. Guidance statement 5 – Forest resources
6. Guidance statement 6 – Rangeland-based livestock production
7. Guidance statement 7 – Water (agricultural and domestic use)
8. Guidance statement 9 – Physical cultural resources
9. Guidance statement 11 – Development of value chains, microenterprises and small enterprises
10. Guidance statement 12 – Rural finance (under revision)
11. Guidance statement 13 – Physical and economic resettlement (under revision)
12. Guidance statement 14 – Community health

In case of resettlement or economic displacement, SECAP emphasises the application of the principles of "do no harm" and "free, prior and informed consent" at all times and for all beneficiaries for any intervention that might affect the land access and user rights of communities. However, in the current project, there is no resettlement involved, therefore the SECAP does not provide any information about the same.

SECAP - Environment, Social and Climate Risk Screening

IFAD classifies all projects into one of three environmental and social categories (A, B or C) and one of three climate risk classifications (high, moderate and low). Determination of the category and classification also depend on the national requirements and the existing national capacity to promote and implement environmental and social mitigation measures.

A positive response to any question between 1 and 22 (see questions below) categorizes the project as A. Similarly, a positive response to question 23 to 38 categorizes the project as B. In case all answers are negative, the project will be categorized as C.

The checklists for environmental and social and climate risks categorization is given Table 3 herewith where the REAP project has been rated as Category B.

Table 3. Environmental and social and climate risks categorization.

Guiding questions for environment and social screening	Yes/no	Comments/explanation
Category A – the following may have significant and often irreversible or not readily remedied adverse environmental and/or social implications.		
Project location		
1. Would the project develop any wetlands? (Guidance statement 1)	No	
2. Would the project cause significant adverse impacts to habitats and/or ecosystems and their services (e.g. conversion of more than 50 hectares of natural forest, loss of habitat, erosion/other form of land degradation, fragmentation and hydrological changes)? (Guidance statements 1, 2 and 5)	No	
3. Does the proposed project target area include ecologically sensitive areas, ⁵ areas of global/national significance for biodiversity conservation, and/or biodiversity-rich areas and habitats depended on by endangered species? (Guidance statement 1)	No	The project covers the entire province which has national parks and wildlife reserves but, there are no activities under the project that will affect these areas in any way.
4. Is the project location subjected to major destruction as a result of geophysical hazards (tsunamis, landslides, earthquakes, volcanic eruptions)?	No	The project covers the entire KP province where hazards may occur in specific locations, however, the project is financing soft activities and no civil works are

⁵ “Sensitive areas” include: protected areas (national parks, wildlife/nature reserves, biosphere reserves) and their buffer zones; areas of global significance for biodiversity conservation; habitats depended on by endangered species; natural forests; wetlands; coastal ecosystems, including coral reefs and mangrove swamps; small island ecosystems; areas most vulnerable to climate change and variability; lands highly susceptible to landslides, erosion and other forms of land degradation, areas that include physical cultural resources (of historical, religious, archaeological or other cultural significance), and areas with high social vulnerability.

		involved to be affected by geophysical hazards
Natural resources		
5. Would the project lead to unsustainable natural resource management practices (fisheries, forestry, livestock) and/or result in exceeding carrying capacity. For example, is the development happening in areas where little up-to-date information exists on sustainable yield/carrying capacity? (Guidance statements 4, 5 and 6)	No	
6. Would the project develop large-scale ⁶ aquaculture or mariculture projects, or where their development involves significant alteration of ecologically sensitive areas?	No	
7. Would the project result in significant use of agrochemicals which may lead to life-threatening illness and long-term public health and safety concerns? (Guidance statement 14)	No	The project will be supporting agribusiness activities but will not be involved in any direct or significant use of agrochemicals
8. Does the project rely on water-based (groundwater and/or surface water) development where there is reason to believe that significant depletion and/or reduced flow has occurred from the effects of climate change or from overutilization? (Guidance statement 7)	No	
9. Does the project pose a risk of introducing potentially invasive species or genetically modified organisms which might alter genetic traits of indigenous species or have an adverse effect on local biodiversity? (Guidance statement 1)	No	
10. Does the project make use of wastewater (e.g. industrial, mining, sewage effluent)? (Guidance statement 7)	No	
Infrastructure development		

⁶ The size threshold to trigger an Environmental and Social Impact Assessment (ESIA) may vary based on the country context and fragility of specific locations. Some countries have regulations on minimum size (usually ranging from a unit area of 10 to 50 hectares) and these will be adopted where they exist. However, where there are no standards, it is proposed to use 25 hectares as an aquaculture unit size to trigger an ESIA.

ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK

11. Does the project include the construction/ rehabilitation/upgrade of dam(s) and/or reservoir(s) meeting at least one of the following criteria? - more than 15 metre high wall; - more than 500 metre long crest; - more than 3 million m ³ reservoir capacity; or - incoming flood of more than 2,000 m ³ /s (Guidance statement 8)	No	No infrastructure related activities in the project.
12. Does the project involve large-scale irrigation schemes rehabilitation and/or development (more than 100 hectares per scheme)? ⁷ (Guidance statement 7)	No	
13. Does the project include construction/ rehabilitation/upgrade of roads that entail a total area being cleared above 10 km long, or any farmer with more than 10 per cent of his or her private land taken? (Guidance statement 10). Will the works entail temporary and/or permanent resident workers?	No	
14. Does the project include drainage or correction of natural waterbodies (e.g. river training)? (Guidance statement 7)	No	
15. Does the project involve significant extraction/diversion/containment of surface water, leaving the river flow below 20 per cent environmental flow plus downstream user requirements? (Guidance statement 7)	No	
Social		
16. Would the project result in economic displacement ⁸ or physical resettlement of more than 20 people, or impacting more than 10 per cent of an individual household's assets? (Guidance statement 13)	No	No infrastructure and, therefore, no displacement or resettlement
17. Would the project result in conversion and/or loss of physical cultural resources? (Guidance statement 9)	No	
18. Would the project generate significant social adverse risk/impacts to local	No	Actually, the project activities will increase

⁷ The size threshold to trigger an Environmental and Social Impact Assessment (ESIA) may vary based on the country context and fragility of specific locations. Some countries have regulations determining size of irrigation development requiring a full ESIA and these will be adopted where they exist. However, where there are no standards, it is proposed to use 100 hectares as an irrigation development unit size to trigger an ESIA.

⁸ Economic displacement implies the loss of land, assets, access to assets, income sources, or means of livelihoods (guidance statement 13).

communities (including disadvantaged and vulnerable groups, indigenous people, persons vulnerable to GBV and sexual exploitation and abuse and people with disabilities) or other project-affected parties? (Guidance statement 13)		the income of such communities and will provide skills to their youth for reducing poverty and increasing income.
Other		
19. Does the project include the manufacture and transportation of hazardous and toxic materials which may affect the environment? (Guidance statement 2)	No	
20. Does the project include the construction of a large or medium-scale industrial plant?	No	
21. Does the project include the development of large-scale production forestry? (Guidance statement 5)	No	
Rural finance		
22. Does the project support any of the above (Question 1 to Question 21) through the provision of a line of credit to financial service providers? (Guidance statement 12)	No	
Category B – the following may have some adverse environmental and/or social implications which can be readily remedied.		
Location		
23. Does the project involve agricultural intensification and/or expansion of cropping area in non-sensitive areas that may have adverse impacts on habitats, ecosystems and/or livelihoods? (Guidance statements 1, 2 and 12)	No	There are no such activities that may adversely impact sensitive areas
Natural resource management		
24. Do the project activities include rangeland and livestock development? (Guidance statement 6)	No	The project's focus is on skill and capacity development for increasing production and incomes.
25. Does the project involve fisheries where there is information on stocks, fishing effort and sustainable yield? Is there any risk of overfishing, habitat damage and knowledge of fishing zones and seasons? (Guidance statement 4)	No	The project activities will not risk fish stock in any way.
26. Would the project activities include aquaculture and/or agriculture in newly introduced or intensively practiced areas? Do project activities include conversion of wetlands and	No	No new developments under the project and there is no coastal in project area. Aquaculture (fish

clearing of coastal vegetation, change in hydrology or introduction of exotic species? (Guidance statement 4)		farming) may be involved in the existing area by PFOs.
27. Do the project activities include natural resource-based value chain development? (Guidance statements 1, 6 and 12)	No	
28. Do the project activities include watershed management or rehabilitation?	No	
29. Does the project include large-scale soil and water conservation measures? (Guidance statements 1 and 5)	No	
Infrastructure		
30. Does the project include small-scale irrigation and drainage, and small and medium dam subprojects (capacity < 3 million m ³)? (Guidance statements 7 and 8)	No	
31. Does the project include small and microenterprise development subprojects? (Guidance statements 12 and 13)	Yes	The project may involve in small enterprise development depending upon business plans of PFOs. However, no activity will involve physical or economic displacement.
32. Does the project include the development of agroprocessing facilities? (Guidance statements 2, 6 and 12)	No	The project will not develop agrochemicals, however, but PFOs may opt for community level development of fruit, vegetable or dairy processing units.
33. Would the construction or operation of the project cause an increase in traffic on rural roads? (Guidance statement 10)	No	
Social		
34. Would any of the project activities have minor adverse impacts on physical cultural resources? (Guidance statement 9)	No	
35. Would the project result in physical resettlement of 20 people or less, or impacting less than 10 per cent of an individual household's assets (Guidance statement 13)?	No	
36. Would the project result in short-term public health and safety concerns? (Guidance statement 14)	No	
37. Would the project require a migrant workforce or seasonal workers (for	No	

construction, planting and/or harvesting)? (Guidance statement 13)		
Rural finance		
38. Does the project support any of the above (Question 23 to Question 37) through the provision of a line of credit to financial service providers? (Guidance statement 12)	No	

Guiding questions for climate risk screening

	Yes	No	Additional explanation of "yes" response*
1. Is the project area subject to extreme climatic events, such as flooding, drought, tropical storms or heat waves?	Yes		The project covers all 35 districts of the province including areas vulnerable to flooding and droughts. Increase in water availability will be observed in the near future causing floods, but decrease in medium future and after 2050 causing droughts
2. Do climate scenarios for the project area foresee changes in temperature, rainfall or extreme weather that will adversely affect the project impact, sustainability or cost over its lifetime?	Yes		There will be changes in temperature and rainfall. By 2050, the temperature in the Province is expected to increase throughout the year by 1-1.5 °C. The rainfall projection indicates that the summer monsoon will bring much more rain in 2050 than in 1960-1995 and the winter monsoon slightly less.
3. Would the project make investments in low-lying coastal areas/zones exposed to tropical storms?		No	No low lying coastal areas in KP.

4. Would the project make investments in glacial areas and mountains zones?	Yes		The northern part of KP is mostly mountainous and is famous for orchards and fruits. Agribusiness will be more rewarding there.
5. Would the project promote agricultural activity in marginal and/or highly degraded areas that have increased sensitivity to climatic events (such as on hillsides, deforested slopes or floodplains)?		No	
6. Is the project located in areas where rural development projects have experienced significant weather-related losses and damages in the past?		No	Not for projects of this type which do not involve infrastructure and other civil works. There have been very specific localized cases with hard-core infrastructure development projects.
7. Would the project develop/install infrastructure in areas with a track record of extreme weather events?		No	The two components of the project mostly involve farmers' organizations mobilization and capacity building, provision of vocational and skill development trainings. No infrastructure or civil works involved.
8. Is the project target group entirely dependent on natural resources (such as seasonal crops, rainfed agricultural plots, migratory fish stocks) that have been affected by in the last decade by climate trends or specific climatic events?		No	They have other sources of livelihoods as well.
9. Would climate variability likely affect agricultural productivity (crops/livestock/fisheries), access to markets and/or the associated incidence of pests and diseases for the project target groups?	Yes		In some cases, productivity may be affected due to floods and droughts which will also affect

			market accessibility.
10. Would weather-related risks or climatic extremes likely adversely impact upon key stages of identified value chains in the project (from production to markets)?		No	The project focuses on agribusiness development and training youth in skills for employable trades to generate income. No specific value chains identified.
11. Is the project investing in climate-sensitive livelihoods that are diversified?		No	
12. Is the project investing in infrastructure that is exposed to infrequent extreme weather events?		No	No such activities envisaged under the project.
13. Is the project investing in institutional development and capacity-building for rural institutions (such as farmer groups, cooperatives) in climatically heterogeneous areas?	Yes		Exactly, the project will be establishing PFOs and strengthening FSCs who will be trained in running businesses and generating incomes on sustainable basis.
14. Does the project have the potential to become more resilient through the adoption of green technologies at a reasonable cost?	Yes		Depending upon the business plans of PFOs, the project has the potential to adopt green technologies at small scales for small holders.
15. Does the project intervention have opportunities to strengthen indigenous climate risk management capabilities?		No	
16. Does the project have opportunities to integrate climate resilience aspects through policy dialogue to improve agricultural sector strategies and policies?	Yes		Component-3 of the project provides opportunities for improving such strategies and policies.

ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK

17. Does the project have potential to integrate climate resilience measures without extensive additional costs (e.g. improved building codes, capacity-building, or including climate risk issues in policy processes)?			No	
18. Based on the information available would the project benefit from a more thorough accounting of GHG emission ?			No	

*The additional explanation, where possible, will provide the justification for classification.

Consideration should be given particularly to provide additional explanations for questions 13 to 17.

Institutional Framework

Several institutions, systems and mechanisms exist in the country to achieve a balance in the promotion of sustainable development. These extend to the support and development of agriculture, capacity building and trainings and community organizations. REAP will rely on the multiple institutional interactions to achieve its goals. Few of the key institutions and their main roles and responsibilities in relation to environmental protection and climate change together with infrastructure development sector in KP and Pakistan are summarised below:

Government. The 18th amendment to the constitution in 2008 resulted in a major decentralization of fiscal functions and social services to the provinces along with corresponding resources. Almost all key sectors related to IFAD's mandate are now provincial responsibility. However, policy-related federal and provincial coherence remains a work in progress. Furthermore, the decentralization from provinces to districts and local levels has not progressed to an effective level, resulting in the prioritization of needs and related financial allocations remaining largely top-down and relatively uncoordinated. At the Federal level, the Economic Affairs Division of the Ministry of Finance is the main-coordinating agency for all foreign-funded loan and grant programmes. The policy for sourcing foreign loan and grant funding is approved by the Cabinet and implemented by the Ministry of Finance. At provincial level, The Planning & Development Department, headed by The Additional Chief Secretary, is the lead provincial agency responsible for annual development planning, monitoring and donor and inter-agency coordination. Donor-funded multisector rural development programmes have always been managed through dedicated PMUs under the P&D Department. Depending on the nature of project interventions, relevant government departments are engaged for the implementation of various project activities. All programmes involving community participation have invariably been implemented with the assistance of the rural support programmes (RSP) and/or NGOs.

Climate Change Ministry and EPA: Pakistan's per capita emissions is one of the lowest in the world. However, Pakistan remained in the top 10 countries, which remained significantly vulnerable to extreme climate events during the last two and half decades. Pakistan received back to back climate change related disasters; such as floods in 2010, 2011 and 2012, which led to establishment of the Climate Change Ministry in April 2012. The Ministry is Cabinet-level, headed by the federal minister.

The Ministry has three attached organizations:

- iv) Pakistan Environmental Protection Agency (Pak EPA)
- v) Zoological Survey Department, and
- vi) Global Change Impact Studies Center (GCISC)

The environment wing of the ministry is responsible for the Multilateral Environmental Agreements (MEAs) including the United Nation Framework Convention on Climate Change (UNFCCC) and Kyoto Protocol. The Ministry of Climate Change prepared Framework for implementation of Climate Change Policy (2013), which provides priority based adaptation and mitigation needs in Pakistan to cope with adverse impacts of climate change and to control and reduce Green House Gases (GHG) emissions during 2014-2030.

The Framework also recommends to carry out provincial level climate change policies, strategies and action plans. At provincial level Environmental Protection Agencies (EPAs) are working on Provincial Climate Change Policies, Strategies and Action Plans.

KP has Provincial Climate Change Policy since 2016 and the aim is to ensure that climate action is mainstreamed in the development planning and especially in the economically and socially vulnerable sectors of the economy; and to steer Khyber Pakhtunkhwa towards green growth and climate compatible development. The EPA is headed by Director General (DG).

Civil Society - Rural Support Programmes: Social mobilization and participatory development has long been a challenge for government departments. Furthermore, in the absence of well-established local government systems, or with weak systems in place and limited outreach of government service delivery, there is a significant institutional gap for the articulation of development needs in rural hinterlands and meaningful bottom-up participatory development. The federal and provincial governments have established Pakistan Poverty Alleviation Fund (PPAF) and National Rural Support Programme (NRSP) while KP has its own Sarhad Rural Support Program (SRSP) through one-time endowment funds and independent management under an own Boards of Directors. The PPAF and RSPs are completely autonomous and apolitical and have successfully augmented the capacity of government departments in transparent targeting, social mobilization, needs identification, and delivery. NRSP and SRSP are the two active RSPs covering together almost all the districts. PPAF is already a partner of IFAD in the NPGP while other partners and service provider can be associated with after the due process of procurement and selection.

The two UN organizations, FAO and WFP are working in KP and IFAD can partner with them to reinforce respective interventions, particularly on climate resilience aspects, advance technologies, nutrition and gender. The coordination of the intervention will be facilitated by the Component-3 and under the lead of the planning and development department. The KP Agriculture Department, Technical Education Board and TEVTA have the capacity support and deliver on project activities.

Grievance Redress Mechanism: The tried and tested participatory development model prevailing in the province and beneficiary feedback mechanisms through regular community organisations conferences and participatory M&E are affective tools for grievance redressal and corrective measure by the project. Additionally, most parts of the province has a traditional alternative dispute resolution system called Jirga for individual and community level grievance redressal and dispute resolution. However, environmental and social policies related complaints can be registered in writing by post or by email with PMU and Regional Project Management office who will examine and resolve the issue to the satisfaction of complainant within two weeks. Any project level grievance is not foreseen as it is being developed with the involvement of the KP government and project interventions will be implemented through community participation. However, in case of any issue during implementation, PMU and Project Steering Committee will be the right fora for its resolution. The complaint will have to be registered with PMU who will collect the required information, listen to the concerned parties and dispose of the complaint per merit within three weeks or refer it to PSC who will review it in detail and decided it within four weeks. Complaints can also be registered with IFAD by email (SECAPcomplaints@ifad.org) for a fair and timely resolution through an independent process

4: SOCIAL AND ENVIRONMENTAL SETTING

Introduction to Social and Environmental Setting

KP is endowed with diverse natural resources, which include some of the most fertile soils, forest and water resources, which accommodate diverse species of flora, fauna and fish resources. However, these resources are currently challenged by complex interaction of several factors including rapid population growth, infrastructure development, climate change and man induced interventions. The unsustainable land use, depletion of forest resources and loss of biodiversity, heavy soil erosion and water pollution impose a challenge to these resources.

Demographics: As mentioned in the preceding paras, Khyber Pakhtunkhwa is the third most populated province of Pakistan after Punjab and Sindh. Recently, the erstwhile Federally Administered Tribal Areas (FATA) mostly bordering Afghanistan have also been merged in the province leading to overall increase in area as well as population. Based on 2017 census, the total population of KP before merger of FATA was 30.52 million, out of which more than 81 percent was living in rural areas and about 19 percent was living in cities. Total population of merged areas was 5.0 million mostly comprising of rural areas (97 percent).

Water resources. Glacial melt in the upper mountainous ranges during summer and rains are usually feeding the rivers and streams of the almost throughout the year with varying discharges depending upon temperature and precipitation. Indus, Kabul, Swat, Kunhar, Siran, Panjkora, Bara, Kurram, Tochi, Dor, Haro, Gomal and Zhob rivers are the main sources of water for agriculture in the Province. The total groundwater resource of the KP has been assessed at 3.11 MAF which is used for drinking as well as agriculture.

Agro-ecological Zones of KP. The Environmental Protection Agency of KP has divided the province into five agro-ecological zones on the basis of climatic conditions covering temperature, rainfall, altitude and topography. These zones are:

Zone A – Northern Mountains covering districts of Buner, Shangla, Upper and Lower Dir, Swat and Chitral.

Zone B – Sub Humid Mountain covering districts of Haripur, Batagram, Mansehra, Abbottabad, Kohistan and Torghar.

Zone C – Central Valley Plains covering districts of Peshawar, Charshada, Nowshera, Mardan, Swabi, Kohat and Hangu.

Zone D – Piedmont Plains (including Suleiman range) covering districts of Bannu, Karak, Lakki Marwat, Tank and DI Khan.

Zone E – comprising of the western dry mountains of the newly merged districts of Mohmand, Bajaur, Khyber, Orakzai, Kurram, North and South Waziristan.

Forests. Zone A is comprised mainly of snowcapped high northern mountains and forests. The high northern mountains of Chitral, Hazara and Swat above 4000 m have low vegetative cover. Alpine zone forests are found between 3350-3360 m. Dry temperate coniferous are present in the dry ranges of Himalayas; Himalayan moist temperate forests are found in Hazara district (Kohistan, southern parts of Palas Valley, Lower Kaghan Valley) at an elevation of 1525-3660m. There is a narrow zone of subtropical forests between 900-2000m in the Southern parts of the Himalayan Mountains of Hazara and Swat Valley (KP Climate Change Policy 2016 and Ahmad H & Khan, n.d.).

Biodiversity. Geographically, KP has a diverse ecosystem where all the five Zones have their own peculiar characteristics and are home to a variety of flora and fauna. The Himalayan forests are the habitats to many mammal and bird species. Out of 188 species of mammals that occur in Pakistan, 98 mammal species are found in KP. Some of the endangered species found in KP include Snow Leopard, Brown Bear, Ibex and Lion-eared bat. 456 species of birds, 48 species of reptiles and approximately 4,500 species of plants are found in KP (Ahmad, 2012). The protected areas notified in KP include 6 national parks,

three wildlife sanctuaries, 38 game reserves, 90 community game reserves, 16 private game reserves, 2 wildlife refuges and 8 wildlife parks (Attachment-A). The combined area of all protected areas is 666,340 ha. The project activities will be implemented in all five agro-ecological zones of the province.

Minerals. The newly merged districts and d Khyber Pakhtunkhwa Province are rich in mineral resources. The Hindukush-Karakoram block has deposits of antimony, arsenic, polymetallic sulphides, gold, radioactive minerals, graphite, and gemstones (aquamarine, topaz, tourmaline, ruby, spinel, pargasite, epidote, garnet, etc). Northern Indus Suture is characterized by showings and deposits of asbestos, chromite, serpentine, iron, peridot, emerald, magnesite, talc, soapstone and platinum group of minerals associated with gold. The high metamorphic Khyber-Hazara Zone contains beryl, feldspar, fluorite, galena, garnet, graphite, magnetite, magnesite, marble, quartz, sheelite, talc and gemstones. The gemstones include aquamarine, moonstone, pink topaz, peridot, ruby, spessartine, garnet and tourmaline. The southern part of Khyber Pakhtunkhwa contains bauxite/laterite, bentonite, clays, coal, fuller's earth, fire clay, glass sand, gypsum and anhydrite, iron ore, ochre, lead-zinc ores, manganese, limestone/dolomite, shale and sandstone, gravel, oil and gas, oil shale, potash salts, radioactive minerals, phosphate, rock salt and sulphur. Except for marble, most of the other deposits are yet to be properly explored, developed and brought into the economic benefit of the poor people especially in mountainous area. (https://www.researchgate.net/publication/323029656_Mineral_Deposits_of_Khyber_Pakhtunkhwa_and_FATA_Pakistan)

Indigenous people. Among many indigenous people in Pakistan, Kalash or Kalasha are the only ones living in the north-western Chitral district of KP, neighboring Afghanistan. They are about 5,000 people who have been living in the Hindukush mountainous valleys of Bamburet, Birir and Rumbur. They speak the Kalasha language, from the Dardic family of the Indo-Aryan branch and are also considered to be one of the Pakistan's smallest ethnoreligious group (https://en.wikipedia.org/wiki/Kalash_people). These people were quite confined to their valleys and have been living for thousands of years according to their ancient cultural traditions and religion, however, road access to the area have been improved which has exposed these people to outer world now. They are also considered to be Pakistan's smallest ethnoreligious group.

Economic opportunities. KP is endowed with abundant natural resources including fertile land for high value agriculture, forests, minerals, enormous potential for tourism energy and power development. KP's share of Pakistan's GDP has historically comprised 10.5%, forestry share has mining output and nearly 78% of Pakistan's marble production comes from this province. ranged from a low of 34.9% to a high of 81%, giving an average of 61.6%, while more than 20% of Pakistan's Other opportunities exist in large scale manufacturing concerns like cement, sugar and tobacco/cigarette units. Dairy, meat, wool and fruit processing has great potential in the area.

5: POTENTIAL ENVIRONMENTAL AND SOCIAL IMPACTS

Environmental and Social Impacts

The design of REAP focuses on Professional Farmer Organizations (PFO) and Public Private-Producer Partnership (4P) and then capacity building and trainings in employable trades so that people can earn money for making good livelihoods. As such the project does not entail activities that would warrant environmental hazards at least in the beginning, however, the business plans of PFOs and 4Ps might lead to sub-projects that may involve some construction activities whose potential impacts can be:

- Impacts on public health of surrounding communities and workers through air, water and soil pollution, noise or direct contact with hazardous material.
- Soil erosion and displacement are expected as soil related impacts
- Ecosystem and biodiversity degradation through new development and economic activities.
- The sub-project may require establishment of temporary workforce during construction period, while permanent workforce after infrastructure development and capacity building through trainings, and will induce negative impact on overall construction, operation and maintenance cost.

However, the Environmental and Social Management Plan (ESMP) and its implementation will minimize the adverse impacts.

Climate change. Pakistan is among the top ten countries that are highly vulnerable to climate change. Being an agricultural country, its economy is also very sensitive to any change affecting temperature and rainfall in the country. Increasing temperatures and changing rainfall patterns and intensities are impacting the livelihoods in Pakistan and Khyber Pakhtunkhwa. Variations have been observed in temperature and rainfall in different parts of KP as given in Table 4 based on a 30 years (1980-2010) data analysis. The trend analysis reveals that climate change in KP has been perceived in the form of increased rainfalls and increased mean temperatures (S. Babar, 2012).

All the three regions, Southern, Central and Northern, are expected to receive more rains than before during Kharif while the overall increase for KP is expected to be 11 mm. Maximum temperature has been decreasing for southern and central regions by 1.3°C and 0.6°C, respectively and has been increasing by 0.7°C for northern region. Overall, the maximum temperature has decreased by 0.6°C while mean temperature has decreased by 0.3°C for KP in Kharif. The trends for Rabi season are increasing rainfalls and temperatures over a 30 years span (Table 4).

Table 4. Trend in temperature and rainfall during Kharif and Rabi Seasons in KP.

Region	Kharif Season Trend				Rabi Season Trend			
	Rainfall	Max. Temp.	Min. Temp.	Mean Temp.	Rainfall	Max. Temp.	Min. Temp.	Mean Temp.
Southern Region	19mm↑	1.3°C↓	0.8°C↑	0.3°C↓	3mm↑	0.7°C↑	1.6°C↑	1.1°C↑
Central Region	38mm↑	0.6°C↓	0.7°C↑	0.3°C↑	25mm↑	1.3°C↑	1.2°C↑	1.2°C ↑
Northern Region	4mm↑	0.7°C↑	1.3°C↓	No Change	15mm↑	2.5°C↑	No Change	1°C ↑
KP	11mm↑	0.6°C↓	0.2°C↑	0.3°C↓	15mm↑	1°C↑	2°C↑	1.2°C ↑

Adapted from Climate Change and its Impact on Agriculture in Pakistan: A case Study of KP (1980-2010). Ph. D Thesis By Samreen Babar 2012. University of Peshawar, Pakistan).

Being an upper riparian, KP is more vulnerable to climatic events and disasters. Extreme events such as cloudburst over the catchment areas of Indus and its tributaries, have frequently occurred during the last several years' monsoon seasons, especially 2010. This often leads to flash floods and landslides, causing damages across several sectors, including agriculture, livelihoods, infrastructure, transport and communications, and housing. Areas near swelling rivers and low lying areas experience major floods causing all kinds of damages. KP is also facing an increased number of glacial lake outburst floods (GLOF) due to increased temperatures and intense precipitation, mostly in Chital. Agro-ecological Zones A and B are at high risk of flooding while droughts are more common in the southern districts, Zones C and D. (KP Climate Change Policy 2016).

Discussions with the Agriculture Department and farmer groups revealed that rainfall pattern has changed in D. I. Khan. Rain showers during pollination and harvesting of date palm cause loss of about 30 to 40 percent. Rains during mango pollination period cause malformation of fruit and decrease production. Also, late cotton sowing is more beneficial now than the traditional sowing period. Abrupt changes in day and night temperatures adversely affect date palm production in D.I. Khan.

Environmental, Social and Climate Change impacts for various activities and sub-projects are provided in the following Table.

Social, Environmental and Climate Risk Factors and Mitigating Measures

Main themes	Social/Environmental/ Climate Risk Factors
Social Mobilization and Development (such as participatory planning, selection of target area and intervention, agri-business development	<p><u>Social:</u></p> <ul style="list-style-type: none"> ✓ Clear mechanism for social mobilization based on predetermined criteria for selection of members ✓ Community participatory planning is not institutionalized/ defined ✓ Limited awareness of the community about the project goals and objectives ✓ Limited scope for gender based community development ✓ Poor strategies for involvement of women ✓ Lack of awareness about Farm Services Centres and limited accessibility to cooperatives ✓ Lack of clarity about the role and responsibility of FOs <p><u>Environmental and Climate:</u></p> <p>Office establishment</p> <ul style="list-style-type: none"> ✓ Location; Easily accessible to all ✓ Noise and dust pollution during construction ✓ Labour and staff protection and safety at risk ✓ Disposal of debris and other solid waste ✓ Noise and air pollution due to due to operation of generators) ✓ Adverse effect on plants and shrubs ✓ Vehicles parking and movement may adversely affect movement of pedestrians, animals, and birds ✓ Inadequate solid waste disposal ✓ Poor sewerage and drainage system
Establishment and Operation of PMU and Regional offices	<p><u>Social:</u></p> <ul style="list-style-type: none"> ✓ Location and accessibility

Main themes	Social/Environmental/ Climate Risk Factors
	<ul style="list-style-type: none"> ✓ Community access to PMU/regional offices is not available or limited ✓ Unavailability of Community complaint mechanism at PMU/Regional offices ✓ Lack of mechanisms for participatory planning (particularly involvement of women) <p><u>Environmental and Climate:</u></p> <ul style="list-style-type: none"> ✓ Noise and dust pollution during construction ✓ Labour and staff protection and safety at risk ✓ Disposal of debris and other solid waste ✓ Noise and air pollution due to due to operation of generators) ✓ Adverse effect on plants and shrubs ✓ Vehicles parking and movement may adversely affect movement of pedestrians, animals, and birds ✓ Inadequate solid waste disposal ✓ Poor sewerage and drainage system
Climate smart technologies—HIES, raised beds, land levelling, tunnels, etc. drought resistant varieties	<p><u>Social:</u></p> <ul style="list-style-type: none"> ✓ Lack of knowledge and information about new technologies ✓ Selection of appropriate technology ✓ Use of selected_technology <p><u>Environment:</u></p> <ul style="list-style-type: none"> ✓ Air, water and noise pollution ✓ Oils, grease pour and spill around ✓ Parking ✓ Use of new varieties of fruits, vegetables and other seeds.
Vocational and skill development trainings	<p><u>Social:</u></p> <ul style="list-style-type: none"> ✓ Selection of candidates, courses, training institutes ✓ Gender parity ✓ Incentives and facilities for deserving candidates ✓ Number of trainees per class ✓ Location of and accessibility to selected training centre ✓ Language of trainings ✓ Familiarity with the machine/equipment and its use <p><u>Environment</u></p> <ul style="list-style-type: none"> ✓ Class rooms with adequate space and facilities for the trainees ✓ Proper seating and audio-visual facilities ✓ Separate wash rooms and other facilities for women ✓ Availability of all equipment, tools and material for training

Main themes	Social/Environmental/ Climate Risk Factors
Fruit /vegetable/dairy Processing Plant (example)	<p><u>Social:</u></p> <ul style="list-style-type: none"> ✓ Selection of site ✓ Infrastructure development may affect neighbourhood environment during construction period ✓ Mechanism for members' access to various details and facilities ✓ Limited awareness of member about design and other details ✓ Lack of mechanisms for participatory planning (particularly involvement of women) ✓ Access of and inclusion of poor, marginalized and vulnerable ✓ Local privacy and gender elements ✓ Local community, gender, neighbourhood & stakeholder participation <p><u>Environmental and Climate:</u></p> <ul style="list-style-type: none"> ✓ Noise, dirt, dust and air pollution may raise ✓ Labour and staff protection and safety at risk ✓ Material storage and vehicle movement may adversely affect movement of pedestrians, animals, and birds ✓ Lack of essential facilities for labour and workers ✓ Use of chemicals during construction and processing of products. ✓ Improper waste and chemicals disposal during construction and operation of units ✓ Wastewater disposal ✓ Inadequate sewerage and drainage system ✓ Adverse impacts on migratory birds movement ✓ Construction of cold storages (insolation needs) ✓ Storage of fruits for processing ✓ Health and safety ✓ Quality control

6: ENVIRONMENTAL AND SOCIAL ASSESSMENT PROCESS

6.1 INTRODUCTION

This section describes the process for risk assessment of the potential environmental, social and climate change impact of PFOs and 4Ps sub-projects. The sub-projects will be categorized as per SECAP criteria.

6.2 Sub-Project Selection and Screening

REAP will consider sub-projects with Category B and C only, while screening will be carried out per IFAD screening checklist and following the Rapid Assessment checklist. Screening for environmental and social impacts using the Rapid Assessment Checklist (Attachment A) will be introduced for all subprojects before implementation. The screening process will include: assessing impacts; examining alternatives to minimize the negative impacts; enhancing positive impacts; and compensating for adverse impacts. If the Rapid Assessment Checklist indicates that the possible negative impacts from implementation of the subproject would be minimal and that the positive impacts would certainly outweigh them, further action with respect to environmental and social safeguards will not be required upon approval of the Checklist results by PMU. If the negative impacts are more than minimal or irreversible according to the Checklist, an Environmental Impact Assessment must be conducted and an Environmental and Social Management Plan (ESMP) developed, whose suggested methodology and structure is shown in Attachment B, to mitigate the negative impacts.

Attachment A: Rapid Assessment Checklist

“Additional Information” field investigations and visits must be completed when negative impact is identified or expected. For the purpose of allowing examination from various angles, some impacts are addressed more than once through different questions.

Section A: Project Siting

Name of staff

Date:

Screening Questions	Answer to Questions			Additional Information <ul style="list-style-type: none"> • Project/subproject stage for addressing the impact • Responsibility for addressing the impact • Budget implications • Other
	Yes	No	Not Applicable	
Type, location and area of the sub-project	Type (infrastructure, agro processing, dairy processing, cold storage)			
	The approximate area (ac/ha)?			
	The GPS co-ordinates?			
	The estimated number of population (male, female, aged over 70, aged under 15)? <ol style="list-style-type: none"> Beneficiaries Affected 			

ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK

	Dominant environmental feature (e.g., rainforest, dry forest, savannah, barren land, agricultural land, pasture, other)?	
	Likelihood of recurrent natural disasters (e.g., drought, flood, wild fire, strong wind) in the area?	
	The level of economic resilience?	
Is the project/subproject area in or close to:	Densely populated areas?	
	Cultural heritage sites?	
	Protected areas?	
	Wetlands?	
	Estuarine?	
	Buffer zones of protected area?	
	Special areas for protecting biodiversity?	
	Other	
Will the project/subproject require support facilities (water, electricity, gas, access road etc.)?		
Source and quality of water?		

Section B: Project Environmental Impacts

Screening Questions	Answer to Questions			Additional Information
	Yes	No	Not Applicable	
Ecological disturbances or loss of ecological functions				<ul style="list-style-type: none"> • Project/subproject stage for addressing the impact • Responsibility for addressing the impact • Budget implications • Other

ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK

Will the project/ subproject cause:	due to infrastructure construction?				
	Environmental degradation from any of interventions?				
	Environmental degradation from construction activities and equipment?				
	Accidental release of hazardous chemicals?				
	Increase in generation of solid waste? Whether the design includes safe waste disposal				
	Occupational health hazards due to exposure to dust, hazardous material, noise, etc.				
	Public health risks from solid, liquid, gaseous waste discharges?				
	Changes in water flows?				
	Eventual degradation of surface water bodies?				
	Eventual degradation of groundwater bodies?				
	Soil contamination?				
	Decrease in soil fertility?				
	Air pollution?				

Section C: Social Impacts

Screening Questions	Answer to Questions			Additional Information
	Yes	No	Not Applicable	
				<ul style="list-style-type: none"> • Project/subproject stage for addressing the impact • Responsibility for addressing the impact • Budget implications

ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK

				• Other
Does the project/ subproject:	Operate where property rights on resources (e.g., land and water) are legally and traditionally recognized?			
	Cause changes to land tenure, land use, access to or use of resources?			
	Require land acquisition?			
	- How will the cost be shared between the project and the landowner?			
	Obtain private land with project/community funding and through willing-buyer-willing-seller arrangement?			
	Involve dislocation or involuntary resettlement of inhabitants?			
	Cause modification in technology and land uses, which affect current socioeconomic activities?			
	Increase unemployment?			
	Cause influx of laborers from other areas?			
	Create a possibility of uncontrolled in-migration of people and overloading of infrastructure from improved transportation system?			
	Have disproportionate impacts on the vulnerable groups (e.g., the poor, women, children, indigenous peoples, disabled)?			
	Involve or be complicit in alteration, damage or removal of cultural heritage?			

Section D: Other Considerations

Screening Questions	Answer to Questions			Additional Information
	Yes	No	Not Applicable	
Does the national regulation in country require EIA or ESIA for the activities under the project?				
Does local capacity exist for fulfilment of EIA and ESIA requirements in country/countries affected by the project?				
Does the project address issues that have also been addressed by other projects or approaches?				
What are the project/subproject cumulative or long-term impacts?				
Is it possible to isolate the impacts from the project/subproject for monitoring?				

Attachment B: **Suggested Methodology and Structure of Environmental and Social Management Plans**

An Environmental and Social Management Plan (ESMP) will be prepared for each subproject where initial screening demands preparation of such a plan.

Suggested Structure

A suggested structure of ESMF is as follows:

1. Executive Summary

A summary of the contents and key findings written in a way that is easily understood by the general public. It should be concise, about 3 to 5 pages.

2. Background

Subproject specific background information will be included in this section.

3. Subproject Overview

This section will provide an overview of the subproject and its relation to the project to which the subproject belongs.

4. Objectives

The section will list the objectives of the Environmental and Social Management Plan specific to the subproject, based on its detailed information provided by the appropriate Project Management Unit. The project and subproject details should include their precise nature and scope, site location, activities to be undertaken, and timing and scheduling.

5. Scope of Work

ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK

This section should list and describe all national, provincial legislations and regulations as well as IFAD policies that give rise to the Environmental and Social Management Plan. The scope should take into account the nature and the magnitude of the potential impacts in addition to the project location and size.

6. Screening of Environmental and Social Impacts

This section will contain the assessment results of anticipated impacts of the project activities on the environment and the people, including the list of key concerns and potential impacts of the subproject on the environment and the people. The assessment will be the base for deciding whether any auxiliary plan would be required:

7. Baseline information

This section will describe proposed sites and their immediate surroundings with texts, maps, photographs as well as key environmental and social aspects of the sites and surroundings, such as demography, ethnicity, socio economic activities, occupation and livelihoods, land form and land use, land ownership, water resources, settlements, critical habitat or protected areas, formal and informal groups, methods of communication and transport, cultural heritage sites or graveyards, sensitive receptor such as schools, hospitals and access routes. The section will also include baseline data necessary to monitor all key environmental and social impacts identified through screening.

8. Environmental and Social Impacts

This section will outline both positive and negative impacts, including cumulative ones, of the subproject by each type of intervention, assess the severity of these impacts and the range of measures required to avoid (mitigate, in case avoiding is not possible) the negative impacts and enhance positive ones.

9. Stakeholder Consultations and Information Disclosure

This section will describe the objective, process, and outcome of the stakeholder consultations---with community members, relevant local and provincial officials, and NGOs with experience in the area---that are carried out during the ESMP preparation. The emphasis will be on the concerns and suggestions regarding the subproject and its potential impacts.

This section will also list all project and subproject information shared with the stakeholders during the preparation of the plan and arrangements for disclosing subproject information.

10. Mitigation and Monitoring Plan

The section will describe all impacts (including cumulative ones), mitigation measures for each impact, indicators for each impact, the parties responsible for implementing each mitigation measure, and the parties responsible for monitoring each indicator. A single indicator may be monitored in different ways by multiple stakeholders to allow maximum participation of various stakeholders, and subsequently enhanced ownership and implementation of the project.

11. Capacity Assessment and Training

This section will detail capacity assessment among the relevant officials and other stakeholders on implementing environmental and social management plan. It will also include a plan to enhance the capacity of the stakeholders while implementing the subproject and the ESMP.

12. Cost Estimates and Sources of Funds

The section will indicate cost estimates and sources of funds for institution development activities, training programs for implementation teams and local institutions, technical assistance to authorities, costs for preparation of ESMP and other safeguard documents, and their implementation.

EXCLUSION LIST

The criteria for exclusion of sub-projects is provided in the following Table:

Table 5. Sub-project and Activity Exclusion List

No.	Negative sub project list
	The proposed REAP will automatically exclude sub-projects that:
1	Require acquisition of land and physical or economic displacement of any number of people
2	Block the access to or use of land, water points and other livelihood resources used by others
3	Encroach onto fragile ecosystems, marginal lands or important natural habitats of national or international importance (e.g. ecologically-sensitive ecosystems; protected areas; natural habitat areas, forests and forest reserves, wetlands, national parks or game reserve; any other environmentally sensitive areas) without adequate mitigation measures
4	Impact on physical cultural resources of national or international importance and conservation value

In addition to the above, sub-projects that would be categorised as Category "A" sub-projects based on the SECAP should be avoided in order to limit the costs of further EIA work that may be required. However, if sub-project of high economic value is identified, the necessary EIA work should be done and the project carried out.

Approval of Environmental and Social Work

The completed screening form along with any additional planning reports will be forwarded to the review authority, which is the Environmental Protection Agency (EPA), Khyber Pakhtunkhwa. The review team will be assisted by environmentalists from the PMU to make sure that all the requirements are in place to avoid delays.

The first step in the approval process is to determine if all the relevant information has been provided, and that it is adequate. EPA will also check if the technical team has thoroughly considered all environmental and social issues with regards to the identification of potential adverse effects arising from the sub-project as well as mitigating measures to adequately address negative impacts.

Based on the desk appraisal and if needed, the field appraisal, EPA will grant approval, and monitor the mitigation measures during implementation.

Quarterly and Annual Monitoring and Reviews

Environmental and social monitoring needs to be carried out during the implementation of the sub-projects. Monitoring of the compliance of sub-project implementation with the mitigation measures set out in the sub-project's ESMP will be carried out jointly by the REAP PMU and its regional offices and the implementing partners team. The projects concerned staff should supervise the monitoring activities which should be reported quarterly and annually during the implementation phase.

Compliance monitoring comprises on-site inspection of activities to verify that measures identified in the ESMP are being implemented. This type of monitoring is similar to the normal tasks of a supervising staff whose task is to ensure that the Contractor is achieving the required standards and quality of work. The appointed environmental and social safeguards specialists will have the responsibility of conducting the environmental and

social inspections. Quarterly and an annual inspection report must be submitted (together with the monitoring report) to the IFAD for review and approval.

Monitoring Indicators

In order to be able to assess the effectiveness of the proposed mitigation measures for the impacts that will arise from the potential project activities, the dedicated staff from PMU, regional offices and implementing partners will conduct regular monitoring of all the sub-projects. The overall performance and effectiveness of the project can be assessed through monitoring the following indicators:

- Area (hectares/acres) of vegetation clearance;
- Incidences of work-related illnesses at construction sites or project areas.
- Incidences of work-related injuries at sites
- Number of pit latrines for excreta disposal for workers;
- Number of agro- infrastructure rehabilitated;
- Number of direct beneficiaries;
- Quality of construction materials for the agricultural, agro-processing infrastructure;
- Quality of water discharged from the establishments;
- Number of employment opportunities for locals;
- Number of new employees engaged by the project;
- Ratio of men to women employed by the project (ensure equity in the recruitment processes);
- Percentage of youth engaged in the projects;
- Number of safeguards training courses conducted for all staff including extension officers;
- Number of safeguards training courses conducted for beneficiaries;
- Ratio of men to women trained (ensure equity in the training processes);
- Implementation of the public consultation plan;
- Institution of planned maintenance of machines and infrastructure;
- Number of climate smart technologies adopted;
- Area of degraded land reported and or restored;
- Area of land under climate smart agriculture;
- Quantity of pesticides and fertilizer used;
- Use of IPM;
- Water and soil conservation structures established;
- Climate change coping mechanisms, and adaptation strategies employed.

7: ENVIRONMENTAL AND SOCIAL MANAGEMENT PLAN

Environmental and Social Management Plan

The ESMP provides guidelines for the management of potential environmental and social impacts together with climate change aspects of the project interventions. The ESMP identifies parties responsible for monitoring actions, and any training or capacity building needs, Mitigation measures have been identified to reduce present and potential impacts associated with the proposed activities. Social mitigation includes the measures creating awareness and proper mobilization, proper participation of members in the planning and implementation of activities, inclusion of women etc. to mitigate effects of local disagreements and conflicts. Physical mitigation includes measures that address impacts to the physical environment, such as biological communities, vegetation, water resources, air quality and others.

The project does not involve infrastructure and other civil works development, however, there are chances that the FPOs might go for establishing fruit, vegetable or dairy processing units at local level. Generally, fruit processing (canning, drying, freezing, and preparation of juices, jams, and jellies) steps include preparation of the raw material (cleaning, trimming, and peeling followed by cooking, canning, or freezing. Plant operation is often seasonal and typically generates volumes of effluents and solid waste. The effluents contain high organic loads, cleansing and blanching agents, salt, and suspended solids such as fibers and soil particles. They may also contain pesticide residues washed from the raw materials. The main solid wastes are organic materials, including discarded fruits. Odor problems can occur with poor management of solid wastes and effluents.

Environmental impacts associated with a dairy processing unit are generation of waste and wastewater. Once started, it is a regular full time activity to be monitored regularly to avoid environmental impacts. Wastewater and packaging material waster are generated that need to disposed-off properly to avoid any contamination especially water resources. Quality control mechanisms to be in place from processing to storage and to consumer.

Details of the ESMP and mitigation measures are provided in the Table 7.1, while climate change adaptation and mitigation measures are provided in Table 6, 7 and Appendix-C.

Table 6. Social, Environmental and Climate Risk Factors and Mitigating Measures

Main themes	Social/Environmental/Climate Risk Factors	Mitigation Measures at the design stage
Social Mobilization and Development (such as participatory planning, selection of target area and intervention, agri-business development	<p><u>Social:</u></p> <ul style="list-style-type: none"> ✓ Clear mechanism for social mobilization based on predetermined criteria for selection of members ✓ Community participatory planning is not institutionalized/defined ✓ Limited awareness of the community about 	<p><u>Social:</u></p> <ul style="list-style-type: none"> ✓ Well-defined community mobilization and development mechanism will be ensured ✓ Participatory planning and design will be ensured (particularly participation of women will be ensured) ✓ Community organizations will ensure coordination with local government department ✓ Role of and access to various community development facilities will be made clear to the community through

Main themes	Social/Environmental/ Climate Risk Factors	Mitigation Measures at the design stage
	<p>the project goals and objectives</p> <ul style="list-style-type: none"> ✓ Limited scope for gender based community development ✓ Poor strategies for involvement of women ✓ Lack of awareness about Farm Services Centres and limited accessibility to cooperatives ✓ Lack of clarity about the role and responsibility of FOs <p><u>Environmental and Climate:</u></p> <p>Office establishment</p> <ul style="list-style-type: none"> ✓ Location; Easily accessible to all ✓ Noise and dust pollution during construction ✓ Labour and staff protection and safety at risk ✓ Disposal of debris and other solid waste ✓ Noise and air pollution due to due to operation of generators) ✓ Adverse effect on plants and shrubs ✓ Vehicles parking and movement may adversely affect movement of pedestrians, animals, and birds ✓ Inadequate solid waste disposal ✓ Poor sewerage and drainage system 	<p>consultations, meetings and seminars</p> <ul style="list-style-type: none"> ✓ Technical and business support will be provided to cooperatives including business plan development Clarity about the role and responsibilities made <p><u>Environmental and Climate:</u></p> <ul style="list-style-type: none"> ✓ Ensure easy access with transport availability and on main road ✓ Measures taken to avoid noise and dust pollution ✓ Use of PPEs and other safety measures taken care of ✓ Good quality and well-maintained generators installed ✓ Smooth and calm operations of office.to avoid inconvenience to neighbourhood including due to vehicles parking and movement ✓ Maximum care exercised to protect plants etc ✓ Adequate disposal of solid waste material will be ensured ✓ Proper sewerage and drainage will be ensured
Establishment and Operation	<u>Social:</u>	<u>Social:</u>

Main themes	Social/Environmental/ Climate Risk Factors	Mitigation Measures at the design stage
of PMU and Regional offices	<ul style="list-style-type: none"> ✓ Location and accessibility ✓ Community access to PMU/regional offices is not available or limited ✓ Unavailability of Community complaint mechanism at PMU/Regional offices ✓ Lack of mechanisms for participatory planning (particularly involvement of women) <p><u>Environmental and Climate:</u></p> <ul style="list-style-type: none"> ✓ Noise and dust pollution during construction ✓ Labour and staff protection and safety at risk ✓ Disposal of debris and other solid waste ✓ Noise and air pollution due to due to operation of generators) ✓ Adverse effect on plants and shrubs ✓ Vehicles parking and movement may adversely affect movement of pedestrians, animals, and birds ✓ Inadequate solid waste disposal ✓ Poor sewerage and drainage system 	<ul style="list-style-type: none"> ✓ Ensure easy access with transport availability and on main road ✓ Easy community access to PMU/Regional ensured with phone and email address widely circulated and displayed in PFOs offices, ✓ Participatory planning and design to be considered a prerequisite (particularly participation of women will be ensured) ✓ Adequate complaint registration and redressal mechanism to be operationalized <p><u>Environmental and Climate:</u></p> <ul style="list-style-type: none"> ✓ Measures taken to avoid noise and dust pollution ✓ Use of PPEs and other safety measures ensured ✓ Good quality and well-maintained generators installed ✓ Smooth and calm operations of office.to avoid inconvenience to neighbourhood including due to vehicles parking and movement ✓ Maximum care exercised to protect plants etc ✓ Adequate disposal of solid waste material will be ensured ✓ Proper sewerage and drainage will be ensured
Climate smart technologies—HIES, raised beds, land	<p><u>Social:</u></p> <ul style="list-style-type: none"> ✓ Lack of knowledge and information about new technologies 	<p><u>Social:</u></p> <ul style="list-style-type: none"> ✓ PFOs will organize awareness campaigns about the benefits of such technologies.

Main themes	Social/Environmental/ Climate Risk Factors	Mitigation Measures at the design stage
levelling, tunnels, etc. drought resistant varieties	<ul style="list-style-type: none"> ✓ Selection of appropriate technology ✓ Use of selected technology <p><u>Environment:</u></p> <ul style="list-style-type: none"> ✓ Air, water and noise pollution ✓ Oils, grease pour and spill around ✓ Parking ✓ Use of new varieties of fruits, vegetables and other seeds. 	<ul style="list-style-type: none"> ✓ PFOs and project staff will help select the right technology for the right interventions ✓ Proper trainings will be organized on the use and maintenance of the proposed technologies and interventions. <p><u>Environment:</u></p> <ul style="list-style-type: none"> ✓ Machinery will be properly used and maintained to avoid and minimize any pollution ✓ Ensure proper packing and handling of oils and lubricants ✓ Vehicles and machines will be properly parked under designated sheds ✓ Certified varieties and seeds will be recommended and used under PFO and project staff/service provider guidance.
Vocational and skill development trainings	<p><u>Social:</u></p> <ul style="list-style-type: none"> ✓ Selection of candidates, courses, training institutes ✓ Gender parity ✓ Incentives and facilities for deserving candidates ✓ Number of trainees per class ✓ Location of and accessibility to selected training centre ✓ Language of trainings ✓ Familiarity with the machine/equipment and its use <p><u>Environment</u></p> <ul style="list-style-type: none"> ✓ Class rooms with adequate space and facilities for the trainees ✓ Proper seating and audio-visual facilities 	<p><u>Social:</u></p> <ul style="list-style-type: none"> ✓ Criteria developed for selection of providing the right and required training to the right persons in the right institute for getting the employment. ✓ Equal opportunity provided to the women candidates in the selected field ✓ Appropriate number of students per class to receive proper attention and time during lectures and practical ✓ Poor and deserving candidates, especially women, should be provided with incentives and facilities ✓ Preferably local language or Urdu will be used for lectures and teaching material. ✓ Centres should be easily accessible with public transport ✓ Special lectures on the use of machine and equipment with emphasis on precautions. <p><u>Environment</u></p> <ul style="list-style-type: none"> ✓ Ensure selection of centres with proper facilities

Main themes	Social/Environmental/ Climate Risk Factors	Mitigation Measures at the design stage
	<ul style="list-style-type: none"> ✓ Separate wash rooms and other facilities for women ✓ Availability of all equipment, tools and material for training 	<ul style="list-style-type: none"> ✓ Ensure required facilities for women ✓ Ensure all tools, equipment, electronic and mechanical devices are available
Fruit /vegetable/dairy Processing Plant (example)	<p><u>Social:</u></p> <ul style="list-style-type: none"> ✓ Selection of site ✓ Infrastructure development may affect neighbourhood environment during construction period ✓ Mechanism for members' access to various details and facilities ✓ Limited awareness of member about design and other details ✓ Lack of mechanisms for participatory planning (particularly involvement of women) ✓ Access of and inclusion of poor, marginalized and vulnerable ✓ Local privacy and gender elements ✓ Local community, gender, neighbourhood & stakeholder participation <p><u>Environmental and Climate:</u></p> <ul style="list-style-type: none"> ✓ Noise, dirt, dust and air pollution may raise ✓ Labour and staff protection and safety at risk ✓ Material storage and vehicle movement may 	<p><u>Social:</u></p> <ul style="list-style-type: none"> ✓ Participatory and consensus approach for site selection ✓ Adequate project construction planning and scheduling will ensure no adverse impacts on the neighbourhood ✓ Ensure access to information and all details ✓ Access to alternate routes to be ensured during construction period ✓ Participatory planning and design to be ensured (particularly participation of women to be ensured) ✓ Responsibilities for Operation and Maintenance will be well-defined, and spread through workshops and meetings ✓ Access to various facilities and finances will be made clear to members through consultations, meetings and seminars and records availability ✓ Community consent regarding gender elements, particularly privacy of women shall be addressed ✓ Stakeholders consultation including nearby communities, women shall be ensured and their concerns shall be addressed for sustainability <p><u>Environmental and Climate:</u></p> <ul style="list-style-type: none"> ✓ Measures taken to minimize pollution ✓ Use of PPEs and other safety measures ensured

Main themes	Social/Environmental/ Climate Risk Factors	Mitigation Measures at the design stage
	<p>adversely affect movement of pedestrians, animals, and birds</p> <ul style="list-style-type: none"> ✓ Lack of essential facilities for labour and workers ✓ Use of chemicals during construction and processing of products. ✓ Improper waste and chemicals disposal during construction and operation of units ✓ Wastewater disposal ✓ Inadequate sewerage and drainage system ✓ Adverse impacts on migratory birds movement ✓ Construction of cold storages (insolation needs) ✓ Storage of fruits for processing ✓ Health and safety ✓ Quality control 	<ul style="list-style-type: none"> ✓ Proper storage of material and vehicle maintenance and movement ensured to avoid inconvenience. ✓ Training on occupational hazards, storage and use of chemicals, on maintenance and operation machinery and vehicles for involved personnel will be organized. ✓ Materials and chemicals that consist of small particles or pieces must be stored in a container with a watertight cover, or if non-reactive with water, may be sprinkled with water for dust control. ✓ All machinery and vehicles must be operated with designated fuel. ✓ Appropriate sign boards will be placed along the routes ✓ Adequate planning of labour and worker camps with WASH, sewerage and drainage system will be ensured ✓ First aid facilities to be provided at site. ✓ Processing units shall not be installed in ecologically sensitive or protected areas ✓ Waste generated shall be disposed off at suitable sites and after treatment to reduce the potential for acidification ✓ Waste treatment and management plan shall be devised and implemented ✓ Eco-friendly energy supply shall be preferred. ✓ Carbon footprint of the processing unit shall be calculated and mitigation measures shall be ensured ✓ Use of water in large quantity shall be avoided and recycled ✓ Processing units shall have proper health & safety arrangements for workers ✓ Ensure quality standards of the product

Climate change adaptation/mitigation measures are provided in following Table 7.

Table 7: Climate change impacts together with adaptation and mitigation measures.

Main themes	Main challenges under Future Climate Change Scenarios	Adaptation/Mitigation Measures at the design stage	Tentative Cost Estimate
Fruit /vegetable/dairy Processing Plant (example)	<ul style="list-style-type: none"> ✓ GHG emissions ✓ Increased water use 	<ul style="list-style-type: none"> ✓ Inclusion of climate change assessment during infrastructure design. ✓ Climate resilient design of infrastructure ✓ Awareness raising of the farmers and line departments (through trainings and seminars) on climate change and its impacts ✓ Construction and curing of concrete need adequate care and consideration due to expected rise in temperature ✓ Sheds and first aid should be made available at sites for labours (to protect them from heat-waves and hot weather) 	USD 7000 to 10000 per plant.

Appendix-C: Environmental and Social Management Plan (ESMP)

Key Requirements	Actions	Indicator	Responsibility	Time Frame	Cost/ Budget Source
Environment					
Project (and sub-projects) environmental requirements and responsibilities need to be clearly defined.	Preparation of environmental guidelines for sub-projects.	Environmental guidelines including screening, approvals, mitigation measures and well defined responsibilities.	PMU will be responsible for elaborating and defining details of guidelines and then oversee overall implementation under the project while regional offices will monitor and look after the projects in respective regions. PMU/Regional offices will also support and monitor the implementing partners in sub-projects. The concerned line departments (EPA) are expected to provide guidance and approve sub-projects when submitted	2022-2027	USD 0.20 m

ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK

<p>Detailed plans and designs for sub-projects developed.</p> <p>Plans to be endorsed by communities and approved by the project management/social mobilization partners.</p>	<p>Design consultant to prepare detailed plans and designs for sub-projects.</p> <p>Plans to include details of infrastructure development together with financing details including O&M responsibilities.</p> <p>Plans to include detailed social, environmental and climate change assessments.</p> <p>Plans to be approved by the project team and relevant line departments.</p>	<p>Detailed Plans and Designs for sub-Projects.</p> <p>Community and stakeholders</p> <p>Endorsement/consultation undertaken of plans</p> <p>Approval of plans by PMU and Concerned line department (EPA), if required.</p>	<p>Design consultants prepare design in consultation and coordination with PMU/Regional officesPMU reviews the designs and the social, environmental and climate change checklists.</p> <p>Consultation with PFOs and 4P will be required.</p>	<p>project implementation period (2022-2027).</p>	<p>Included in project cost—Comp-1</p>
<p>Environmental mitigation actions, such as solid waste management, water, air and noise quality, eco-system, agro-chemicals, and other hazardous chemicals</p>	<p>Guidelines prepared for reducing environmental impacts for various sub-projects of Component-1</p>	<p>Guidelines prepared</p> <p>Increased awareness and capacity of stakeholders groups</p>	<p>Consultants will prepare the guidelines to be reviewed and approved by PMU.</p> <p>PMU/Regional offices and implementing partners will monitor and implement the</p>	<p>2019 and project implementation period (2022-2027).</p>	<p>Included in project cost —Comp-1</p>

ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK

	<p>Training and awareness of stakeholders groups</p> <p>Investment in environmental mitigation measures including safe disposal of waste, chemicals reduction, adoption of IPM .</p>	<p>Sub-project cost includes investment in environmental Mitigation Measures</p>	<p>guidelines and organize trainings and capacity building programs for the concerned stakeholders.</p> <p>PFOs and 4Ps will ensure safe disposal of waste material.</p>		
Implementation of the Environmental and Social Management Plan (ESMP)	<p>Implementation responsibilities to be defined, allocated and costed.</p> <p>Bid Documents and ToRs for the various components need to incorporate the ESMP requirements</p>	<p>Bid documents include requirements for the environment safety and mitigation measures.</p>	<p>PMU to ensure that ESMP requirements are part of the bid documents and that cost is also included in the bid.</p> <p>Contractors will be responsible for the implementation of the guidelines while PFOs/4Ps and implementing partners will monitor under the overall supervision of PMU/Regional offices.</p>	<p>project implementation period (2022-2027).</p>	<p>Included in project cost —Comp-1</p>
Climate Change					
Indepth analysis of	Preparation of	Indepth/Detailed Climate	PMU will have		Included in

ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK

<p>Climate change impacts assessment, and adaptation/mitigation measures need to be understood.</p>	<p>indepth/detailed climate change analysis and adaptation/mitigation guidelines for projects.</p> <p>Training for the community and government officials to understand climate change impacts together with adaptation and mitigation measures (awareness granted).</p> <p>Responsibilities and financing for climate change adaptation/mitigation is agreed.</p>	<p>Change Analysis and Adaptation Guidelines</p> <p>Climate change adaptation initiatives are being implemented.</p>	<p>specialized climate change staff to be responsible for climate change related activities including preparation of guidelines.</p> <p>PMU/Regional offices will ensure adaptation and implementation by PFOs/4Ps and implementing partners.</p>	<p>2022-2027</p>	<p>project cost – Comp-1</p>
<p>Potential Climate Change Risks are reduced.</p>	<p>Participative and sustainable climate change adaptation/mitigation program is implemented..</p>	<p>Monitoring of climate adaptation/mitigation programs and climate damage.</p>	<p>PMU/Regional offices will ensure that climate change adaptation/mitigation activities under sub-projects are prepared by PFOs in consultation and agreement with</p>	<p>2022-2027</p>	<p>Included in project cost – Comp-1</p>

ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK

			concerned members and are then implemented as per design guidelines and requirements		
Social					
A well-defined and strong social mobilization process to facilitate the delivery of programme activities in an inclusive and effective manner	Detailed technical proposal of the social mobilisation partner elaborate mobilization strategy Implementation of the social mobilisation /poverty graduation strategy	Approved social mobilisation plan/strategy/poverty graduation strategy	RSPs and implementing partners will provide detailed methodology and strategy with work plans in their proposals for inclusive and effective social mobilization of the concerned stakeholders in coordination with PMU and regional offices. PMU/Regional offices will monitor and ensure quality of social mobilization.	2022-2027	Included in project cost
Labor standards and	Healthy and safe	All facilities are physically	Implementing		

ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK

working conditions	working conditions provided where normal facilities like wash rooms (separate for male and female), personal protection equipments (PPEs), first aid box and clean water are available.	provided and register maintained.	partners ensure all facilities and PMU/Regional offices regularly monitor and check facilities and register.		
Working hours are properly observed	Eight hours working days are observed	Registers are maintained for all staff with in-out timings.	Implementing partners maintain the register, PMU/Regional offices monitor with field visits and checking of registers	2022-27	
Child labour and underpayment	Age of intending labourers to be checked from valid identity cards.	Identity card numbers and mobile numbers entered in daily rosters.	Implementing partners to ensure no underage labourers are hired for any job under the project. All labour are paid per market rates. PMU/Regional offices will regularly monitor by visits, daily rosters and payment receipts.		
Stakeholders participatory planning,	Detailed information and engagement with	Guidelines for stakeholder engagement in design of	Sub-project and activities to be	2022-27	Included in project cost

ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK

design and implementation of the sub-projects	stakeholders including farmers, disadvantaged groups, women and youth Final plan and design to be endorsed by representative stakeholders.	sub projects. Documentation of stakeholder engagement and endorsement.	planned by PMU/Regional offices, PFOs and 4Ps will be participatory in all respects from design, planning and implementation. PMU and regional offices will ensure proper social mobilization and awareness of concerned members and their involvement from the beginning till end.		
Gender equitable approaches are developed for improving income, food, nutrition.	Gender equity is adhered in selection/targetting criteria. Training and implementation of the Community Led Empowerment	Gender equity plan prepared.	PMU/Regional offices to ensure the participation of women and extra poor with support from implementing partners according to targets set in the project.	2022-2027	Included in project cost
Monitoring					
Effective consultation and public disclosure of social,	Requirements to be defined in compliance to EPA and IFAD	Public consultation/disclosure effectively documented.	PMU/Regional offices will ensure that all details of sub-	2022-2027	Included in project cost

ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK

environmental and climate change documentation	requirements.		projects along with their benefits social, environmental and climate change impacts are shared with all stakeholders. Easy access to record and documentation will be provided to all.		
Overall monitoring and evaluation needs to be coordinated and effective to meet project evaluation requirements.	Monitoring and evaluation requirements would be defined; including physical and financial progress and reporting	Approved plan for monitoring and evaluation include social, environmental and climate change mitigation indicators. Monitoring and evaluation reports.	PMU/Regional offices will supervise and monitor the physical and financial progress of activities by PFOs, 4Ps with the help of implementing partners within the agreed schedules and quality.	2022-2027	Included in project cost
Routine monitoring of social, environmental and climate change risks activities especially progress of ESMP.	Quarterly and annual reports.	ESMP Reports as required	Implementing partners will carry out routine monitoring while PMU/Regional offices will supervise and evaluate the progress.	2022 to 2027	Included in project cost

ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK

ANNEXURE 1. SUMMARY OF IFAD GUIDANCE STATEMENTS.

GUIDANCE STATEMENT 1 : BIODIVERSITY

Biodiversity or biological diversity refers to the full range and variety of the world's biota, and its living organisms. Biodiversity is usually considered at three levels: (i) generic, (ii) species, and (iii) ecosystem diversity. Conservation of biological diversity aims at maintaining global biological resources to meet the needs of humanity today while ensuring their availability for future generations – a fundamental criterion of sustainable development (IFAD, 2017).

Conservation of biodiversity is a cornerstone of IFAD projects, particularly those for agricultural development. Value chain development projects may also offer opportunities for preserving biodiversity by promoting the sustainable harvesting and marketing of products derived from old plant varieties and breeds (e.g. underutilized species), locally used plants (e.g. medicinal plants) and non-timber forest products. Short value chains supplied by many small producers, who use considerably more species and varieties than larger farms, are more suitable for the conservation of agrobiodiversity than long value chains served by a few large farms with monocultures. In addition, agricultural practices such as mixed cropping and agroforestry have proved beneficial for climate change adaptation and improved agricultural productivity.

IFAD does not implement projects in areas of critical habitats or which result in conversion or degradation of such habitats. Emphasis will be to identify alternatives and ensure that any potential degradation or conversion is appropriately mitigated. IFAD will protect biodiversity by designing its projects appropriately, ensuring that they are implemented sustainably with full community participation, and providing sound recommendations for improving borrowing countries' agricultural policies.

Biodiversity should be identified at an early stage of project preparation to allow for optimum integration of conservation and development objectives. The following are some of the issues to be considered in this identification process:

- Adopt an ecosystem perspective and multisectoral approach to developmental programmes;
- Promote fair and equitable sharing of costs and benefits from biodiversity conservation and sustainable use at all levels: local, national, regional and international;
- Encourage full stakeholder participation, including partnerships between civil society, government and the private sector;
- Ensure that IFAD programmes and projects are consistent with the wider policy framework, and/or changes are made for supportive policies and laws;
- Ensure that institutional arrangements are effective, transparent, accountable, inclusive and responsive;
- Provide and use accurate, appropriate, multidisciplinary information, accessible to, and understood by, all stakeholders;
- IFAD's investments should be sensitive to, and complement, local and national structures, processes and capacities;

GUIDANCE STATEMENT 2 – AGROCHEMICALS

Increased food production is one of IFAD's central objectives; the use of agrochemicals (mainly fertilizers and pesticides) may be necessary to achieve higher yields per unit area. However, the environmental and social (including health) concerns raised by such use of agrochemicals must be carefully considered (IFAD, 2017).

Agrochemicals include fertilizers, liming and acidifying agents, soil conditioners, pesticides, and chemicals used in animal husbandry such as antibiotics and hormones. The use of agrochemicals has been critical to raising crops for food. However, some of these

chemicals cause substantial damage to the environment, ecology and human health, greatly reducing their net benefits.

IFAD projects promote the use of agrochemicals directly, as a project component for increased crop productivity, or – more commonly – indirectly, by increasing the availability of short-term credit for farm inputs or water for irrigation, which encourages increased use of agrochemicals.

Careful selection of the type of agrochemicals and management of their use (timing, dosage, mode of application, etc.) can reduce to acceptable levels the environmental risks they pose while providing the needed benefits for increased production with lower financial and health risk costs.

IFAD projects should strive to improve existing pesticide and fertilizer use by ensuring that the proper institutional, legal and regulatory framework is in place and that sufficient technical and managerial capacity-building is provided for the selection, application, storage, disposal and monitoring of pesticides, which are often hazardous if they are misused or handled improperly.

The use of agrochemicals can also be reduced or eliminated by promoting indigenous farming practices, such as:

- the cultivation of locally adapted crops and varieties, which are often resistant to local pests and diseases;
- the use of locally available natural biopesticides and pest-repellent crops, with adapted cultivation strategies (seeding periods and methods, etc.);
- the use of natural on-farm animal and green manure; and
- the utilisation of organic farming techniques.

Ensuring diversity in the crops and varieties cultivated on a farm, especially indigenous crops, reduces the risk of high-level pest infestations and disease epidemics and facilitates enhanced ecosystem services, including through pollinators and active soil fauna and flora.

GUIDANCE STATEMENT 3 – ENERGY

Worldwide, 2.4 billion people rely on traditional biomass such as fuelwood and charcoal for cooking; 1.3 billion people do not have access to electricity (REN21, 2012). Households expend significant proportions of their disposable incomes, time and labour on low-quality energy sources. This situation entrenches poverty, constrains the delivery of social services, limits opportunities for women, and erodes environmental sustainability at the local, national and global levels (UN-Energy, 2004).

Modern bioenergy technologies can offer a wide range of solutions that are appropriate to rural domestic energy needs (e.g. for cooking on flexi-biogas) or to energy demand for productive uses (e.g. water pumping for irrigation).

Broad and reliable access to energy allows the powering of agricultural and transport equipment, is particularly important for producers who are off the power grid or connected to an unreliable power supply, and reduces rural poverty through increased agricultural and labour productivity (IFAD, 2017).

Energy security is receiving increased attention in the IFAD portfolio, which focuses on improving access to energy for domestic, processing and farming purposes, to enhance the quality of life and living standards of poor rural people. In partnership with other entities, and in support of country-owned initiatives, IFAD explores alternative sources of energy for poor people, to reduce their dependence on fossil fuels or traditional biomass by capitalizing on opportunities to use renewable energy sources at the farm and community levels, and promoting low-cost technologies that use local resources to provide energy to rural areas.

Renewable energy is of growing interest because of its potential to diminish reliance on fossil fuels, reduce carbon emissions and mitigate climate change. For example, biogas can provide poor rural people in developing countries with clean and renewable energy all year round. The use of biogas stoves frees women from the need to collect fuelwood, enabling them to undertake other productive activities.

GUIDANCE STATEMENT 4 – FISHERIES AND AQUACULTURE

Fisheries projects can be divided in two groups: (i) capture fisheries (harvest of wild stock); and (ii) culture fisheries or fish farming (freshwater aquaculture, brackish water aquaculture and Mari culture). Capture fisheries include marine operations (offshore and near-shore) and inland operations (rivers and lakes). Fish farming produces more fish than is normally available from wild stock, by manipulating or managing the fish and food resources (by containment in ponds or specific productive areas, creating new or improved use of natural habitats).

The demand for fish has steadily increased over the past five decades and it is no longer possible to meet this demand from wild fish stocks alone. Increased fish production can only be achieved through better management of capture fisheries resources and the aquatic ecosystem and expansion of aquaculture. Aquaculture can improve food security and diversification of livelihoods, thereby reduce households' vulnerability to natural hazards and economic uncertainty. However, aquaculture must be managed responsibly to avoid negative social and environmental impacts, including pollution, damage to aquatic biodiversity, conflicts over resource rights, and marginalization of small-scale actors (IFAD, 2017).

Climate change poses new challenges for the sustainability of fisheries and aquaculture systems all across the globe. Coastal communities are in the frontline of climate change impacts and are vulnerable to sea level rise, extreme weather events, changing distribution and abundance of fish stocks, eroding coastlines, salt water intrusion, expansion of tourism amenities, and the impacts of ocean acidification on food security and coastal resources.

IFAD's Environment and Natural Resource Management Policy (2011) explains the broad environmental objectives for IFAD fisheries and aquaculture sector interventions to: (i) strengthen fisheries management and the tenure rights of fishing communities to common pool resources; (ii) introduce ecosystem approaches for both fisheries and aquaculture; (iii) restore and develop protected areas; (iv) promote integrated coastal and marine resource management to ensure sustainable fishing practices; (v) invest in retraining and education for fishers to create alternative employment opportunities; and (vi) encourage sustainable forms of aquaculture.

The GS serves to protect the environment from the effects of both capture and fish farming which include over exploitation and habitat destruction. Through this GS, IFAD seeks to achieve the following social, economic and environmental outcomes through investments in fisheries and aquaculture:

- increase food production;
- improve nutrition for fishing and fish farming communities, surrounding communities and extending to the national level;
- increase incomes and employment opportunities, including for youth and women;
- improve the health and quality of life in fishing communities;
- increase national trade and exports of fisheries and aquaculture products;
- reduce the immigration of young fishers to urban areas;
- provide access to financial services for small-scale fishers and fish farmers;
- preserve and strengthen habitats that are important for rejuvenating fish stocks, such as mangroves and coral reefs;
- enhance access to knowledge and sustainable fisheries and aquaculture technologies;

- strengthen policies and institutions for fisheries resource management, tenure and access rights of local people; and
- enhance resilience of coastal communities against climate change and other shocks by incorporating climate change impacts in the design of new fisheries and aquaculture projects.

GUIDANCE STATEMENT 5 – FOREST RESOURCES

Forests have an important role in supporting local and global ecosystem services and providing resources to some 1.6 billion people (UNEP, 2008), due to their highly productive nature. They are used and managed for different – often competing – purposes, such as timber and fuel wood production, Non-Timber Forest Products (NTFPs) collection, watershed management, shelter and food supply for indigenous people (forest dwellers), emergency shelter and food supply for surrounding farming communities or herders, and conservation of biological diversity. Natural stands of trees and shrubs play an important supportive role in savannah pastoralism and are used as a restorative measure for fertility improvement in shifting cultivation. Tree-based production systems do not require the continuous managing of the soil (IFAD, 2017).

Forests equally have untapped potential to lift rural people out of poverty (Sunderlin, Angelsen and Wunder, 2010), providing a source of employment, income, food, energy and housing. Forest-based livelihood activities include livestock grazing, controlled hunting, and the collection of wild fruits and insects, all of which provide highly nutritious resources that can contribute to food security and alleviate dietary deficiencies.

IFAD, recognizes the importance of managing forests sustainably to reduce land degradation while improving food security and providing alternative income sources for communities and small farmers. Thus, the GS seeks to protect natural forests from destructive activities such as crop production & logging. It promotes management of natural forests by rural and indigenous communities, who can be provided livelihoods and adequate income generating activities through alternative livelihood activities such as livestock grazing, natural honey collection/production, collection of firewood, medicinal plants, wild fruits & nuts, controlled hunting, etc.

GUIDANCE STATEMENT 6 – RANGELAND-BASED LIVESTOCK PRODUCTION

Livestock production is one of the fastest growing agricultural subsectors in developing countries, Accounting for 30 per cent of agricultural gross domestic product and spurring a demand for animal-source food products that is likely to double in the next 20 years (FAO, 2002). The growth of the sector exerts some pressure on natural resources such as the rangelands for the livestock, and without adequate measures being taken, in rangeland and feed stock management, may lead to an increase in greenhouse gases and thus contribute to climate change (IFAD, 2017).

Rangelands include grasslands, woodland savannahs, open forest (and in some cases cleared areas of closed forests), shrub lands, wastelands, abandoned agricultural areas, and deserts that support domestic ruminants and wild herbivores. The targets of these range areas vary from large-scale commercial ranching to mixed farming or traditional pastoral systems. Hence, depending on the scale of the operation, different measures will be adopted. Rangeland and pastoralist activities are two areas in which IFAD is very active. These areas support a large number of herders and livestock producers, however, open-access to these areas has resulted in grave environmental consequences. Over-grazing is one of the most notorious of these impacts (others include human settlement, roads, and harvesting fuel wood) leading to a loss of surface top-soil and losses in soil fertility.

Managing the environmental and social impacts of the livestock sector requires, at a minimum, disaggregating between extensive and intensive production. In extensive livestock production, the livestock are reared outdoors on natural and semi-natural forage, and in intensive production the livestock, are reared indoors and based on cultivated inputs or by-products. The nature of the environmental impact and the appropriate

environmental responses vary entirely between these two broad types of systems (McGahey et al., 2014).

These guidelines address extensive livestock production on rangeland resources, i.e. some form of pastoralism. In developing countries, it is recommended to focus on both greening the intensive livestock sector and capitalizing on the inherent sustainability of pastoralism for local, regional and international markets (McGahey et al., 2014).

The basic guidance and good practices for IFAD interventions in the management of rangeland-based livestock involve promoting and supporting: (i) integrated crop/livestock systems; (ii) development of improved, locally adapted livestock genetics, and avoidance of erosion or loss of animal genetic resources; (iii) pastoral institutions and recognition of tenure rights and customary grazing lands; (iv) strengthened local governance capacity, national governance policy and institutional coherence; (v) livestock diversity; (vi) management and recycling of livestock manure as organic nutrients for restoring soil fertility; and (vii) range restoration, enhancement and sustainable rangelands management.

The primary beneficiaries are poor livestock keepers, particularly those who are economically or socially at risk and politically marginalized, such as rural women, youth, landless poor people, and people for whom animals such as poultry and small ruminants provide, at most, subsistence or a minimum contribution to daily nutritional guidance. IFAD is committed to developing a sustainable livestock sector in which poor farmers and herders might obtain higher incomes and better access to assets, services, technologies and markets. Thus, the GS seeks to promote sustainable rangeland management curbing all these negative impacts.

GUIDANCE STATEMENT 7 – WATER (AGRICULTURAL AND DOMESTIC USE)

Many poor rural people face severe constraints in their access to adequate quantities of good quality water for domestic and agricultural uses. Clean water supplies and sanitation remain major problems in many parts of the world, with 11 per cent of the global population lacking access to safe drinking water. Agricultural production accounts for 70 per cent of global freshwater use, mainly through crop irrigation (IFAD, 2017).

In irrigation, water is managed for agricultural production. Most systems are established to improve crop yields per unit of land. Irrigation systems include: (i) water storage; (ii) water conveyance; (iii) water delivery to plants; and (iv) disposal of drainage water. Irrigation water is conveyed and delivered to plants by gravity, sprinkler or drip irrigation. The setting up of these systems impacts on the environment in many ways. Facilities for drainage of excess water are not always provided in irrigation systems which may lead to water logging and soil salinization.

Water management in agriculture includes projects fed by surface water or groundwater and/or rainfall in irrigation, soil and water conservation, swamp rehabilitation, watershed management, water for livestock, and inland fisheries and aquaculture.

The potential negative impacts of water investments affect several environmental and social aspects and include soil degradation, water quality, public health, effects on flora and fauna and disruption of ecosystem services, particularly when introduced on a large scale. In the near future, accelerating changes in the global climate will cause major alterations in the patterns of the water cycle and the geographical distribution of water, with significant effects on agricultural activities. Climatic change will have significant consequences on water supply, water systems, infrastructure and agriculture. It could also undermine IFAD's investments and reduce the long-term sustainability of results. Therefore, FAD aims to reduce the vulnerability of water management and infrastructure to current climate variability while also considering the long-term effects of climate. Thus, this GS seeks to protect the environment from the adverse effects that can be inflicted by irrigation schemes.

GUIDANCE STATEMENT 9 – PHYSICAL CULTURAL RESOURCES

For purposes of this guidance statement, physical cultural resources (PCR), also known as cultural heritage or cultural property, may be defined as movable or immovable objects, sites, structures, groups of structures, and natural features and landscapes that have archaeological, historical, religious, spiritual or other cultural significance. As such, PCR may be found almost anywhere, in urban or rural settings, above or below ground, or even under water.

PCR may derive their significance from various sources, whether as part of a community's cultural identity and heritage, as assets for economic or social development, or as sources of valuable scientific or historical information. As a result, their cultural significance may be local, provincial, national, or even international in nature (IFAD, 2017).

Although the likelihood that IFAD programmes and projects will involve or affect PCR is small, in such unlikely cases where PCR is found, IFAD will assist borrowers in avoiding, minimizing or mitigating adverse impacts on PCR in the development programmes and projects that it finances. To this end, IFAD will use due diligence in applying its SECAP to ensure that PCR are properly identified and adequately addressed, and that any measures to protect PCR comply with the borrower's national legislation as well as with its obligations under relevant international treaties and agreements (e.g. UNESCO Convention Concerning the Protection of the World Cultural and Natural Heritage, 1972).

While it is unlikely that IFAD's portfolio of agricultural and rural development programmes/projects will involve or affect PCR, IFAD is committed to identifying and protecting PCR in all its operations. After all, even smallholder agriculture and rural development projects on marginal lands may, depending on location, involve resources of archaeological (e.g. ancient ruins, monuments, prehistoric caves), historical (e.g. original structures, architectural works, historic sites), religious (e.g. churches, mosques, temples, sacred grounds) or cultural (e.g. cemeteries, traditional meeting places) significance. Of particular concern are IFAD programmes/projects: (i) involving significant excavations, demolition, movement of earth, flooding or other environmental changes; and (ii) located in, or in the vicinity of, a PCR site recognized by the borrower. For this reason, IFAD will use its SECAP to ensure that any PCR involved in or potentially affected by an IFAD programme/project are properly identified and adequately protected.

GUIDANCE STATEMENT 11 – DEVELOPMENT OF VALUE CHAINS, MICROENTERPRISES AND SMALL ENTERPRISES

A value chain is a vertical alliance of enterprises that collaborate, to a greater or lesser extent, to bring a product from the initial input supply stage, through the various phases of production, processing and distribution, to the final marketing to consumers

The main goal of IFAD's value chain projects is to integrate target groups (small rural producers) into viable value chains to improve their access to secure markets and to raise their incomes sustainably. These projects finance activities to address constraints to small producers' participation in, and their benefits from, value chains. In general, value chain projects include one or more of three categories of intervention: (i) process/product upgrading; (ii) functional upgrading; and (iii) upgrading of coordination and business models. In practice, these interventions can entail a wide variety of approaches, depending on local challenges and opportunities. The interventions combine value chain development with development of microenterprises and small enterprises (MSEs), and support small producers' organizations and their capacity for collective action (IFAD, 2017).

Micro and Small enterprise (MSE) development consists of a series of support measures to ease constraints posed by existing MSE policies including, trading laws and regulations, capital and administrative requirements, credit services, legal status etc. Additionally, micro and small enterprise development concentrates on intervention points along the value chain. As such, micro and small enterprise development initiatives do not in and of themselves produce negative environmental impact. They can be used to lessen the impact of small enterprises on natural resources. Several issues feature prominently in this GS:

- Environmental issues associated with value chains fall into two categories: green issues, i.e. enhancement or depletion of natural resources including water, soils and biodiversity; and brown issues, i.e. pollution of air, water and land through the waste generated by production processes;
- A key issue is the capacity for value chain segments to drive positive and negative environmental outcomes in other geographies or for other stakeholders through a cascade along the value chain;
- From a social perspective, well-designed value chain projects can improve social inclusion as well as improve average incomes;
- other two key issues to manage in all value chain projects are gender and food security. Different stages and functions of any value chain will be associated with gender-specific knowledge, assets, decision-making powers and responsibilities;
- Household food security and nutrition may be at risk in value chain designs that emphasize monocropping and commercial sales at the cost of local food access or labour demands.
- Inclusion of youth is also a growing issue in value chains;

GUIDANCE STATEMENT 12 – RURAL FINANCE

Developing inclusive rural financial systems and fostering innovations to increase the access of poor people in rural areas to a wide range of financial services and sound financial institutions is central to IFAD's mandate and key to agricultural and rural livelihoods development. IFAD concentrates on rural microfinance, which refers to the provision of financial services to people with low incomes in rural areas for both on- and off-farm activities. This includes the provision of a wide range of financial services to farming communities, including savings, deposits, money transfers, insurance, and credit. Diverse funding mechanisms such as supplier credit, contract farming, crop and investment loans all provide farmers with external sources of capital during the production cycle (IFAD, 2017).

Rural finance is also used by most farming families to support non-farm income generating activities such as food processing, buying and selling, micro-enterprise, and the migration of family members for seasonal employment in cities. And finally, finance also supports critical life cycle needs such as the education and marriage of children, medical emergencies, housing solutions, and the acquisition of assets for old age. All these have to be done with the environment in mind, so that they do not end up impacting on the environment.

The provision of financial services to poor rural households faces many challenges, including weak infrastructure and low population density located in marginal areas, inherent risks of serving low-income clients living and working in ecologically fragile environments and areas with demarcated natural resources, lack of typical client collateral, the limited capacity of Financial service providers (FSP), and low levels of client education. The overall financial market may be stunted and distorted from subsidized, targeted lending. Taken together, these challenges increase the transaction costs and risks of serving rural areas and require continual attention and innovation. The contemporary approach to rural finance focuses on building the sustainability of FSPs, thinking beyond the short life cycle of donor-driven projects.

To foster financial inclusion for poor people in rural areas, IFAD's Rural Finance Policy¹ requires compliance with six guiding principles in IFAD-financed rural finance interventions:

- (i) support access to a variety of financial services;
- (ii) promote a wide range of financial institutions, models and delivery channels;
- (iii) support demand driven and innovative approaches, including providing a full range of financial services to poor families who live in degraded areas, which may, for example, support natural resource management practices and alternative livelihoods that are less harmful to the ecosystem;

- (iv) encourage, in collaboration with private sector partners, market-based approaches that strengthen rural financial markets, avoid distortions in the financial sector and leverage IFAD's resources;
- (v) develop and support long-term strategies focusing on sustainability and poverty outreach; and
- (vi) participate in policy dialogues that promote an enabling environment for rural finance. Any deviation from these principles requires clear justification and approval by management.

GUIDANCE STATEMENT 13 – PHYSICAL AND ECONOMIC RESETTLEMENT

This GS provides guidance to country programme managers (CPMs) and country programme management teams (CPMTs) who are envisaging or dealing with activities or interventions that could imply physical relocation or any change in land use and livelihoods options resulting from an investment supported by IFAD that could negatively impact on some elements of IFAD's target groups and the wider communities where they are found. The GS identifies key principles and measures that the Fund should follow in order to minimize potential risks and avoid any possible negative impacts of physical resettlement or economic displacement (IFAD, 2017).

The GS considers resettlement not only as the physical relocation of people but also as restrictions on or loss of access to means of livelihoods. **Physical displacement** refers to relocation, loss of residential land, or loss of shelter, while **economic displacement** implies the loss of land, assets, access to assets, income sources, or means of livelihoods. Physical and economic resettlement could be either agreed/negotiated or involuntary:

- **Involuntary Resettlement:** This is when affected people or communities do not have the capacity to refuse it – because the free, prior and informed consent (FPIC) principle is not properly implemented and they do not have power of choice – or their rights to refuse it are over-ridden by national law or are simply denied.
- **Agreed/Negotiated Resettlement:** This is when, in the respect of the do-no-harm principle and after having properly informed people and gone through the FPIC process, people potentially involved in the resettlement agree on being relocated and/or selling or relinquishing access to assets, against fair and timely compensations for their losses.

IFAD's core mandate is to support the social and economic empowerment of poor rural women and men. As such, it is opposed to any investment that will have a negative impact on its target groups. Should resettlement or economic displacement be envisaged, the FPIC and the do- no-harm principles – which are two pillars of IFAD's Policy "Improving Access to Land Tenure Security Policy"- will be followed at all times and for all its beneficiaries for "any development intervention that might affect the land access and use rights of communities." Thus, IFAD will make sure that

- the "do-no-harm principle" is adhered to at all times.
- The project affected people's free, prior and informed consent has been solicited through inclusive consultations based on full disclosure of the intent and scope of the activities planned and their implications.

GUIDANCE STATEMENT 14 – COMMUNITY HEALTH

This GS concerns itself with the health and safety risks associated with agriculture, as well as the use of improved technology and personal protective equipment (PPE). Generally, there is a lack of knowledge about how farmers are affected by their exposures to the variety of health risks that they are confronted with every day. Even the general improvements in health and safety in the workplace and the implementation of the International Labour Organization policies and procedures have not found their way into the agricultural sector. Furthermore, there is little medical surveillance in this sector, resulting in a lack of credible research data and evidence (IFAD, 2017).

This guidance statement aims to identify the main health issues arising from agricultural projects, the causative factors and potential mitigation measures. A health impact resulting from an IFAD-funded project, plan or programme is a measurable change on the health status of an individual, group or population, which may be attributable to the direct or indirect effects of an agricultural development. The impacts may be intended or unintended and may not become apparent for many years after prolonged exposure, or due to long-term latency in the human body. The main health impacts related to agricultural projects are:

- occupational diseases, disorders and injuries;
- waterborne diseases spread to humans through pathogens in water and on irrigated crops;
- vector-borne diseases caused by habitat change;
- non-communicable diseases;
- nutritional disorders; and
- communicable diseases from interaction between people.

There are a number of occupational health issues associated with agriculture, fishing, aquaculture and forestry projects:

- traumatic injury;
- respiratory illnesses;
- noise-induced hearing loss;
- cancer and other disorders from exposure to chemicals;
- zoonoses;
- dermatoses;
- heat and cold stress; and
- musculoskeletal disorders.

Climate change will cause a number of environmental changes which could affect human health in one or more ways. Where rainfall and flooding are predicted to increase (southeast Asia, Asia, the Caribbean, northern South America and West Africa), there will be an increased risk associated with vector-borne diseases, especially those carried by mosquitoes and ticks.

On the other hand, drought and increasing aridity are inimical to most pathogens, while some, such as cysticercosis, bovine TB, rabies, brucellosis and echinococcosis are unlikely to be sensitive to climate change.

Hotter, drier conditions will result in greater amounts of dust and respiratory illnesses, while these conditions will also increase the risks of heat stroke.