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تمكين السكان الريفيين الفقراء  
من التغلب على الفقر

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# Negotiated financing agreement: "Southern Punjab Poverty Alleviation Project"

(Negotiations concluded on 2 December 2010)

## FINANCING AGREEMENT

Loan Number: \_\_\_\_\_

Project Title: Southern Punjab Poverty Alleviation Project (the "Project")

The International Fund for Agricultural Development (the "Fund" or "IFAD")

And the

Islamic Republic of Pakistan (the "Borrower")

(each a "Party" and both of them collectively the "Parties")

WHEREAS the Fund has agreed to provide financing to support the Borrower's Project;

NOW THEREFORE, the Parties hereby agree as follows:

### Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1) and the Allocation Table (Schedule 2).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended on 17 September 2010, (the "General Conditions") are annexed to this Agreement, and all provisions thereof, as may be amended from time to time, shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.
3. The Fund shall provide a Loan to the Borrower (the "Financing"), which the Borrower shall use to implement the Project in accordance with the terms and conditions of this Agreement.

### Section B

1. The amount of the Loan is twenty six million three-hundred and fifty thousand Special Drawing Rights (26 350 000 SDR).
2. The Loan is granted on highly concessional terms.
3. The Loan Service Payment Currency shall be the USD.
4. The first day of the applicable Fiscal Year shall be 1 July.
5. Principal and service charges shall be payable on each 1 June and 1 December with payments of principal commencing on 1 June 2021.

6. There shall be a Designated account in USD for the exclusive use of this project in the National Bank of Pakistan.
7. There shall be a Project account in Rupees for Project operations in a bank acceptable to the Fund.
8. The Borrower shall provide counterpart financing for the Project in the approximate amount of five million and six hundred thousand United States dollars (USD 5 600 000) out of which approximately USD 4 million will be to cover taxes and duties.

### **Section C**

1. The Lead Project Agency shall be the Planning and Development Department of the Government of Punjab at the provincial level.
2. The following are designated as additional Project Parties: Government Line agencies such as the Agriculture and Livestock Departments, technical partners, District Line agencies, Vocational training Organization (VTO), Entrepreneurship Training Organization (ETO) and the Community Organizations, among others.
3. The Project Completion Date shall be the fifth anniversary of the date of entry into force of this Agreement.

### **Section D**

The Loan shall be administered and the Project supervised by the Fund.

### **Section E**

1. The following are designated as additional general conditions precedent to withdrawal:
  - (i) the Project Director shall have been duly appointed/designated in accordance with this Agreement and shall have taken office;
  - (ii) the Designated account and Project account shall have been opened;
  - (iii) a Project Implementation Manual (PIM) acceptable to the Fund shall have been approved and submitted to the Fund;
  - (iv) as provided in Section 4.02 (b) of the General Conditions, the first AWPB of the Project is submitted by the PMU and accepted by IFAD.
2. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Fund:

The President  
International Fund for Agricultural Development  
Via Paolo di Dono 44  
00142 Rome, Italy

For the Borrower:

Secretary,  
Economic Affairs Division  
Ministry of Economic Affairs  
and Statistics,  
C Block, Pak Secretariat,  
Islamabad, Pakistan

This Agreement, dated \_\_\_\_\_, has been prepared in the English language in six (6) original copies, three (3) for the Fund and three (3) for the Borrower.

\_\_\_\_\_  
For the Fund

\_\_\_\_\_  
For the Borrower

## Schedule 1

### *Project Description and Implementation Arrangements*

#### I. Project Description

1. *Target Population.* The target group of the Project will be landless casual labourers, smallholder farmers and women headed households in the districts of Bahawalnagar, Bahawalpur, Muzafargarh and Rajanpur (the "Project Area").

2. *Goal.* The overall goal of the project is to contribute to the reduction of poverty in Southern Punjab/Project area. The project objective is to increase incomes of 80 000 poor households by enhancing the employment potential of the people and increasing agriculture productivity and production.

3. *Objectives.* The objectives of the Project are: enhanced capacity for sustainable livelihoods through asset transfers, enhanced capacity for employment and productive self-employment, enhanced access to basic services, increased productivity and production of agriculture produce and strengthened local capacity for agriculture and livestock service provision.

4. *Components.* The Project shall consist of the following Components:

4.1. **Component 1: Livelihoods Enhancement** consists of three sub-components:

4.1.1 Asset creation. This sub-component is targeted at women from households that score between 0-11 on the poverty score card. Women from these households will be provided productive assets which will include poultry, goats, large ruminants and small land plots. The purpose of this sub-component is to provide poor women with a sustainable source of livelihood.

4.1.2. The second sub-component Vocational and entrepreneurial training is aimed at households with limited skills. It will be provided to men and women in relevant trades appropriate for productive employment or business development in the project districts. The Project Implementation Manual provides the selection criteria for the trainees, qualifications and the step by step procedure that is to be adopted during implementation.

4.1.3. The third sub-component Community physical infrastructure is aimed at communities with limited access to basic services. Key infrastructure schemes such as drinking water supply, irrigation, drainage and sanitation, access roads and minor structures and the introduction of innovative technologies such as solar technology, bio-gas, etc will be provided.

4.2. **Component 2: Agriculture and Livestock Development** is directed at the smallholder farmers in Southern Punjab. It consists of three sub-components: (i) Productivity Enhancement Initiatives; (ii) Technology Transfer to farmers using the Farmer Field Schools (FFS) approach; and (iii) Training of service providers in agriculture and livestock.

4.2.1. The productivity enhancement initiatives sub-component has been designed to provide opportunities to the smallholder farmers to increase productivity in the crop and livestock sectors through provision of improved technologies. Community members will identify investment opportunities that can help to enhance their productivity and production in the crop and livestock sectors.

4.2.2. The second sub-component is designed to transfer available technologies through the FFS methodology. This sub-component will be implemented through arrangements with agencies with previous experience of managing such farmer based schools at the village level.

4.2.3. The third sub-component will finance (a) training of women in livestock management and production and (b) strengthening of private sector service providers in crop and livestock production at the village level. Under this sub-component women will be provided training as para-vets and Female Veterinary Assistants (FVA). The training of women in livestock will help to strengthen the capacity of local women in livestock management and production.

**4.3. Project Management.** A *Project Steering Committee (PSC)* will be constituted which will be chaired by the Chairman of the Planning & Development Department of the Government of Punjab (GoPb).

4.3.1. A well staffed Project Management Unit (PMU) will be established under the supervision of the Planning and Development Department of the Government of Punjab. The PMU will be based in Bahawalpur District which is in close proximity to the four Project Districts.

4.3.2. District Management Units (DMUs) will be established for better coordination and management of project activities.

## II. Implementation Arrangements

5. *Lead Project Agency.* The Planning and Development Department of GoPb shall be the Lead Project Agency and shall have overall responsibility for Project implementation.

6. *Provincial Government.* Within GoPb, the Planning and Development Department through PSC and PMU shall have the overall responsibility for Project implementation. The Finance Department will have the responsibility for ensuring the flow of funds into the Designated account managed by the PMU.

7. *Flow of funds.* The loan funds will be channelled to a Designated account, denominated in United States dollars, which will be operated by the Project Director upon the authority of the borrower and GoPb (See Section B6). A Project account for local currency (see Section B7) will be opened and maintained by the Project Director. Transfer of funds from the Designated account to the Project account will be in accordance with the approved annual workplan and budget. GoPb shall transfer counterpart funds to cover duties and taxes and GoPb share of financing.

8. *Project Management Unit.* The PMU will be responsible for overall management, coordination, monitoring, and knowledge management. The PMU will have a Project Director, Specialists in the area of agriculture, livestock, enterprise development, gender and expertise in financial management, monitoring and evaluation. All specialist positions of the PMU shall be recruited on the basis of open competition. The Project Director and Specialists will be appointed subject to IFAD's no objection. The Project Director will be responsible for day-to-day financial management of the project including: funds disbursement, preparation of withdrawal applications, procurement, management of the accounts, financial reporting, and arrangement of audits. The PMU will hold regular monthly coordination and planning meetings with all staff including representatives of the implementing partners as and when required. In these meetings work plans, targets, performance, monitoring and report requirements, etc. will be discussed and agreed.

9. *Project Steering Committee.* The PSC will be headed by the Chairman of Planning and Development Board and will include the Senior Member Board of Revenues, the Secretaries of P&D, Agriculture, Livestock, Finance and Industries as well as the District Coordination Officers (DCOs) from the four project districts. The PSC may co-opt any other Member as required. The Project Management Unit will report directly to the PSC. The PSC will meet on as and when required basis but not later than every six months to discuss the issues and progress in implementation, monitoring and achievement of targets and resolve any issues that confront the implementing agencies.

10. *District Management Units.* The DMUs will include Assistant Directors for Agriculture, Livestock, Training & Enterprise Development, Gender, Monitoring & Evaluation and Finance. The DMUs will hold regular project coordination meetings at the district level in which all implementing partners will participate to discuss work plans, targets, performance, monitoring and reporting requirements, inter alia.

11. *Mid-Term Review.* The Economic Affairs Division, the lead Project Agency and the Fund shall jointly carry out a review of Project implementation no later than the end of Project Year 3 (the "Mid-Term Review") based on terms of reference prepared by the Lead Project Agency in consultation with the Economic Affairs Division and satisfactory to the Fund.

12. *Project Implementation Manual.* The Lead Project Agency shall prepare a draft Project Implementation Manual (PIM) acceptable to the Fund and submit same for approval to the Project Steering Committee. When so approved, a copy of the PIM shall be provided by the Lead Project Agency to the Fund. The PIM may be amended or otherwise modified from time to time only with the prior consent of the Fund.

13. *Implementation of Project Components.*

### 13.1 **Component 1: Livelihoods Enhancement**

13.1.1. *Community Organizations.* The Community Organizations will provide the institutional vehicle at the village level for project implementation. The key role of the COs under the project will be: (i) validation of households identified through the Poverty Score Cards; (ii) identification of participants for different activities; (iii) identification of community infrastructure projects (CPIs); (iv) operation and maintenance of CPIs; and (v) supervision, monitoring and evaluation of all project activities.

13.1.2. *Social Mobilization Partner.* Social Mobilization Partner(s) - SMP(s), will be recruited through a competitive process and will be the main interface between the community and the project. The SMP(s) will (i) undertake further strengthening of the community organizations, (ii) identify and train community resource persons at the village and Union Council level who will then participate in participatory monitoring and evaluation of project activities, (iii) identify the target group for all project activities in discussions with the COs based on the criteria specified for different activities (iv) assist in the asset creation sub-component by helping to organize communities for the delivery of livestock assets and land plots, (v) implement the community physical infrastructure schemes, (vi) coordinate with other implementing partners when required and (vii) assist in project monitoring and evaluation.

13.1.3. *Vocational Training Organization (VTO) and Entrepreneurship Training Organization (ETO).* The Project Management Unit will recruit a Vocational Training Organization (VTO) and an Entrepreneur Training Organization (ETO) to implement the training sub-component of the Project. Entrepreneurship training will be organized through a competitively procured Entrepreneurs Training Organization (ETO).



*13.1.4. Implementation of Community Physical Infrastructure (CPI).* The Community Organizations are expected to plan and implement CPI schemes through self arrangements under guidance from the Social Mobilization Partner(s). However if required, concerned line Departments of Government of Punjab or small local contractors will be hired to provide technical services and skilled masonry and other civil works for the community physical infrastructure schemes.

### **13.2. Component 2: Agriculture and Livestock Development**

*13.2.1. Project Management Unit.* The component will be implemented by the Project Management Unit with technical assistance of Government Agriculture and Livestock Departments of GoPb and private sector providers where required.

*13.2.2. Community Organizations and the SMP(s).* The COs and the Social Mobilization Partner(s) will play a key role in the participatory selection of the beneficiaries under the productivity enhancement initiatives.

*13.2.3. Government Line Agencies.* The Agriculture and Livestock Departments of the Government of Punjab will provide technical training and guidance to the target group based on their technical knowledge and experience.

*13.2.4. Specialized training Institutes.* Special arrangements will be made with training institutes like the University of Veterinary and Animal Sciences (Lahore), the Faculty of Veterinary Science, Islamia University, Bahawalpur or any other suitable institutes to provide specialised training to the selected candidates for Diploma courses.

*13.2.5. Farmer Associations and Networks.* Farmer Field Schools will be organized through local farmer associations skilled in conducting Farmer Field Schools through organizations.

### **13.3. Component 3: Project Management**

*13.3.1. Planning & Development Department.* The lead Project Agency for the project will be the Planning and Development Department of the Government of Punjab. The Chairman of the P&D Department will chair the Project Steering Committee and will be responsible for the overall performance of the project. The P&D Department will convene PSC meetings as and when required but not later than every six months.

*13.3.2. Finance Department.* The Finance Department of the Government of Punjab will have the responsibility for ensuring the smooth flow of funds to the Project Account of the PMU and will support and guide the PMU on all financial, accounting and audit matters.

*13.3.3. Agriculture and Livestock Departments.* The Agriculture and Livestock Departments of Punjab will be key partners in the Project.

*13.3.4. District Coordination Officers.* District Coordination Officers from each of the four Project districts will be represented on the PSC.

## Schedule 2

### Allocation Table

1. *Allocation of Loan Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and the allocation of the amounts of the Loan to each Category and the percentages of expenditures for items to be financed in each Category:

Category	Loan Amount Allocated (expressed in SDR)	Percentage of eligible expenditures to be Financed
I. Civil Works / Community Infrastructures	<b>6 235 000</b>	100% of total expenditures net of beneficiaries' contributions
II. Vehicles	<b>140 000</b>	100% of total expenditures net of taxes or 87% of total expenditures
III. Equipment and Materials	<b>2 445 000</b>	100% of total expenditures net of taxes and net of beneficiaries' contributions or 93% of total expenditures
IV. Technical Assistance, Trainings and Studies	<b>6 490 000</b>	72% of total expenditures
V. Grants to Beneficiaries	<b>6 900 000</b>	85% of total expenditures
VI. Salaries and Allowances	<b>985 000</b>	67% of total expenditures
VII. Incremental Operating Costs	<b>520 000</b>	77% of total expenditures
Unallocated	<b>2 635 000</b>	
<b>TOTAL</b>	<b>26 350 000</b>	

(b) The terms used in the Table above are defined as follows:

Category I. Civil Works/Community Infrastructures provides for drinking water supply schemes; irrigation schemes; integrated water efficient irrigation projects; drainage and sanitation; access roads and minor structures; innovation technologies.

Category II. Vehicles provides for the motor cars and motorcycles needed for mobility of project staff.

Category III. Equipment and Materials provides for the equipment for vocational and entrepreneurial Trainees; equipment for trained service providers such as female veterinary assistants and veterinary assistants; office equipment for project management unit.

Category IV. Technical Assistance, Trainings and Studies provides for payments for NGO partners; short-term consultants; vocational training costs; entrepreneurial training costs; business incubation support; payments to business development services association; technology transfer; payments to farmer field association; training of service providers for example para vets and veterinary assistants; studies such as gender assessment, impact studies and knowledge management.

Category V. Grants to Beneficiaries provides for asset creation grants such as small ruminants, poultry packages and land; production enhancement initiatives.

Category VI. Salaries and Allowances provides for remuneration and facilitation costs for Project Management Unit staff as well costs for project staff assigned to the District Management Units.

Category VII. Incremental Operating Costs covers rent for project offices, utilities, stationery costs, vehicles running costs and other costs that are of a facilitation nature and cannot be directly charged to one of the above investment expenditure categories.

Unallocated is not a disbursing category; these funds can be reallocated to disbursing categories that may run-out of funds during the course of project implementation, upon written request by the Borrower.

## **Key reference documents**

### **Country reference documents**

Vision 2030

Medium-Term Development Framework 2005-2010

Poverty reduction strategy paper II

### **IFAD reference documents**

Project design report (PDR) and key files

COSOP

Administrative Procedures on Environmental Assessment

## Logical framework

Narrative Summary	Verifiable Indicators	Means of Verification	Assumptions/Risks/Remarks
<b>Goal</b> Contribute to the reduction of poverty in Southern Punjab	<ul style="list-style-type: none"> <li>• % reduction in poverty levels in project districts</li> <li>• No. of households with improvement in household assets</li> <li>• % reduction in the prevalence of child malnutrition</li> </ul>	<ul style="list-style-type: none"> <li>• Poverty Score Cards</li> <li>• Representative household impact surveys at project baseline and completion</li> </ul>	Political and economic stability and security.
<b>Purpose</b> Increase incomes of poor rural households by enhancing the employment potential of the people and increasing agriculture productivity and production	<ul style="list-style-type: none"> <li>• Number of households with increase in incomes</li> <li>• % of households graduate to higher bands as per poverty score card approach</li> </ul>	Pakistan Social and Living Standards Measurement Survey (PSLM) by the FBS.	<ul style="list-style-type: none"> <li>• No major natural disasters, and/or responsiveness to post-disaster recovery needs.</li> <li>• No significant outbreak of livestock or poultry disease in the project districts.</li> </ul>
<b>Outputs</b> 1. Livelihoods enhancement: enhanced capacity for sustainable livelihoods through asset creation, enhanced capacity for employment and productive self-employment; enhanced access to basic services through CPI	<i>Outcomes in italics</i> <ul style="list-style-type: none"> <li>• No of women provided poultry packages</li> <li>• No of women provided ruminant packages</li> <li>• No of women provided with land plots</li> <li>• % of households with increased incomes and asset by PY5</li> <li>• No of men and women provided training</li> <li>• No of participants with new employment</li> <li>• No of business development associations established at the district level.</li> <li>• No of CPI schemes supported (by type)</li> <li>• % of CPI scheme with O&amp;M mechanism</li> </ul>	<ul style="list-style-type: none"> <li>• Participatory monitoring reports</li> <li>• Progress reports</li> <li>• Impact assessment</li> </ul>	Availability of transferable land in the selected communities.
2. Agriculture & Livestock Development: increased productivity and production, strengthened local capacity for service provision	<ul style="list-style-type: none"> <li>• No of farmers received direct crop &amp; livestock support</li> <li>• No of participants in FFS by gender</li> <li>• No of people adopted improved agricultural technologies</li> <li>• No of female para-vets and FVA trained</li> <li>• No of community service providers trained and hired by COs</li> </ul>	Quarterly and Annual Progress Reports.	Social and cultural barriers that prevent women from entering non-traditional fields
3. Project management: project efficiently managed, monitored	<ul style="list-style-type: none"> <li>• Timely recruitment of competent staff</li> <li>• Gender Ratio of PMU staff (30% women)</li> <li>• Disbursement Rate according to schedule</li> <li>• Periodic reports, studies, workshops &amp; other events</li> </ul>	<ul style="list-style-type: none"> <li>• Project reports</li> </ul>	<ul style="list-style-type: none"> <li>• Project staff is recruited on merit and retained for the duration of the project.</li> <li>• Difficulty in recruiting staff in the prevailing context.</li> </ul>
<b>Activities</b> 1. Livelihoods enhancement: (i) asset creation; (ii) vocational and entrepreneurial training; (iii) community physical infrastructure 2. Agriculture and livestock development: (i) productivity enhancement initiatives; (ii) technology transfer; (iii) training of service providers 3. Project management			