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Enabling poor rural people  
to overcome poverty

## President's report

### Proposed loan to the Islamic Republic of Pakistan for the

### Gwadar-Lasbela Livelihoods Support Project

#### Note to Executive Board representatives

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For: **Approval**

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## Abbreviations and acronyms

C&W	Communication and Works (Departments)
CMFS	community-managed financial service
COs/VOs	community and village organizations
NRSP	National Rural Support Programme
PMU	project management unit
PRSP-II	poverty reduction strategy paper II

# Islamic Republic of Pakistan

## Gwadar-Lasbela Livelihoods Support Project

### Financing summary

<b>Initiating institution:</b>	IFAD
<b>Borrower:</b>	Islamic Republic of Pakistan
<b>Executing agency:</b>	Planning and Development Department, Government of Balochistan
<b>Total project cost:</b>	US\$35.3 million
<b>Amount of IFAD loan:</b>	SDR 18.55 million (equivalent to approximately US\$30.0 million)
<b>Terms of IFAD loan:</b>	40 years, including a grace period of 10 years, with a service charge of three fourths of one per cent (0.75 per cent) per annum
<b>Contribution of borrower:</b>	US\$4.7 million
<b>Contribution of beneficiaries:</b>	US\$0.5 million
<b>Appraising institution:</b>	IFAD
<b>Cooperating institution:</b>	Directly supervised by IFAD

## **Recommendation for approval**

The Executive Board is invited to approve the recommendation for the proposed financing to the Islamic Republic of Pakistan for the Gwadar-Lasbela Livelihoods Support Project, as contained in paragraph 36.

## **Proposed loan to the Islamic Republic of Pakistan for the Gwadar-Lasbela Livelihoods Support Project**

### **I. The project**

#### **A. Main development opportunity addressed by the project**

1. The two target districts under the IFAD project, Gwadar and Lasbela, share three quarters of the Pakistani coastline. Their distance from the provincial capital and poor connections with the rest of the country have kept these districts underdeveloped despite ample development potential. The recent completion of a coastal highway linking the entire coastal belt with Karachi has opened up great potential for development. Completion of the Gwadar Deep-Sea Port also promised to open new opportunities for development, including possible export of fishery products as well as trade with other regional and international markets. However, considerable challenges prevent this potential from being fulfilled. The communities living on the coastal shelf rely on fisheries as their main source of livelihood. Despite having large and well-endowed fishing grounds, the population does not obtain corresponding returns owing to a combination of: underdeveloped support infrastructure, antiquated harvesting and transport practices, underdeveloped markets and processing, and the limited capacities and resources of the fishing communities. The project will seek to increase the incomes and enhance the livelihoods of poor rural/fishers' households in the project area by improving physical infrastructure and marketing facilities in the two districts, enhancing communities' access to capital, strengthening community and village organizations (COs/VOs), and building capacity among the regulatory/support organizations.

#### **B. Proposed financing**

##### **Terms and conditions**

2. It is proposed that IFAD provide a loan to the Islamic Republic of Pakistan in the amount of SDR 18.55 million (equivalent to approximately US\$30.0 million) on highly concessional terms to help finance the Gwadar-Lasbela Livelihoods Support Project. The loan will have a term of 40 years, including a grace period of 10 years, with a service charge of three fourths of one per cent (0.75 per cent) per annum.

##### **Relationship to the IFAD performance-based allocation system (PBAS)**

3. The allocation defined for Pakistan under the PBAS is US\$70 million over the 2010-2012 allocation cycle. This is the second project to be funded within this cycle.

##### **Relationship to national medium-term expenditure framework criteria**

4. The project is aligned with the poverty reduction strategy paper II (PRSP-II), and the national medium-term expenditure framework has been proposed as a tool to translate the PRSP into a public expenditure programme within a coherent multi-year macroeconomic and fiscal framework. The expenditure framework will adhere to the Fiscal Responsibility and Debt Limitation Act of 2005 and will list projections according to 17 medium-term, pro-poor expenditure categories, initiated in PRSP-I (2003) and refined for PRSP-II.

### **Country debt burden and absorptive capacity of the State**

5. Pakistan's public and external debt have grown at about 28.4 per cent annually over the last three years. Its external debt and liabilities (EDL) increased to US\$58.41 billion by the end of the first quarter of the 2010/11 fiscal year – US\$3.2 billion more than during the corresponding period last year. The EDL has reached 34.4 per cent of GDP. Repayment performance has been satisfactory.

### **Flow of funds**

6. The project management unit (PMU) will open a designated project account in United States dollars in the National Bank of Pakistan-Gwadar. Project funding from IFAD will be channelled through the State Bank of Pakistan to this account against withdrawal applications submitted by the PMU. The provincial Finance Department will establish procedures to ensure that funds received in the State Bank are channelled to the project account in the province. A separate account will be opened for the management of government counterpart funding.

### **Supervision arrangements**

7. The project will be supervised, and the loan administered, by IFAD.

### **Exceptions to IFAD General Conditions for Agricultural Development Financing and operational policies**

8. No exceptions are foreseen.

### **Governance**

9. The following planned measures are intended to enhance the governance aspects of the IFAD loan: (i) accounts: a full set of accounts will be maintained by the PMU in accordance with IFAD requirements and internationally recognized accounting standards, and qualified staff for this purpose will be positioned in the PMU in Gwadar; (ii) audits: auditing of project accounts will be carried out within six months of the close of the financial year by the Auditor General of Pakistan; and (iii) corruption and mismanagement of resources: a governance management framework is included in the project implementation manual to ensure that governance is integrated throughout the institutional arrangements and operational processes for decision-making in the PMU, and at partner, CO and VO levels.

## **C. Target group and participation**

### **Target group**

10. The project will primarily target poor rural households in 26 rural union councils (i.e. 382 villages) of the Gwadar and Lasbela Districts, including small-scale landowners or landless tenants, small-scale fishers, and women. The project is expected to benefit about 20,000 rural households (i.e. about 116,000 people) – some 35 per cent of the rural households in the two districts.

### **Targeting approach**

11. The project targeting approach will be as follows: (i) the better-off urban union councils will be excluded and project support will be provided only to the poorer, rural union councils; (ii) villages will be ranked in terms of their overall poverty, and priority will be given to targeting the poorest – and within these villages the poorest settlements; (iii) at the village level, a poverty score card will be used to identify the poorest potential beneficiaries – men and women – and to offer them priority access to membership in COs; and (iv) in identifying project interventions during village development planning, the needs of poor men and women will be prioritized in the allocation of resources. The project is in line with the IFAD Policy on Targeting.

### **Participation**

12. Participation will be guaranteed through community mobilization and the creation of COs/VOs. These organizations will play a critical role in project implementation and

in decision-making at the community/village level. COs/VOs will progressively assume management of community financial service facilities and will participate in managing new infrastructure established under the project.

## **D. Development objectives**

### **Key project objectives**

13. The objectives are to increase the incomes and enhance the livelihoods of poor rural/fishers' households in the project area.

### **Policy and institutional objectives**

14. The proposed project will contribute to implementation of the Government's recent initiatives under the Balochistan Development Package. A key element of the project will be mobilization of communities and creation of COs/VOs. The project will also contribute to strengthening the capacity of the Fisheries Department (e.g. through strengthening the Fisheries Training Centre in Surbunder and the sanitary and phytosanitary compliance system).

### **IFAD policy and strategy alignment**

15. Project objectives are consistent with IFAD's Strategic Framework 2007-2010 and its country strategic opportunities programme (COSOP) (i.e. to enhance the access of poor rural men and women to productive assets, skills, services and improved technologies to enhance productivity).

## **E. Harmonization and alignment**

### **Alignment with national priorities**

16. The project is a response to the Government's identification of the coastal areas of Sindh and Balochistan as a priority target area for IFAD support, and is listed as one of the pipeline proposals in the COSOP (2010-2014). It is in harmony with the Government's PRSP-II and will support recent initiatives under the Balochistan Development Package.

### **Harmonization with development partners**

17. The project will be complementary to and implemented in coordination with: (i) the Italian Debt Swap Fund programme in Pakistan; (ii) the Trade-related Technical Assistance Programme, funded by the European Union and implemented by the United Nations Industrial Development Organization (UNIDO); and (iii) the Sindh Coastal and Inland Community Development Project, financed by the Asian Development Bank.

## **F. Components and expenditure categories**

### **Main components**

18. The project has four components: (i) community development (US\$5.5 million, 15.6 per cent of total project costs); (ii) fisheries development (US\$14.9 million, 42.3 per cent); (iii) rural infrastructure (US\$12.4 million, 35.2 per cent); and (iv) project management (US\$2.4 million, 6.9 per cent).

### **Expenditure categories**

19. There are eight expenditure categories: (i) civil works/community infrastructure; (ii) vehicles and motorcycles; (iii) equipment and materials; (iv) technical assistance, training and studies; (v) grants to beneficiaries; (vi) revolving funds; (vii) salaries and allowances; and (viii) incremental operating costs.

## **G. Management, implementation responsibilities and partnerships**

### **Key implementing partners**

20. These will be: the Planning and Development Department of the provincial Government of Balochistan, and the National Rural Support Programme (NRSP).

**Implementation responsibilities**

21. Overall responsibilities for implementation and coordination rest with the Planning and Development Department of the Government of Balochistan. Under this department, a PMU will be set up to execute the project. NRSP will be the community mobilization partner and will work closely with COs. Provincial- and district-level Fisheries, and Communication and Works (C&W) Departments will be responsible for implementation of their respective components.

**Role of technical assistance**

22. As part of the community development component, communities will be mobilized and organized in COs and VOs, and their capacity strengthened through the provision of capacity-building and other technical and vocational skills activities. In addition, during the first year of implementation, a number of studies (including a value chain analysis) and capacity-building activities will be carried out before beginning construction of jetties and related infrastructure activities under the fisheries development component. During the first year of implementation, research will be undertaken to develop a financial product for refinancing fishers' debts.

**Status of key implementation agreements**

23. A project implementation manual has already been drafted and will be finalized by the borrower as a condition of disbursement. The loan agreement will be drafted beforehand and discussed with the borrower during negotiations.

**Key financing partners and amounts committed**

24. Total project cost is US\$35.3 million over six years. The sources of financing are IFAD (85.1 per cent), the borrower (13.4 per cent) and the beneficiaries (1.5 per cent).

**H. Benefits and economic and financial justification****Main categories of benefits generated**

25. Main categories of benefits generated by the project include: (i) increased productivity/reduced waste; (ii) enhanced access to markets and market opportunities; (iii) enhanced access to capital; (iv) improved opportunities for employment and self-employment; and (v) enhanced access to basic services.

**Economic and financial viability**

26. The economic rate of return is estimated at 17 per cent. Financial analyses carried out during project preparation indicate that fisheries-related interventions contribute significantly to increasing the income of fishers (by 92 to 97 per cent for smaller vessels).

**I. Knowledge management, innovation and scaling up****Knowledge management arrangements**

27. The PMU will adopt a proactive approach to knowledge management. To facilitate learning, the project will produce product profiles, case studies and learning notes. These will be disseminated through publication of reports and introduced through workshops and seminars.

**Development innovations that the project will promote**

28. The project will extend the successful IFAD-supported microfinance operations implemented by NRSP, overcoming logistical obstacles to collection along the sparsely populated coastline. Moreover, the project will collaborate in the development of a fisheries-specific financing product.

**Scaling-up approach**

29. Elements for potential scaling up are inclusion of COs/VOs in the management of jetties, landing sites, etc., and management by COs/VOs of community-managed financial services (CMFSs). By the midterm review, a strategy for scaling these elements up will have been defined.

## J. Main risks

### Main risks and mitigation measures

30. The primary risk is the uncertain security situation in the country. Balochistan is currently classified as Phase 3 by the United Nations Department of Safety and Security. This classification has implications for mission arrangements, including logistical requirements. While it is impossible to transfer this risk, it will be mitigated to some degree during implementation through partner reports and the use of local consultants.

### Environmental classification

31. Pursuant to IFAD's environmental assessment procedures, the project has been classified as a Category B operation in that it is not likely to have any significant negative environmental impact.

## K. Sustainability

32. Sustainability considerations are as follows: (i) COs/VOs: established COs/VOs will continue to exercise their functions beyond the life of the project; (ii) CMFSs: funds will be provided to those VOs that meet the required maturity criteria. Management of CMFSs will be progressively transferred to COs/VOs; (iii) jetties and support infrastructure: a beneficiary-based management system with detailed standard operational procedures will be established during implementation in order to institutionalize the system. It will have a mechanism for the collection of user charges to finance operation and maintenance (O&M) of the jetties and support structures; (iv) rural roads: C&W Departments will execute the rural roads schemes, and the budgets for their future O&M will be added to district budgets in accordance with standard provincial norms.

## II. Legal instruments and authority

33. A project financing agreement between the Islamic Republic of Pakistan and IFAD will constitute the legal instrument for extending the proposed financing to the borrower. A copy of the negotiated financing agreement is attached as an annex.
34. The Islamic Republic of Pakistan is empowered under its laws to receive financing from IFAD.
35. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Lending Policies and Criteria.

## III. Recommendation

36. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall make a loan on highly concessional terms to the Islamic Republic of Pakistan in an amount equivalent to eighteen million five hundred and fifty thousand special drawing rights (SDR 18,550,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze  
President



# **Negotiated financing agreement: "Gwadar-Lasbela Livelihoods Support Project"**

(Negotiations concluded on 3 May 2011)

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

Project Title: Gwadar-Lasbela Livelihoods Support 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 eighteen million five hundred fifty thousand Special Drawing Rights (SDR 18 550 000).
2. The Loan is granted on highly concessional terms. As per Section 5.1 (a) of the General Conditions, the Loan shall be free of interest but bear a service charge of three fourths of one per cent (0.75%) per annum payable semi-annually in the Loan Service Payment Currency, and shall have a maturity period of forty (40) years, including a grace period of ten (10) years starting from the date of approval of the Loan by the Fund's Executive Board.
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 the National Bank of Pakistan.
8. The Borrower shall provide counterpart financing for the Project in the approximate amount of four million and seven hundred and twenty eight thousand United States dollars (USD 4 728 000) including all taxes and duties. The Borrower will deposit said financing in a separate account which will be governed according to national procedures.

### **Section C**

1. The Lead Project Agency shall be the Planning and Development Department of the provincial Government of Balochistan.
2. The following are designated as additional Project Parties: Government Line agencies such as the Fisheries Department, Communication and Work Departments, and technical partners such as the National Rural Support Program (NRSP), among others.
3. The Project Completion Date shall be the sixth 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:
  - (a) the Designated account and Project account shall have been opened;
  - (b) the Project Director, Deputy Project Directors, and core staff shall have been duly appointed/designated in accordance with this Agreement and shall have taken office;
  - (c) a Project Implementation Manual (PIM) acceptable to the Fund shall have been approved and submitted to the Fund;
  - (d) the execution of the subsidiary agreement between the PMU and the NRSP;
  - (e) 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 approximately 20 000 resource poor rural households in 26 rural Union Councils of Gwadar and Lasbela (the "Project Area").
2. *Goal.* The overall goal of the project is to assist the provincial Government of Balochistan to achieve its economic growth and poverty alleviation objectives by enhancing the access of the poor rural men and women to productive assets, skills, services and technologies for productivity enhancement in Gwadar and Lasbela.
3. *Objectives.* The project objective is to increase the incomes and enhance the livelihoods of the poor rural/fishermen households in the project area. This will be achieved through improved production in a participatory, integrated and environment friendly manner. Specific objectives are: (a) organizing the rural poor men and women in target villages to be active partners in implementation of project activities and their own development; (b) improving the access to poor men and women to productive assets, including skills, knowledge, capital, means of production and markets; (c) assisting in addressing local development and services lags through provision of support for local productive infrastructure; (d) improving production support infrastructure of fishermen's communities through improved landing sites and strategically located road network; and (e) empowering poor communities to become effective partners in development and accessing development resources and mainstream an accountable system for development delivery.
4. *Components.* The Project shall consist of the following Components: (a) Community Development; (b) Fisheries Development; (c) Rural Infrastructure; and (d) Project management.
  - 4.1. **Component 1 Community Development.** Specific project activities under this component will include:
    - (a) community mobilization: As soon as the project's start-up, NRSP will conduct a baseline survey in the two districts. This survey will be completed within the first six months of project implementation. Immediately after completing the baseline survey, NRSP's social mobilization teams shall start the community mobilization process. The Village Development Plan will be the basis for project's interventions under all components at the village level.
    - (b) capacity building of COs/VOs: NRSP will prepare a training plan for the capacity building of COs/VOs.
    - (c) technical and vocational training for skills: NRSP's role will be of facilitator during need identification, planning, selection of beneficiaries and ensuring their presence during training.
    - (d) asset creation for women: The purpose of asset creation is to provide poor women with a sustainable source of livelihood. The project will distribute poultry and goats packages to women from households in the 0-11 poverty band.
  - 4.2. **Component 2 Fisheries Development.** The specific objective of this component is to increase incomes of small fishermen who operate own boats or work as hired hands through reduction of waste/loss in existing catches by means of improved landing and marketing infrastructure, access to capital, improvements

in boats and fishing gear and improved knowledge, capacity and understanding of both fishermen and provincial regulatory/support organizations. The key interventions under this sub-component will include: (a) construction of jetties and allied infrastructure; (b) support to fishing communities; (c) institutional capacity building; and (d) community managed financial services.

- 4.3. **Component 3 Rural Infrastructure.** The objectives of this component are to enhance the access of the rural populations, both fishermen and farmers, to economic / livelihood opportunities and to social services including education and health facilities. This will be achieved through the (a) provision of missing road linkages between fisheries and agriculture production points and Coastal Highway and RCD Highway and (b) through implementation of small and medium scale community based infrastructure schemes.
- 4.4 **Component 4 Project Management.** This component will finance the incremental costs associated with Project management, in particular staff of PMU and satellite PMU, vehicles and equipment.

## II. Implementation Arrangements

5. *Federal level.* The Economic Affairs Division of the Borrower will coordinate the IFAD financing.
6. *Lead Project Agency.* The provincial Planning and Development Department of Balochistan shall be the Lead Project Agency and shall have overall responsibility for Project implementation.
7. *Project Management Unit.* A Project Management Unit, based in Gwadar and headed by a Project Director, will be established to be responsible for the day-to-day operations of the project. The PMU will prepare AWPB. The PMU will maintain a full set of accounts. The Project Director will be selected on a competitive basis from amongst the officers of District Management Group and Ex-Provincial Civil Service. Once selected, the Project Director will spend a minimum of three years in the Project, after which, should the need to replace the Project Director arise, a new selection process following the same procedures will be made, after IFAD has agreed with the need of replacement. The PMU will be staffed with a small team of professionals including infrastructure specialist, knowledge management/M&E specialist and accounts officer, with required complement of support staff.

A satellite PMU (SPMU) in Lasbela, headed by a Deputy Project Director, will be established to coordinate and monitor project activities in Lasbela. The SPMU will report to the PMU in Gwadar. The staff of PMU and SPMU will be entitled for Project Allowances in recognition of the work load and challenging project area.

The NRSP will recruit the required project staff as per acceptable professional standards and will notify them after concurrence from the PMU.

The PMU on behalf of the provincial Government of Balochistan will enter into a subsidiary agreement with NRSP for the implementation of the CMFS sub-component, including the management of the capital funds and capacity development of VOs. Funding will be transferred to NRSP by PMU in line with the agreed phasing on an annual basis, based on the project's annual work plan and budget (AWPB) as approved by PSC and accepted by the Fund.

8. *Project Steering Committee.* At the provincial level, a Project Steering Committee (PSC), headed by Additional Chief Secretary P&D, will be established. The PSC membership will include the secretaries of the Finance, Fisheries, Agriculture, Livestock, C&W departments, CEO of NRSP; 2 representatives of CSOs from Gwadar and Lasba; and the Project Director.

The PSC will provide the direction, coordination, and policy/administrative oversight for the Project. It will meet twice a year, and more often if needed, to review the project progress and approve AWPB and resolve any management or policy issues raised by PMU or any of the implementing partners.

9. *Project Coordination Committee.* A Project Coordination Committee (PCC) at the project level, with NRSP RPO and District Managers NRSP, District heads/Activity Managers of line agencies, PMU Specialists and representatives from the beneficiary communities as members will be the key forum for planning, coordination, review and trouble shooting at project level. The PCC will meet once a month, and will approve the quarterly work plans/ budgets. Based on the approved quarterly plans, the monthly activity plans prepared by NRSP's Field Units will be the main vehicle for coordination between NRSP and the line agencies at field/village level.

10. *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.

11. *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.

12. *Implementation of Project Components.*

12.1. **Component 1 Community development.** This component will be implemented by NRSP through its regional office at Turbat, dedicated offices in Gwadar and Lasbela, and five Field Units at Tehsil level in project area.

12.2. **Component 2 Fisheries Development.** This component will be implemented by the Fisheries Department through assigned technical staff in target districts as per required numbers and qualifications; and through nationally and internationally recruited consultants/firms.

NRSP will be responsible for the implementation and management of the Community Managed Financial Services sub-component.

12.3. **Component 3 Rural infrastructure.** This component will be implemented by the Communication and Works Department (which will be in charge of the rural road sub-component), and by the communities under the supervision of NRSP (which will be responsible for the community physical infrastructure sub-component).

Independent Engineering Agencies will be responsible to provide services like review of design, drawings, bill of quantities, Planning Commission Pro-forma I for rural roads and provision of top supervision during execution as an independent body.

- 12.4. **Component 4 Project Management.** The provincial Planning and Development Department, through a Project Steering Committee and a dedicated PMU will be the lead executing agency of the project, having overall responsibility for project implementation.

A Project Management Unit and a smaller Satellite PMU in Lasbela will be established in the provincial planning and development department, and will have the responsibility for the management of the Project.

## 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 (expressed in SDR)	Percentage of eligible expenditures to be Financed
I. Civil Works/Community Infrastructures	11 400 000	100% of total expenditures net of taxes and of beneficiaries' contributions
II. Vehicles	330 000	100% of total expenditures net of taxes or 79% of total expenditures
III. Equipment and Materials	115 000	100% of total expenditures net of taxes and net of beneficiaries' contributions or 83% of total expenditures
IV. Technical Assistance, Trainings and Studies	2 090 000	100% of total expenditures net of taxes or 85% of total expenditures
V. Grants to Beneficiaries	135 000	100% of total expenditures net of taxes or 95% of total expenditures
VI. Revolving Funds	1 050 000	100% of total expenditures net of taxes
VII. Salaries and Allowances	1 180 000	100% of total expenditures net of taxes
VIII. Incremental Operating Costs	950 000	100% of total expenditures net of taxes or 85% of total expenditures
Unallocated	1 300 000	
<b>TOTAL</b>	<b>18 550 000</b>	

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

Category I. Civil Works/Community Infrastructures provides for rural roads; drinking water supply schemes; irrigation/agriculture schemes; drainage and sanitation schemes; construction of jetties and allied infrastructure; other schemes (electrification and flood protection bund).

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

Category III. Equipment and Materials provides for basic safety equipment; laboratory equipment required to support practical training; equipment for fish inspectors; office equipment for project management unit.

Category IV. Technical Assistance, Trainings and Studies provides for payments for NGO partners; short-term consultants; training in safety at sea; entrepreneurial training costs; business incubation support; payments to business development services association; technology transfer; training of service providers; studies such as gender assessment, impact studies and knowledge management.

Category V. Grants to Beneficiaries provides for small grant to support Beneficiaries' activities.



Category VI. Revolving Funds provides for micro-finance for investments to Community Organizations.

Category VII. 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 VIII. 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 means loan proceeds available for reallocation among categories that may run out of funds during the course of project implementation, upon request of the Borrower.

## **Key reference documents**

### **Country reference documents**

Medium-Term Development Framework 2005-2010

Poverty reduction strategy paper

### **IFAD reference documents**

Project design document (PDD) 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 Gwadar and Lasbela districts	<ul style="list-style-type: none"> <li>• % reduction in poverty levels in project districts</li> <li>• % reduction wastage of fish catch</li> <li>• No. of households with improvement in household assets and income</li> <li>• % increase in general hygiene, and reduction in child malnutrition</li> <li>• No. of merchants to whom fish is sold</li> <li>• Share of price paid to producer</li> </ul>	<ul style="list-style-type: none"> <li>• Baseline survey</li> <li>• Poverty Score Cards</li> <li>• Surveys at completion</li> <li>• Fisheries Dept data</li> </ul>	Political and economic stability and security.
<b>Purpose</b> Increase incomes and enhance the livelihoods of poor rural and fisherman households in the project area	<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>	<ul style="list-style-type: none"> <li>• Poverty Score Cards</li> <li>• Household surveys at baseline &amp; completion</li> </ul>	No significant reduction in fish catch from disease or fish stocks in the project districts.
<b>Outputs</b> 1. Community development: community mobilization; enhanced capacity for sustainable livelihoods; enhanced capacity for employment and productive self-employment	<i>Outcomes (RIMS 2<sup>nd</sup> Level) in italics</i> <ul style="list-style-type: none"> <li>• No. of COs/VOs formed or strengthened</li> <li>• <i>No of COs operational/functional</i></li> <li>• No. of COs/VOs with women in leadership positions</li> <li>• No. of CO members accessing CO-managed financial services</li> <li>• <i>No. of active borrowers for fisherfolk related product</i></li> <li>• No of CO members received vocational training (gender disaggregated)</li> <li>• No of women receive poultry/ruminant packages</li> <li>• <i>% of households with increased incomes and asset by PY6</i></li> </ul>	<ul style="list-style-type: none"> <li>• NRSP progress reports</li> <li>• Participatory (social mobilisation) monitoring reports</li> <li>• Progress reports</li> </ul>	Social & cultural barriers that prevent the poor & women from participating in COs  Coordinated & integrated delivery as per expressed needs of the poor  Sufficient qualified staff available
2. Fisheries development: improved infrastructure; increased productivity, reduced wastage, strengthened local capacity	<ul style="list-style-type: none"> <li>• <i>No of landing sites improved/ constructed after 3 years</i></li> <li>• <i>No of support facilities for landing sites developed after 3 years</i></li> <li>• No of participatory management teams established for landing sites and protocols developed</li> <li>• No of fishermen trained in better catch handling and sale</li> <li>• No of small boats refurbished/ provided with improved storage</li> <li>• <i>No of fishermen adopt improve catch handling / hygiene</i></li> <li>• <i>No. fishers with decrease in wastage rate</i></li> <li>• Fisheries management plan formulated</li> </ul>	<ul style="list-style-type: none"> <li>• Fisheries Department Reports</li> <li>• Fisheries Department data</li> </ul>	Implementation as per planned schedule  Communities participate in entire cycle including O&M
3. Rural Infrastructure: increased access between communities, fish landing sites and national highways ; enhanced access to basic services through CPIs	<ul style="list-style-type: none"> <li>• No &amp; km of roads constructed / rehabilitated</li> <li>• Rainwater harvesting systems constructed</li> <li>• No of communities and households connected</li> <li>• No of CPI schemes supported (by type)</li> <li>• <i>No. of households served by CPIs</i></li> <li>• <i>% of CPI scheme with O&amp;M mechanism</i></li> </ul>	<ul style="list-style-type: none"> <li>• C&amp;W Progress reports</li> <li>• PMU reports</li> <li>• Community feedback, evaluations</li> </ul>	Implementation as per planned schedule  Communities participate in entire cycle including O&M
4. 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 (% 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>	Project staff are recruited on merit and retained for the duration of the project.
<b>Activities</b> 1) Community development: community mobilization, asset creation, capacity building, technical & vocational training; 2) Fisheries development: construction of landing sites and support facilities, support to fishing communities, institutional capacity building & sustainable fisheries management, community managed financial services; 3) Rural infrastructure: rural roads & CPIs.			