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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 | |
| TOTAL | 18 550 000 | |

(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 |
|---|--|---|--|
| Goal Contribute to the reduction of poverty in Gwadar and Lasbela districts | <ul style="list-style-type: none"> • % reduction in poverty levels in project districts • % reduction wastage of fish catch • No. of households with improvement in household assets and income • % increase in general hygiene, and reduction in child malnutrition • No. of merchants to whom fish is sold • Share of price paid to producer | <ul style="list-style-type: none"> • Baseline survey • Poverty Score Cards • Surveys at completion • Fisheries Dept data | Political and economic stability and security. |
| Purpose Increase incomes and enhance the livelihoods of poor rural and fisherman households in the project area | <ul style="list-style-type: none"> • Number of households with increase in incomes • % of households graduate to higher bands as per poverty score card approach | <ul style="list-style-type: none"> • Poverty Score Cards • Household surveys at baseline & completion | No significant reduction in fish catch from disease or fish stocks in the project districts. |
| Outputs 1. Community development: community mobilization; enhanced capacity for sustainable livelihoods; enhanced capacity for employment and productive self-employment | <i>Outcomes (RIMS 2nd Level) in italics</i> <ul style="list-style-type: none"> • No. of COs/VOs formed or strengthened • <i>No of COs operational/functional</i> • No. of COs/VOs with women in leadership positions • No. of CO members accessing CO-managed financial services • <i>No. of active borrowers for fisherfolk related product</i> • No of CO members received vocational training (gender disaggregated) • No of women receive poultry/ruminant packages • <i>% of households with increased incomes and asset by PY6</i> | <ul style="list-style-type: none"> • NRSP progress reports • Participatory (social mobilisation) monitoring reports • Progress reports | 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"> • <i>No of landing sites improved/ constructed after 3 years</i> • <i>No of support facilities for landing sites developed after 3 years</i> • No of participatory management teams established for landing sites and protocols developed • No of fishermen trained in better catch handling and sale • No of small boats refurbished/ provided with improved storage • <i>No of fishermen adopt improve catch handling / hygiene</i> • <i>No. fishers with decrease in wastage rate</i> • Fisheries management plan formulated | <ul style="list-style-type: none"> • Fisheries Department Reports • Fisheries Department data | 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"> • No & km of roads constructed / rehabilitated • Rainwater harvesting systems constructed • No of communities and households connected • No of CPI schemes supported (by type) • <i>No. of households served by CPIs</i> • <i>% of CPI scheme with O&M mechanism</i> | <ul style="list-style-type: none"> • C&W Progress reports • PMU reports • Community feedback, evaluations | 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"> • Timely recruitment of competent staff • Gender Ratio of PMU staff (% women) • Disbursement Rate according to schedule • Periodic reports, studies, workshops & other events | <ul style="list-style-type: none"> • Project reports | Project staff are recruited on merit and retained for the duration of the project. |
| Activities 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. | | | |