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Enabling poor rural people  
to overcome poverty

## **Pakistan**

### **President's memorandum**

### **Gwadar-Lasbela Livelihoods Support Project**

### **Amendment to the financing agreement**

#### **Note to Executive Board representatives**

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**For: Approval**

## **Recommendation for approval**

The Executive Board is invited to approve the recommendation for the proposed amendment to the financing agreement for the Gwadar-Lasbela Livelihoods Support Project in Pakistan, as contained in paragraph 8.

## **President's memorandum**

### **Pakistan: Gwadar-Lasbela Livelihoods Support Project Amendment to the financing agreement**

#### **I. Purpose**

1. The purpose of this President's memorandum is to request Executive Board approval of an amendment to the financing agreement for the Gwadar-Lasbela Livelihoods Support Project. It is proposed that a retroactive financing clause be introduced to include as eligible expenditures costs related to start-up activities (i.e. for setting up the project management unit) incurred before the date of entry into force of the agreement. This amendment is in line with the Government's requests dated 21 February and 5 July 2013.
2. The amendment is presented for approval by the Executive Board as it constitutes an exception to the General Conditions for Agricultural Development Financing.

#### **II. Background**

3. The main objective of the project is to increase the incomes and enhance the livelihoods of poor rural/fisher households in the Gwadar and Lasbela districts of Balochistan Province. This objective is to be achieved through: (i) community development; (ii) fisheries development; and (iii) rural infrastructure. About 20,000 poor households are expected to benefit from the project.
4. On 11 May 2011, a loan of SDR 18.55 million (equivalent to US\$30 million at the time of approval) was presented to the Executive Board for approval. The loan became effective on 31 January 2013 and the project is due for completion by 31 March 2019 and closure by 30 September 2019. The conditions precedent to the first disbursement have not yet been fulfilled, and implementation of project activities has not yet started.

#### **III. Request for retroactive financing**

5. On 21 February 2013, a communication was received from the Government of Pakistan requesting IFAD to explore the possibility of retroactive financing for the project. The exact amount and the activities for which retroactive financing is sought (i.e. PKR 30.59 million, equivalent to approximately US\$305,400) was communicated in a second letter dated 5 July 2013.

#### **IV. Justification for the amendment request**

6. The project suffered from an exceptionally long time lapse between Executive Board approval and loan signing, which was the result of delays by the Government of Balochistan in approving the Government of Pakistan's project document.
7. As a consequence, the Government of Balochistan decided to start implementing project activities before the project entered into force, incurring significant expenditures (i.e. more than US\$3 million to date). The Government of Balochistan was informed that expenditures incurred before the date of entry into force of the

financing agreement could not be considered eligible unless special provisions were included in the financing agreement. As such provisions were not included in the agreement, the Government of Pakistan requested the present amendment to include a clause that considers eligible the expenditures for certain start-up activities incurred before the date of entry into force of the financing agreement. These expenditures will be included in the project financial statements for the first year of operations and will be subject to audit to confirm their eligibility under the amended financing agreement.

## **V. Recommendation**

8. It is recommended that the Executive Board approve an exception to section 4.08(a)(ii) of the General Conditions for Agricultural Development Financing, and that expenditures up to a total equivalent of US\$300,000 distributed as follows: US\$228,300 for category II (vehicles); US\$25,700 for category III (equipment and materials); US\$35,700 for category VII (salaries and allowances); and US\$10,300 for category VIII (incremental operating costs) of the allocation table (paragraph 1, schedule 2 of the financing agreement), incurred after 11 May 2011 but before the date of entry into force of this financing agreement, be considered eligible for the purposes of the agreement, if otherwise eligible, notwithstanding the fact that they were incurred before the start of the project implementation period.

Kanayo F. Nwanze  
President