



Investing in rural people

Islamic Republic of Pakistan

AJK Community Development Programme – II (AJKCDP2)

Final project design report

Main report and appendices

Document Date: 2-Oct 2017

Project No. 2000001466

Report No: 4568-PK

Asia and the Pacific Division
Programme Management Department

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Currency equivalents

Currency Unit	=	Pak Rs.
US\$1.0	=	107 Pak Rs.

Weights and measures

1 kilogram	=	1000 g
1 000 kg	=	2.204 lb.
1 kilometre (km)	=	0.62 mile
1 metre	=	1.09 yards
1 square metre	=	10.76 square feet
1 acre	=	0.405 hectare
1 hectare	=	2.47 acres

Abbreviations and acronyms

ADB	Asian Development Bank
AG	Auditor General of Pakistan
AJK	Azad Jammu & Kashmir
AJKCDP	Azad Jammu and Kashmir Community Development Project
AJKRSP	Azad Jammu & Kashmir Rural Support Organization
AWPB	Annual Work Plan & Budget
CDDU	Community Driven Development Unit
CO	Community Organization
COSOP	Country Strategic Opportunities Programme
CPE	Country Program Evaluation
CPI	Community Physical Infrastructure
CPMT	Country Programme Management Team
DCC	District Coordination Committee
DPO	District Planning Officer
EIRR	Economic Internal Rate of Return
ETI, GB	Economic Transformation Initiative, Gilgit-Baltistan
FAO	Food and Agriculture Organization of UN
GDP	Gross Domestic Product
GB	Gilgit-Baltistan
GLLSP	Gwadar-Lasbella Livelihoods Support Project
GoAJK	Government of AJK
GoP	Government of Pakistan
ICO	IFAD In-Country Office
IFAD	International Fund for Agricultural Development
KM	Knowledge Management
LGRD	Local Government & Rural Development Department
LS&DD	Livestock and Dairy Development Department
LSO	Local Support Organization
MDG	Millennium Development Goals
MoU	Memorandum of Understanding
MTR	Mid-Term Review
M&E	Monitoring & Evaluation
NGO	Non-Government Organization
NPGP	National Poverty Graduation Programme
NRSP	National Rural Support Programme
PDD	Planning & Development Department
PC-1	Planning Commission Project Proforma1
PCR	Project Completion Report
PIM	Programme Implementation Manual
PPAF	Pakistan Poverty Alleviation Fund
PSC	Project Steering Committee
PWD	Public Works Department
QA	Quality Assurance
QE	Quality Enhancement
SDG	Sustainable Development Goals
SMP	Social Mobilization Partner
SOE	Statement of Expenditure
SPPAP	Southern Punjab Poverty Alleviation Project
ToR	Terms of Reference
UC	Union Council (Lowest tier in local Government system in Pakistan)
USAID	United States Agency for International Development
UNDP	United Nations Development Programme
VO	Village Organization
WB	World Bank

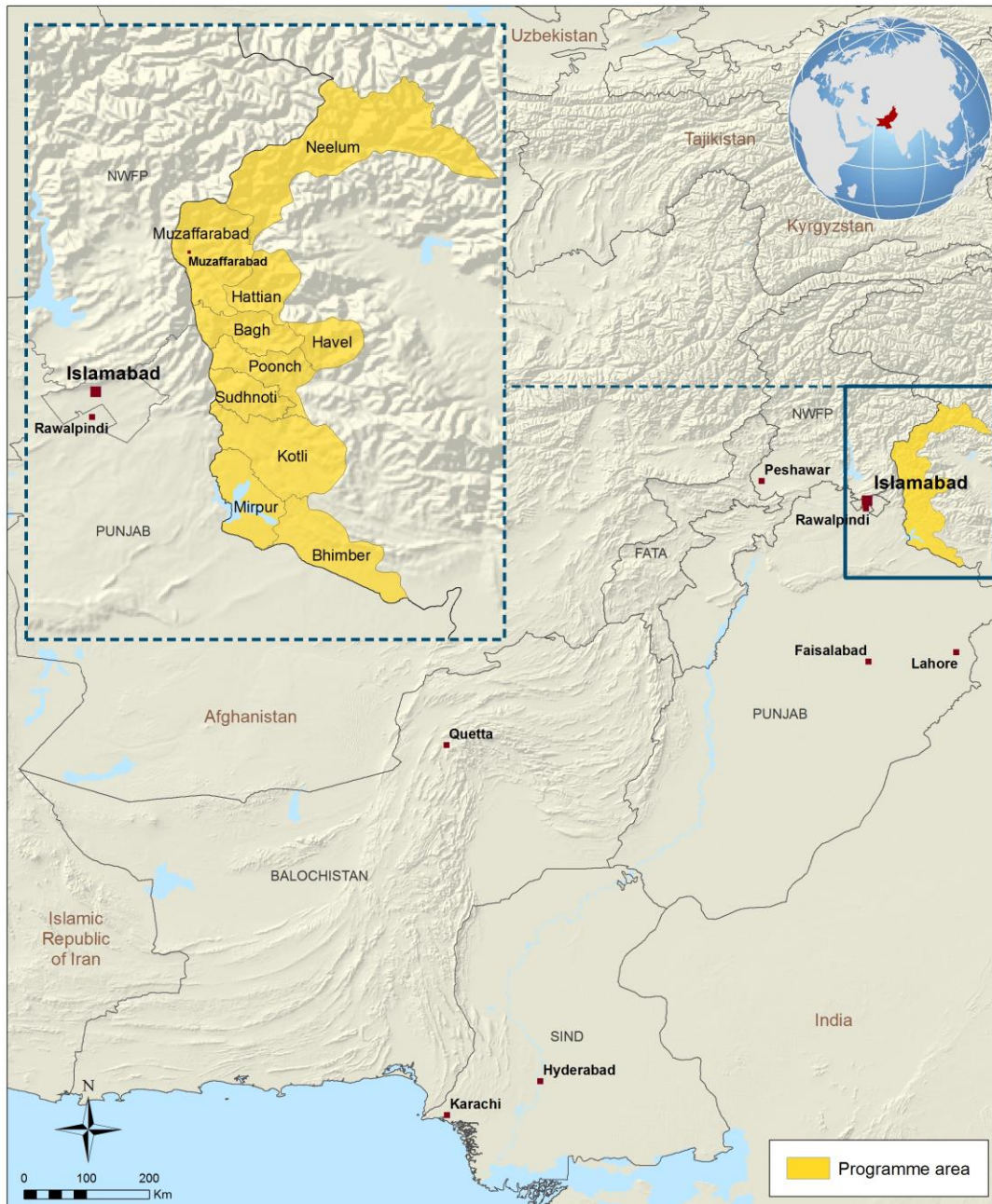
WFP World Food Programme of UN
WO Women Organization

Map of the project area

Islamic Republic of Pakistan

Community Development Programme 2 in Azad Jammu and Kashmir (AJKCDP 2)

Design report



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.
Map compiled by IFAD | 09-08-2017

[IFAD maps](#)

Executive Summary¹

1. Pakistan is the 6th most populous country in the world (with a population of 188.9 million), 26th largest economy with an estimated GDP of USD 270 billion and 36th largest country in terms of area (881,913 sqm). Pakistan is a lower middle income country, with an average income per capita of USD 1,512. The services sector (59%) is the largest contributor to the economy, followed by agriculture (21%) and industry (20%). Despite only 21% share, the agriculture sector employs 44% of the national work force. While Pakistan has important strategic endowments and development potential, governance and security challenges over the last decade have significantly limited the country's potential for growth. Following subdued growth during the period 2008-2013 (averaging 3 percent), a slump in international oil prices and fast-growing remittances has helped GDP to grow by 4.2 percent in 2015, and to reach 4.5 percent in 2016. Despite these gains, Pakistan's low human development indicators continue to undermine its labor force productivity and true economic growth potential. Pakistan ranks 147 out of 188 countries in the 2015 Human Development Index (HDI), and its performance on most MDG targets including education, gender, health, nutrition, infant mortality remained below target.

2. With respect to poverty reduction, Pakistan has made substantial and steady progress. Despite the Government's recent adoption of a revised calorie-based poverty line (from Rs.2,350/adult/month to Rs.3,030/adult/month), the poverty rate has declined from 64.3% in 2001 to 30% by 2014. The 30% of the population defined as poor represent 59 million people, though an additional 20 million are declared vulnerable. Growth incidence curves also illustrate the pro-poor nature of Pakistan's growth, with consumption of the poorest growing faster than mean consumption.

3. Poverty is however, more acute in rural areas (54.6%) as compared to urban areas (9.3%), and large disparities exist across provinces and within provinces. In general, rural poverty is an outcome of multiple structural and social factors including highly skewed land ownership and landlessness, a pro-urban bias in social and economic sector investments, high illiteracy rates among youth (32%), lack of skills among the productive-age poor (only 6% of young have technical skills) and class and gender-based factors. In 2008, the Government of Pakistan (GoP) carried out a nationwide poverty survey for the purposes of establishing a national well-being registry to target the most vulnerable, represented by the 'National Poverty Scorecard', ranking households on a scale from 0 to 100. Per the registry definitions, the corresponding IFAD target groups are households within the band scale of 0 to 34, which represents approximately 97 million people in total.

4. The concept of rural development in Pakistan has changed significantly during the last three decades. From an earlier focus on agriculture development, the emphasis is now on more holistic socio-economic development. Due to a lack of continuity of local government systems, national and regional Rural Support Programmes (RSPs) and the Pakistan Poverty Alleviation Fund (PPAF) have, since the 1990s, emerged as effective intermediaries for pro-poor participatory rural development. The RSP model, first piloted by the Agha Khan Rural Support Programme (AKRSP), has been replicated throughout Pakistan with support of Government and development partners alike. The model promotes three tiers of organization: (i) *Community Organizations (CO)* (ii) *Village Organizations (VO)*; and (iii) *Local Support Organizations (LSO)*. However, the RSP sponsored community-driven development (CDD) structures largely remain project and programme specific. They do not have a "by right" access to regular government development resources.

5. The Azad State of Jammu & Kashmir (AJK) has an area of 13,297 square kilometers, and an estimated population of 4.4 million. Small landholdings and limited irrigation facilities has limited local agricultural production. Approximately 88% (or 383,800) of AJK households are rural, with very small

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average arable landholdings (0.9 ha/household). Furthermore, AJK comprises approximately 326,904 households, around 50 per cent of the State population, who fall within the National Poverty Scorecard (PSC) band of 0-34 (i.e. the population considered ultra-poor to poor). The two previous IFAD-funded projects in AJK had introduced the concept of community driven development leading to the establishment of over 4,000 COs and AJK's own RSP – i.e. AJKRSP – through an endowment fund provided by the Government of AJK. The RSP recently faced institutional and governance challenges, but the present government is taking effective steps to put AJKRSP firmly back on track.

6. The entry point for the proposed AJKCDP2 is to leverage on the commitment of the Government to fully institutionalise a decentralised and bottom-up (local/ community) development process in AJK, based on successful piloting under the previous IFAD-funded AJKCDP1. Social mobilization for establishment of the three-tier community organizational set-up will be critical and AJKRSP will be the preferred social mobilization partner. As AJKRSP's capacity is further strengthened, the well-established National Rural Support Programme (NRSP) where required, can in the interim provide technical assistance and backstopping to AJKRSP². The AJKCDP2 is the logical next phased intervention aimed at institutionalisation of the recognizably effective community driven development (CDD) model, embedded within the structure of local government and public sector development.

7. **Programme approach.** The programme implementation approach will be guided by its exit strategy from the very start with a view that programme related CDD planning and implementation approach is fully imbedded in the AJK government planning and local development systems by end of programme. This would be achieved through introduction of required legal, regulatory and budgetary adjustments from the very start and further fine-tuned and adjusted on the basis of experience over the implementation period. Effectively, AJKCDP2 will adopt a phased programming approach as below:

	AJKCDP (past)	AJKCDP2 – Pre-MTR	AJKCDP2 – Post-MTR
Status and level of CDD institutionalisation	Introduction of the CDD approach and formation of 3200 COs	Revitalisation and full coverage of COs (10,000 COs in total)	Institutionalisation of COs integrated into decentralised structure of CO-VO-LSOs and linked to regular government development resources
Implementation arrangement	<ul style="list-style-type: none"> • PMU implemented social mobilization • Initiation of AJKRSP 	<ul style="list-style-type: none"> • Reform and strengthening of AJKRSP capacities for implementation • Interim backstopping support of NRSP as/ if required • LGRD coordination for alignment and responsiveness of public sector development and services budget 	<ul style="list-style-type: none"> • AJKRSP in-charge of all social mobilization aspects of CDD in AJK with a credible and autonomous governance structure • LGRD coordination for alignment and responsiveness of public sector development and services budget
Decentralisation and institutionalisation processes	Introduction of CDD – basic foundations and principles – but project specific and not internalized in government systems	<ul style="list-style-type: none"> • Set-up of the decentralisation framework – establish laws, regulations, CO-VO-LSO structure • Share of local government funding for LSO Dev Plans • Alignment of line agencies district and State Budgets with CDPs 	<ul style="list-style-type: none"> • Full alignment of all rural service delivery agencies budgets with the CDPs • AJKCDP2 promoted CDD financing and procedures are fully internalized in decentralized local development systems of AJK

² NRSP is already a tested and capable implementing partner for IFAD-funded projects such as SPPAP and GLLSP; in AJK, NRSP has presence in 9 out of 10 districts and an ongoing effective micro-finance and social sector programme.

8. The present socio-political and administrative environment in AJK offers several opportunities to imbed community driven development in government's decentralized development framework. These include: high degree of ownership and understanding of the CDD approach; an excellent starting base of over 4,000 COs, VOs and LSOs; potential to introduce the proven poverty graduation approach; expansion of CDD to all uncovered rural areas in AJK.

9. **Programme area and target group.** The programme will cover all 10 districts of AJK. IFAD's target group will comprise those households falling within the National Poverty Scorecard (PSC) band range of 0-34, of which there are approximately 326,904 households, and representing over 50% of the population. Priority will be given to the poorest Union Councils. UCs/LSOs with over 1,000 hhs in the poverty band of 0-34 will be eligible for programme interventions. At least 50% of the COs will be women COs while all VOs will be mixed VOs with 50 per cent representation given to women. Women-headed households and ultra-poor women will be specifically targeted for poverty graduation and asset creation. For the two major funding allocations under (i) assets for ultra-poor graduation and (ii) Community Physical Infrastructure (CPIs), the distribution of resources among the ten districts will be on the basis of a multi-factor criteria involving weighted average of population (70%), area (10%) and poverty (20%). Equitable allocation within the District, amongst the priority eligible LSOs, and by LSOs amongst COs, will be determined by the District Planning Office/District Coordination Committee.

10. The programme development objective is to improve the livelihoods and incomes of 250,000 rural poor households with the institutionalisation of community-driven development within the government development framework. This will be achieved through supporting capacity development of local institutions (community organizations (COs), village organisations (VOs) and local support organizations (LSOs)) to function and implement community-driven development plans in the new development framework, and promoting a conducive and facilitating regulatory and budgetary framework for CDD (in order to finance the communities' identified development priorities, both public goods and private for their improved incomes and livelihoods).

11. **Theory of change.** The theory of change of the programme is based on a fundamental premise that building the institutional capacity and structure of local/ community organizations will enable participatory bottom-up planning to more effectively inform development interventions and investments that are relevant and sustainable, and will contribute to and have impact on the livelihoods of the local population. In parallel, mainstreaming and institutionalizing this process into the local government development systems and structure, will support: (i) transparency in the allocation of public funds; (ii) continuity for the availability of funds in a predictable manner for community-articulated needs; and (iii) effective utilisation of funds to meet local context development targets and objectives. The development hypothesis and theory of change is that rural poor households, through their participation and representation in well organized and capacitated community organizations, will benefit (in terms of income, livelihoods, assets and social capital) in a sustained manner from the institutionalisation of the community-driven development process in local government systems, and which will facilitate long-term local economic growth.

12. **Programme components.** The project will have three components: (i) Community-driven development (CDD) for Livelihoods Enhancement, primarily focused on investments in private goods for poverty graduation of ultra-poor and poor; (ii) Institutional Strengthening and Public Services Delivery, focused on leveraging investments in public goods collectively benefitting rural poor community members and local economy; and (iii) Programme Management.

13. Component logic and implementation arrangements follow the two broad intervention streams. The first stream covered under component 1 involves provision of assets (tangible productive assets and intangible assets in the form of vocational and enterprise training) to support poverty graduation of ultra-poor and poor households, through the proven community-driven development approach. This component will be implemented by the AJKRSP as part of the exit strategy and long-term vision of its independent status and mandate for social mobilisation responsibilities and functions. The second stream is covered by component 2, which builds on the findings and results of the CDD/ social

mobilisation process and as articulated by the community development plans (CDP), towards leveraging public funds to finance priority community physical infrastructure (CPIs) and to provide the requisite public services (including extension services) as demanded by rural communities in support of their economic empowerment. To this end, the Local Government and Rural Development Department (LGRD) will be the coordinating and lead implementing body.

14. **Component 1: CDD for Livelihoods Enhancement (US\$ 27.9 million).** This component comprises two sub-components – (1.1) Capacity building for CDD; and (1.2) Poverty Graduation. Sub-Component 1.1 will focus on sensitization, mobilisation, and formation of COs/VOs/LSOs, resulting in the elaboration of the community development plans (CDP); issues and priorities identified through the participatory and consultative process, and key interventions included in the CDPs will be further consolidated at the VO and ultimately, LSO level. Approximately 250,000 rural poor households will be organized in 10,000 community organizations (COs), with average membership of 25 households.

15. With the formation of COs, and verification of the households falling within PSC band 0-11 (the ultra-poor), Sub-Component 1.2 will pursue a poverty graduation approach, in line with an overall national strategy to promote the poverty graduation approach successfully tested by IFAD, PPAF and other partners in Pakistan. Under the graduation approach, the programme will provide a flexible menu of assets, both tangible and intangible (e.g. productive physical assets or skills/ vocational/ technical training) to 20,000 ultra-poor households. A further 30,000 very poor and poor households (PSC band 12-34) will also benefit from a package of vocational, technical or enterprise development training for one household member. Over the medium to long-term, and as both the community population and social mobilisation partner evolve, the social mobilisation partner (AJKRSP) will increasingly take upon a business facilitation role, providing follow-up support, providing mentoring in developing business plans, and linking/ facilitating households with other microfinance sources for start-up capital or working capital for their productive activities.

16. **Component 2: Institutional Strengthening and Public Services Delivery (US\$ 70.1 million).** This component consists of two sub-components – (2.1) Capacity Building and Public Services Delivery; and (2.2) Community Physical Infrastructure. Overall coordination and implementation of this component will be the responsibility of LGRD.

17. Sub-Component 2.1 will support the capacity development and institutional strengthening of the relevant public sector agencies and departments with responsibilities vis-a-vis rural sector development, with the view to ensure long-term sustainable, regular, timely and transparent allocation and utilisation of Government resources (financial and human resources) to respond to the demand and development needs of rural communities, including their evolving economic circumstances, and as articulated in the CDPs – i.e. this will take the form of public goods and services to rural communities. As longer-term economic priorities are identified by the CDPs and aggregated to LSO level by the social mobilisation partner, this will be subsequently transmitted to local government at the corresponding Union Council level for public sector uptake. From UC level, priority public development needs (including goods such as infrastructure and services) will be promoted upwards within the local government framework through Markaz/ Tehsil and District levels, and finally to the State level. LGRD will aggregate the emerging needs, and coordinate the relevant public agencies (e.g. Agriculture Extension, Livestock Directorate, Forest Department) to plan their annual development budgets to provide the required services to rural communities. Whilst the specific needs will emerge from the CDD process, some areas of services that could be pursued may include diversification of production, value addition, off-farm activities, etc.

18. Sub-Component 2.2 will specifically, focus on leveraging investment funds to meet priority public infrastructure for rural communities identified within the CDPs – i.e. community physical infrastructure (CPIs). Through the CPIs, approximately 150,000 households are expected to directly benefit, with LGRD directly coordinating and implementing the Sub-Component. Whilst communities will be expected to contribute to 20 per cent of the infrastructure scheme cost, the ultra-poor (PSC 0-11) will be exempt from such contribution. CPIs may take the form of rural access roads, irrigation schemes, or other social infrastructure schemes such as drinking water supply.

19. **Programme Management (US\$ 9.8 million).** Overall programme management will be delegated to a programme management unit to be set up to become a permanent feature/ unit within the structure of the Planning and Development Department (PDD) of AJK, and named the CDD Unit (CDDU). The rationale behind this, is to have in place a champion tasked to establish over the long-term, a conducive and facilitating space, institutional framework and policy environment for integrating CDD in local government development planning and processes. Technical assistance is provisioned across a broad spectrum, to ensure that AJKRSP, LGRD and the CDDU have the capacity to deliver on the institutional development aspects, including preparing and follow-up on legal and regulatory reforms required.

20. In addition to the above, the CDDU will also have the day-to-day programme implementation responsibilities, including M&E and fiduciary responsibilities.

21. **Programme costs and financing.** AJKCDP2 will be implemented over a six-year period, with an estimated total programme cost, including physical and price contingencies, in the amount of US\$ 107.8 million. The table below reflects the programme costs by component.

Table: Programme Costs by Component

Pakistan AJK Community Development Project-II Components Project Cost Summary		(Pak Rs '000)					(US\$ Million)				
		Local	Foreign	Total	% Foreign Exchange	% Total Base Costs	Local	Foreign	Total	% Foreign Exchange	% Total Base Costs
A. CDD for Livelihoods Enhancement											
1. Capacity Building for CDD											
		690 719	69 795	760 514	9	7	6.40	0.65	7.04	9	7
2. Poverty Graduation											
		2 032 527	-	2 032 527	-	19	18.82	-	18.82	-	19
Subtotal CDD for Livelihoods Enhancement											
		2 723 246	69 795	2 793 041	2	26	25.22	0.65	25.86	2	26
B. Institutional Strengthening and Public Services Delivery											
1. Capacity Building and Public Services Delivery											
		3 119 295	-	3 119 295	-	29	28.88	-	28.88	-	29
2. Community Physical Infrastructure											
		3 757 644	35 592	3 793 237	1	36	34.79	0.33	35.12	1	36
Subtotal Instit. Strengthening and Public Services Delivery											
		6 876 939	35 592	6 912 531	1	65	63.68	0.33	64.00	1	65
C. Programme Management											
		942 663	29 511	972 174	3	9	8.73	0.27	9.00	3	9
Total BASELINE COSTS											
		10 542 848	134 898	10 677 746	1	100	97.62	1.25	98.87	1	100
Physical Contingencies											
		-	-	-	-	-	-	-	-	-	-
Price Contingencies											
		1 711 983	10 997	1 722 980	1	16	8.94	0.02	8.96	-	9
Total PROJECT COSTS											
		12 254 831	145 895	12 400 726	1	116	106.56	1.27	107.83	1	109

22. The programme is financed through: (i) an IFAD highly concessionary loan in the amount of approximately US\$ 36.4 million; (ii) an IFAD grant in the amount of US\$ 2.9 million; (iii) Government contribution in the amount of US\$ 62.4 million; (iv) beneficiary contribution of approximately US\$ 3.6 million; and (v) RSP contribution in the amount of US\$ 2.5 million.

23. The IFAD grant is intended to enhance the programme's performance, including disbursement performance, by facilitating more effective and efficient implementation with reduced bottlenecks through the particular investments in capacity building of institutions (public and community institutions) and provision of technical assistance. The share of Government contribution will finance the associated costs of taxes and duties, share of salaries and operational budget, and more especially, will finance the bulk of the investments under Component 2 through leveraging of the allocations under the regular Annual Development Plan budget.

Table: Programme Components by Financiers

Pakistan AJK Community Development Project-II Components by Financiers (US\$ Million)		IFAD Loan		IFAD Grant		AJK Govt		Community		RSP		Total		For. Exch.	Local (Excl. Taxes)	Duties & Taxes
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
A. CDD for Livelihoods Enhancement																
1. Capacity Building for CDD																
		3.21	42.6	0.54	7.1	1.29	17.2	-	-	2.49	33.1	7.54	7.0	0.66	6.32	0.56
2. Poverty Graduation																
		16.29	79.8	-	-	4.11	20.2	-	-	-	-	20.40	18.9	-	20.40	-
Subtotal CDD for Livelihoods Enhancement																
		19.50	69.8	0.54	1.9	5.41	19.3	-	-	2.49	8.9	27.94	25.9	0.66	26.72	0.56
B. Institutional Strengthening and Public Services Delivery																
1. Capacity Building and Public Services Delivery																
		1.46	4.6	1.62	5.1	28.66	90.3	-	-	-	-	31.74	29.4	-	31.74	-
2. Community Physical Infrastructure																
		10.84	28.2	0.20	0.5	23.77	61.9	3.60	9.4	-	-	38.40	35.6	0.33	37.80	0.27
Subtotal Instit. Strengthening and Public Services Delivery																
		12.30	17.5	1.82	2.6	52.42	74.7	3.60	5.1	-	-	70.14	65.0	0.33	69.54	0.27
C. Programme Management																
		4.63	47.4	0.55	5.7	4.57	46.9	-	-	-	-	9.75	9.0	0.28	9.11	0.37
Total PROJECT COSTS																
		36.43	33.8	2.91	2.7	62.40	57.9	3.60	3.3	2.49	2.3	107.83	100.0	1.27	105.37	1.20

24. **Organizational set-up.** At the federal level, the Economic Affairs Division will be the main coordinating agency for IFAD. A Steering Committee for AJKCDP2, chaired by Additional Chief

Secretary (Development), will be responsible for all strategic, policy and programme planning and management. AJK Planning and Development Department (PDD) will be the lead implementing agency. A State-level Community Driven Development Unit (CDDU), under a competitively selected Director General, will be responsible for effective and efficient programme delivery. In support of planning and coordination of CDP-driven activities, 10 permanent District Planning Offices, headed by a District Planning Officer, will be established. The key implementing partners will be AJKRSP for Component 1 with the focus on social mobilisation and poverty graduation, and Local Government and Rural Development Department (LGRD) for coordination and implementation of Component 2. The collaboration with relevant public agencies for service delivery, will be framed under specific output or results-based Memoranda of Agreement (MOA).

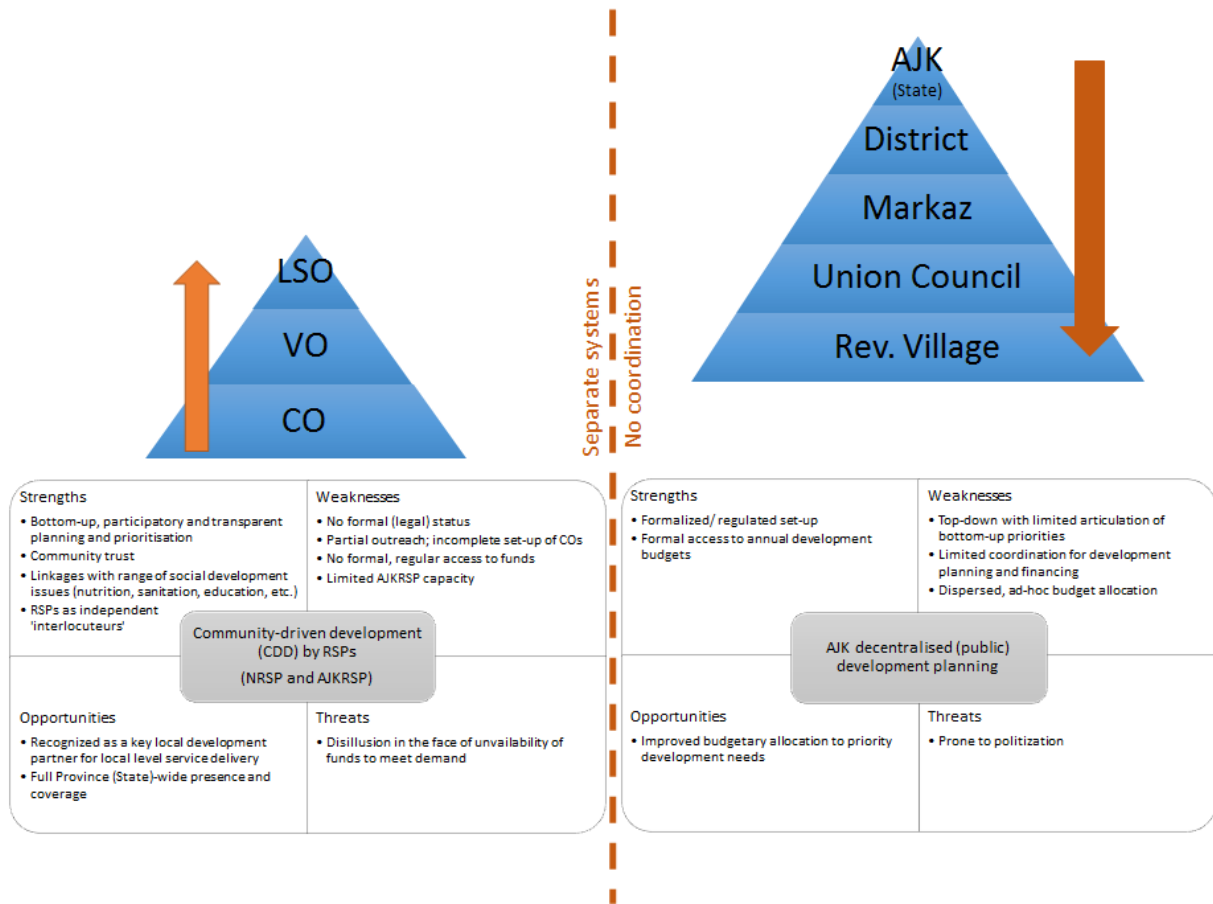
25. The CDDU will be responsible for coordinating overall planning and budgeting as part of the Annual Work Plan and Budget (AWPB) exercise. The CDDU will also be responsible for financial management of the programme and for coordinating and consolidating all financial and progress reports from implementing partners; AJKCDP2 will use the imprest account method for the Designated Account (DA) advance. In terms of procurement, the preparation of annual procurement plans will form the basis, and all procurement will be carried out in accordance with IFAD procurement guidelines. The annual external audit of programme expenditures will be carried out by the Auditor General of Pakistan within three months of the close of the financial year. Funds will be transferred to the line departments through their designated accounts and under individual MOAs, whilst their Principal Accounting Officers will be responsible for proper use of available funds and as per MOA terms and conditions.

26. The programme will be directly supervised by IFAD in collaboration with PDD of AJK and relevant national level entities, including EAD. A mid-term review will be conducted at the end of the third year of programme implementation, to assess the progress, achievements, constraints and emerging impact and likely sustainability of programme activities and make recommendations and necessary adjustments for the remaining programme period. At the end of the programme, a completion evaluation will be conducted, as an input into the Programme Completion Report (PCR).

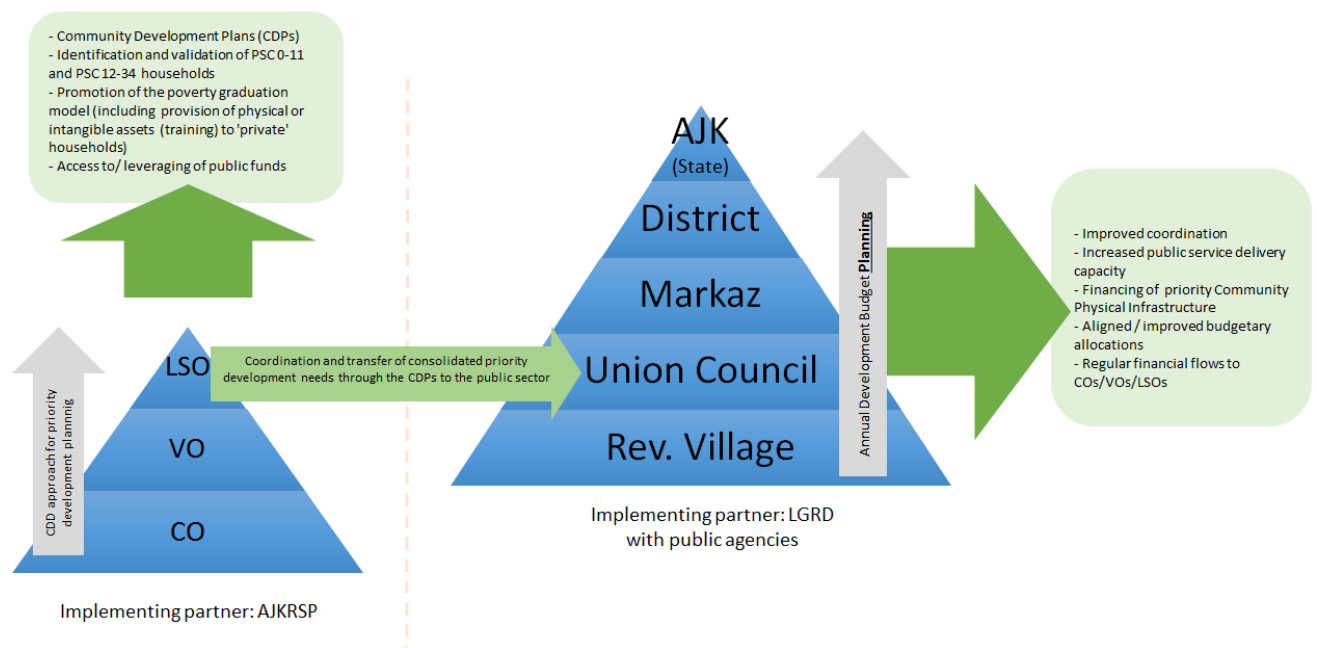
27. **Exit Strategy and sustainability.** The programme exit strategy is imbedded through the programme approach, notably in the institutionalization of CDD processes and its linkage to the regular government development framework, backed with legal and regulatory provisions. The permanent institutional arrangements including the CDDU in PDD and District Planning Offices/ District Development Coordination Committees, the stipulated allocation of development funds to LSOs/VOs from Local Government Department's annual development plans, and the alignment of agriculture, NRM and Social sector budgets with the Community Development Plans, are all designed to leave a sustainable rural development and poverty reduction structure behind at programme conclusion. The arrangement further supports the recognition of LSOs/VOs/COs as legitimate development partners for poverty reduction, rural infrastructure development and extension service delivery. Strengthening of LSOs as articulators of Union Council development priorities, their formal engagement in implementation of all community-based schemes and the establishment of standard norms for payment of supervision fees to them, will help sustain LSOs as effective grassroots institutions. Finally, the strengthening of AJKRSP's governance and management capacities will enable it to perform the role of a neutral/ apolitical social mobilization and community participation partner on the model of other effective RSPs like NRSP. It will thus be a preferred partner for both government and donor agencies for all projects and development initiatives requiring community mobilization/ participation, enabling it to meet its regular establishment and recurrent costs. Further development of its micro-finance operations, including expanded partnerships with financing institutions such as the AJK Bank would be an additional and substantial source of regular income for AJKRSP to sustain its presence and operations.

Schematic Diagram Schematic Diagram – the AJKCDP2 context before and after

Before



After



Logical Framework

Results Hierarchy	Indicators					Means of Verification			Assumptions (A) / Risks (R)
	Name	Baseline	YR[X]	Mid-Term	End Target	Source	Frequency	Responsibility	
Outreach	▪ Number of persons receiving services promoted or supported by the project	0		750 000	1 750 000	RIMS	Annual	CDDU (PMU)	
	▪ Corresponding number of households reached	0		100 000	250 000	RIMS	Annual	CDDU	
Goal: To contribute to rural poverty reduction in AJK	▪ Number of beneficiary households having graduated to a higher poverty category (based on PSC score)	0		25 000	50 000	BISP, Impact survey	Mid-term and completion	CDDU, AJKRSP	Stable political, economic and security situation; timely sharing of BISP PSC data
	▪ Number of households with improvement in asset ownership (RIMS 3 rd level)	0		25 000	50 000	AOS, impact survey	Annual	CDDU, AJKRSP	
Development Objective: To improve the livelihoods and incomes of 250,000 rural poor households with the institutionalisation of community-driven development within the government development framework	▪ Number of beneficiary households reporting improved livelihoods' means and incomes	0		50 000	100 000	AOS, impact survey	Annual	CDDU, PDD	Stable political, economic and security
Outcomes/ Components: Outcome 1: Improved livelihoods/ income-generative capacities of rural poor households with enhanced access to development resources	▪ Number of persons newly employed/ self-employed after receiving tangible/ intangible assets	0		25 000	50 000	AOS, impact survey	Annual	CDDU, AJKRSP	Stable political, economic and security
Outputs: 1.1 Formation and mobilisation of COs	▪ Number of COs formed with formulated CDPs	4 000		7 000	10 000	Progress reports, AOS	Bi-annually	CDDU, AJKRSP	Facilitating institutional environment; community willingness and ownership
1.2 Provision of assets for poverty graduation	▪ Number of rural persons accessing production inputs and/ or technological packages	0		10 000	20 000	Progress reports	Quarterly	CDDU, AJKRSP	Community willingness and interest

Results Hierarchy	Indicators					Means of Verification			Assumptions (A) / Risks (R)
	Name	Baseline	YR[X]	Mid-Term	End Target	Source	Frequency	Responsibility	
1.3 Provision of intangible assets (vocational/ technical/ enterprise training)	▪ Number of persons trained in income-generating activities or business management	0		15 000	30 000	Progress reports	Quarterly	CDDU, AJKRSP	Beneficiary motivation to acquire skills
Outcome 2: Improved and coordinated public services delivery (aligned with aggregated CDPs)	▪ Number of households reporting adoption of new/ improved inputs, technologies or practices	0		60 000	150 000	AOS, impact survey	Annual	CDDU, PDD, LGRD	Facilitating institutional framework
Outputs: 2.1 Line agency annual development plans (ADPs) aligned with needs identified through CDPs	▪ % of LA annual budget aligned with CDP needs	0		20%	40%	PDD progress report, ADPs	Annual	CDDU, LGRD	Institutional willingness and ownership
2.2 Community infrastructure (identified using participatory processes) constructed or rehabilitated	▪ Number of CPIs (schemes) constructed/ rehabilitated	0		1 000	2 000	Progress report, AOS	Annual	CDDU, LGRD	Aligned ADPs; acceptance of CDD
Outcome 3: CDD institutionalised in Government rural development framework	▪ Number of existing/ new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment	0		1	2	GoAJK Annual Reports	Mid-term and completion	CDDU, PDD, LGRD	Institutional willingness and ownership
Outputs: 3.1 Formalization of COs/VOs/LSOs (linked to local government systems)	▪ Number of functioning multi-stakeholder platforms supported	0		75 (LSOs)	150 (LSOs)	GoAJK Annual Reports	Bi-annually	CDDU, PDD, LGRD	Institutional willingness and ownership

* Indicators in bold refer to the new IFAD Corporate Indicators (CIs)

I. Strategic context and rationale

A. Country and rural development context

National context

1. Pakistan is the 6th most populous country in the world (with a population of 188.9 million), 26th largest economy with an estimated GDP of USD 270 billion³ and 36th largest country in terms of area (881,913 sqm). Pakistan is a lower middle income country, with an average income per capita of USD 1,514. The services sector (59%) is the largest contributor to the economy, followed by agriculture (21%) and industry (20%). Despite only 21% share, the agriculture sector employs 44% of the national work force. While Pakistan has important strategic endowments and development potential, governance and security challenges over the last decade have significantly limited the country's potential for growth. Following subdued growth during the period 2008-2013 (averaging 3 percent), a slump in international oil prices and fast-growing remittances has helped GDP to grow by 4.2 percent in 2015, and to reach 4.5 percent in 2016. Despite these gains, Pakistan's low human development indicators continue to undermine its labor force productivity and true economic growth potential. Pakistan ranks 147 out of 188 countries in the 2015 Human Development Index (HDI), and its performance on most MDG targets including education, gender, health, nutrition, infant mortality⁵ remained below target.

2. According to Government's Vision 2025, 60% of the country's population is facing food insecurity, and nearly 50% of women and children under five years of age are malnourished; Pakistan ranks 76 out of 107 on the Global Food Security Index⁶. The 2011 National Nutrition Survey estimated that the rates of child stunting have not changed since 1965 with stunting in 44% of children, and with 16% of under-5 children suffering from acute malnutrition; furthermore, over one-third of deaths under-five, are linked to malnutrition. Children in Pakistan are faced with long-term nutritional deprivation due to poverty, food insecurity, poor health services, illiteracy and illnesses linked to hygiene (diarrhoea, improper feeding practices, etc.). At 15%, the proportion of children who suffer from wasting, indicating acute malnutrition, exceeds the international emergency threshold. A fifth of pregnant women and children under five have severe Vitamin A deficiency, and 62% of children under five are anaemic.⁷ However, many of these outcomes are largely linked to lack of awareness about nutritional value and nutritional diet and not necessarily to lack of food or resources.

3. With respect to poverty reduction, Pakistan has made substantial and steady progress⁸. Despite the Government's recent adoption of a revised calorie-based poverty line (from Rs.2,350/adult/month to Rs.3,030/adult/month), the poverty rate has declined from 64.3% in 2001 to 30% by 2014. The 30% of the population defined as poor represent 59 million people, though an additional 20 million are declared vulnerable. Growth incidence curves also illustrate the pro-poor nature of Pakistan's growth, with consumption of the poorest growing faster than mean consumption⁹.

4. Poverty is however, more acute in rural areas (54.6%) as compared to urban areas (9.3%), and large disparities exist across provinces and within provinces. In general, rural poverty is an outcome of multiple structural and social factors including highly skewed land ownership and landlessness, a pro-urban bias in social and economic sector investments, high illiteracy rates among youth (32%), lack of skills among the productive-age poor (only 6% of young have technical skills¹⁰) and class and gender-based factors.

³ WB data (World Bank/country/Pakistan accessed on 25 Nov 2016)

⁴ Pakistan Economic Survey 2014-15, Ministry of Finance

⁵ Pakistan MDG Status Report 2013, Government of Pakistan and UNDP Pakistan

⁶ WFP, Pakistan

⁷ UNICEF Pakistan Annual Report 2016

⁸ Ibid

⁹ WB data (World Bank/country/Pakistan accessed on 25 Nov 2016)

¹⁰ 'Update on Security and Political Situation in Pakistan (Feb 2015)', UNDP, Pakistan

5. **National Poverty Scorecard (PSC).** In 2008, the Government of Pakistan (GoP) carried out a nationwide poverty survey for the purposes of establishing a national well-being registry to target the most vulnerable, represented by the 'National Poverty Scorecard', ranking households on a scale from 0 to 100. Whilst a new survey is currently underway to update the registry, Government and development partners have adopted the current PSC as the key reference tool for targeting the poor under various development programmes.

6. Per the registry definitions, the corresponding IFAD target group¹¹ are those households within the band scale of 0 to 34, which represents approximately 97 million people in total. This range includes the extremely poor in the band of 0-11 (3 million people), the chronically poor in band 12-18 (19 million people), the transitory poor in band score of 19-23 (37 million people) and the transitory vulnerable in band 24-34 (38 million people). It is worth noting, that almost all formal/commercial microfinance programmes cover only households with a score of 34 and above. Households falling within the lower band range, whilst they may have access to some form of financing from community credit pools or special projects, remain largely bypassed as clients of larger microfinance institutions. This suggests that at the minimum, supporting the poorest to reach a score of 34, would render this population to be more credible as 'bankable' clients, eligible for access to the formal financial/ banking sector.

7. **Rural development and Rural Support Programmes (RSP).** Approximately 61% (116 million people¹²) of Pakistan's population live in rural areas. Pakistan's rural labor force is expected to increase until 2030¹³, indicating continuing pressure on the average size of farms and further fragmentation of average land holding which already are quite low. The stagnation of rural wages that has characterized the last decade will continue unless non-farm employment opportunities can be created for the rural youth, or rural out-migration will continue at an accelerated pace (IIED 2015).

8. Rural development and local government systems have gone through number of experiments in Pakistan over the last five decades. After a brief period during 2001-2010 when large-scale devolution greatly empowered the district and lower level local government systems, there has again been a switch to the old 1979 Local Government system allowing limited financial and development space to local government institutions. Rural development as a mandate is institutionally scattered across a number of departments and agencies, all vertically answerable to provincial and state authorities. The Local Government Department largely deals with rural infrastructure and the allocations to districts and Union Councils do not follow any set criteria. In the absence of any elected local government, the relevance and need-based nature of investments is hard to determine.

9. The concept of rural development in Pakistan has also changed significantly during the last three decades. Until the 1970s, rural development meant agriculture development with focus on agriculture production. Since then, the focus of rural development has increasingly shifted to a more holistic socio-economic development¹⁴. National and regional Rural Support Programmes (RSPs) and the Pakistan Poverty Alleviation Fund (PPAF) have, since the 1990s, emerged as effective intermediaries for pro-poor participatory rural development for both government and donor-funded programmes.

10. **RSP model and community-driven development (CDD).** The RSP model, first piloted by the Agha Khan Rural Support Programme (AKRSP), has been replicated throughout Pakistan with support of Government and development partners alike. The AKRSP model was successfully followed and adopted at national and provincial levels which saw the establishment of the NRSP (nationwide), PRSP (Punjab), SRSP (NWFP/KP), BRSP (Balochistan), SRSO (Sindh) and the latest being AJKRSP (AJK). The model channels inherent organizational and developmental potential of rural communities through principles of participatory planning and consists of three tiers of organization: (i) *Community Organizations (CO)*, which typically comprises 15-30 members covering a hamlet or sub-village; (ii)

¹¹ Refer Key File 4 in appendix

¹² Ibid

¹³ FAO Statistics. 2015

¹⁴ www.researchgate.net/publication/216413804_Rural_Development_in_Pakistan_Issues_and_Future_Strategies

Village Organizations (VO), which act as a federation of all constituent COs in a village; and (iii) *Local Support Organizations (LSO)*, representing the topmost tier and federating all VOs at the level of the Union Councils. While hands-on participatory planning and development execution is undertaken mostly by COs, LSOs essentially represent a coordination and linking platform for articulating voice and outreach of community organizations, and bringing these closer to government's institutional structures. A community-based savings and credit programme is also an essential part of the community organization model, which is increasingly being replaced or augmented by larger LSO-operated credit revolving funds and/ or larger RSP microfinance programmes.

11. However, the RSP sponsored community-driven development (CDD) structures largely remain project and programme specific. They do not have a "by right" access to regular government development resources and services as the requisite and complementary legal and institutional framework has not been developed to acknowledge COs/VOs as legitimate users of development funds. However, since empowered local Government institutions are missing in most provinces due to lack of regular elections or lack of requisite resources, the COs and VOs, largely sponsored by various RSPs, have attained an important representative position in the context of bottom up and demand-driven rural development. In many aspects, they have become the representative voice of the rural populace in the absence of elected local government institutions.

12. **NRSP.** The National Rural Support Programme (NRSP) is considered to be the largest and most experienced RSP in country with presence in almost all provinces including AJK. NRSP was set up in 1991 as a Company Limited by Guarantee under section 42 of the Companies Ordinance 1984 through an endowment fund of Rs. 500 million by the Federal Government. Head-quartered in Islamabad, NRSP has 9 regional offices across Pakistan including Azad Jammu and Kashmir (AJK). NRSP is currently working in 64 Districts and has a network of 181 Field Offices and 589 Village Branches or Settlement Offices. Current number of NRSP affiliated COs is 192,694 (90,667 female), with 3.076 million members. Number of VOs and LSOs is 6480 and 700 respectively. NRSP has so far disbursed PKR125.2 billion as credit through its own and NRSP Bank microfinance windows. It has also completed 33,493 community physical infrastructures.

13. The National Rural Support Programme is operating in AJK since 1993, starting with two districts and then expanding to other parts of AJK. At the moment NRSP AJK has presence in 31 tehsils of 10 districts with 20 Field Units and 8 Village Branches. NRSP AJK has total staff of 216 (6% Female), which include Senior and Junior Professionals/Experts of different fields/programme sectors, Social Mobilization and Microfinance Teams etc. To-date, PKR 4.2 billion funds have been disbursed to over 200,000 small farmers and enterprises as microfinance loans in the region. 1,736 Community Physical Infrastructure Schemes on drinking water supply, irrigation, sanitation and communication etc. have been completed which benefited 100,000 HHs.

Azad Jammu and Kashmir context

14. **Geopolitical context.** The Azad State of Jammu & Kashmir (AJK) lies in the foothills of Himalayas in the north-east of Pakistan, covering an area of 13,297 square kilometers, and has an estimated population of 4.4 million. AJK enjoys a special status within Pakistan; its semi-autonomous governance structure consists of a President, Prime Minister, a Cabinet and its own high-court and sub-ordinate courts. The AJK territory is administratively divided into three Divisions, 10 Districts, 193 Union Councils and 1771 revenue villages. Across the villages, 4200 Community Organizations (COs)¹⁵, established under previous IFAD projects and other donor and government programmes, are mainly serving to represent local development interests in the absence of elected local government. The bureaucratic set-up in AJK resembles the structure of other Provinces in Pakistan – the Chief Secretary is head of administration, and 20 departments headed by Secretaries, are responsible for delivery of socio-economic and internal security services.

¹⁵ The CO/VO numbers are highly debatable and different agencies quote different number from a high of over 11,000 by NRSP to over 4,000 by AJKRSP. The Mission noted instances of double and triple counting and therefore proposes a validation of numbers as part of the baseline survey.

15. **Socio-economic and rural context.** Average per capita income in AJK is estimated to be on par with national average of US\$1512 per capita, though according to the Labour Force Survey (LFS), the unemployment rate is 14% compared to the national level of 6%. Agriculture and livestock combined, constitute approximately 30-40% of household incomes in AJK. Small landholdings and under-developed irrigation facilities has limited local agricultural production, and there is considerable dependence on imported food supplies and inputs from neighbouring districts in Pakistan. Consequently, the road network is critical in this mountainous area for market access. Inter and intra village road network is generally under developed affecting access to markets and services. Forests, government employment, livestock and remittances are important sources of supplemental income for households. The region has considerable tourism potential, but the lack of facilities has not allowed the region to develop its full potential.

16. Approximately 88% (or 383,800) of AJK households (averaging 7 persons/ hh) are rural, with very small average arable landholdings (0.9 ha/hh). Household income stemming from crop and livestock is generally not enough to sustain the family, and about 60% of family income is estimated to be derived from sources outside agriculture (wage labour, remittances, etc.). Seasonal migration by males to other parts of Pakistan for employment is quite widespread.

17. Overall, 57% of households in AJK are food-insecure and around 25% of children are underweight. The level of chronic malnutrition (stunting) among children less than five years of age in AJK is 32%, whilst acute malnutrition (wasting) stands at 18%, considerably above the critical level of 15%. Anemia, especially maternal anemia, affects 42% of the population and other deficiencies (including that of Vitamin A) remain very high. Vitamin D deficiency among pregnant women is considered a major public health problem in several areas in AJK. Furthermore, health coverage is mostly inadequate due to the mountainous nature of the area and poor transportation system.

18. **Development planning and financing.** The Planning & Development Department (PDD) is the lead agency for all development planning, formulation of annual development plans and subsequent development funds allocation and implementation monitoring. Whilst national level policies and programmes in the domain of social protection, social development and poverty reduction are also extended to AJK, the development priorities within AJK are largely determined by the Government of AJK (GoAJK) itself, against single line budget entitlements from the Government of Pakistan. Effectively, limited local revenue generation capacity and AJK's political status makes it heavily dependent on financial resources provided by the Government of Pakistan – the AJK State generates less than 7% of its total revenues from local sources. Whilst it's geographical location in high mountainous areas constrains its development potential, AJK is however well endowed with hydrological resources, with considerable potential for hydel power generation and sale of surplus to the national grid. The completion of the Neelum-Jhelum hydropower project and some other medium to large projects in the medium-term promise considerable revenue generation for AJK in the shape of water-use charges and share in net hydel profit.

19. **AJKRSP and Community-driven development.** Under AJKCDP, the process to institutionalize the community-driven development (CDD) approach was initiated, and this included the establishment of the AJKRSP (including a Rs. 250 million government endowment) to be the permanent and sustainable AJK-based RSP for continuous social mobilization support. However, AJKRSP's institutional growth did not follow the designated path and encountered some governance and institutional issues over the last two years. Despite the governance and institutional difficulties at the top management level, AJKRSP did continue field level activities through district and field staff under various donor and government funded rural development projects, mostly in social sectors and an AJK Bank supported on-lending programme.

20. The present government in AJK has shown firm resolve to address AJKRSP's governance and institutional issues to convert it into a truly independent and capacitated organization with an independent Board of Directors, a Chairman of good standing, a competitively selected CEO and a strengthened endowment base. Several actions have already been taken including establishment of

an independent Board, appointment of an interim competent CEO, rationalization of staff, preparation of service rules and manuals etc. At present, AJKRSP has almost a full complement of field staff including 7 Managers at HQ, 10 Sr. Social Organisers in districts, 20 male and female social organisers for the core programme and 72 UC level organisers for the WFP-funded nutrition programme. It is also operating a micro-finance programme worth Rs. 233 million through community credit pools and NRSP transferred funds and a Rs. 500 million on-lending programme financed by AJK Bank. Furthermore, the Government of AJK has provided additional financing of Rs. 30 million to AJKRSP to meet some of its immediate capacity needs. AJKRSP is anticipated to be at full strength in terms of governance, management and outreach by the time of AJKCDP2 start-up. Certain capacity gaps in terms of an automated financial management system, longer-term institutional development technical assistance and equipment and vehicle shortfalls are proposed to be met through programme grant funds which would allow AJKRSP to further strengthen its management capacities and function at full capacity.

21. AJKCDP also helped establish a dedicated Community Development (CD) Section within PDD to be the focal unit for promotion of CDD in AJK and its linkage with government development sources. However, it also never attained full capacity or ability to be an effective advocate for CDD in annual resource allocations. One of the key reasons for this was that the resource allocation guidelines were never amended to create space for, nor recognized, the local institutional entities (COs/VOs/LSOs) as legitimate recipients of government development resources. With the limitations in terms of guidance, services and lack of access to development (financial) resources, these local institutional entities were themselves unable to effectively function and operate as envisaged under the RSP model.

22. *Subsequently, the current programme will build on the above initiatives, and the strong commitment as expressed by the Government to effect the necessary changes for a true institutionalisation of the CDD approach.*

23. **Local Government and Rural Development Department.** Within the Government system, the Local Government and Rural Development Department (LGRD) is the lead agency for elected local government system and delivery of rural infrastructure. 60 per cent of its annual development budget is allocated to implement rural infrastructure schemes identified at village and Union Council level. In the absence of elected Union Councils, these schemes are identified by members of legislative assembly and local notables. The identified schemes are implemented through community elected CBOs (7-9 members with 33% female representation), who also assume responsibility for scheme O&M, and communities are expected to contribute 20 per cent of the scheme cost. Currently there are 427 registered CBOs.

24. Among all GoAJK departments, LGRD has the most extensive grassroots level presence at divisional, district, tehsil, markaz and Union Council level comprising of 119 officers (managers, engineers, accountants and social organizers) and 900 support staff. LGRD has three Divisional Directors, 10 District level Deputy Directors, an Assistant Director at each Tehsil level and 60 Markaz offices each headed by a Project Manager and supported by engineering, social mobilization and accounts staff. LGRD is also the only government department with full time social mobilization staff at Markaz level consisting of both male and female social organizers. LGRD has considerable past experience in implementing donor-funded projects and has fairly well-developed planning, reporting and financial management systems and manuals largely thanks to WB-funded Community Infrastructure Development Project (CIDP)¹⁶. Markaz is an additional tier covering 4/5 Union Councils which no other department has. However, the process and structure of LGRD social mobilization and community institutions is different from that of RSP sponsored COs/VOs. LGRD sponsors CBOs at village level (33% female representation) who elect project committees for each individual scheme.

¹⁶ A well-developed Project Operational Manual exists, which can be readily adapted for AJKCDP2 and covers participatory planning, flow of funds, financial management, reporting, M&E etc.

However, both AJKRSP and LGRD, have indicated that there is significant potential to marry the two processes, for improved synergy and coordination.

25. **Extension and Service Delivery Agencies.** A number of departments provide extension and social services in rural areas through regular annual development budgets. The main agencies include Agriculture Extension & Research, Directorate of Livestock & Dairy Development, Forest and Wildlife Department, Social Welfare Department, Technical & Vocational Training Agency, and the Irrigation Department. Social sector and infrastructure services are provided by Education, Health, and Communication & Works Departments. Whilst Agriculture, Livestock and Forest Department have presence right down to Union Council level, the others have presence down to the Tehsil level. The annual budget allocation of extension service agencies has averaged around Rs. 600 to 700 million each over the last three years. The beneficiary level activities are largely top-down, though coordinated through a District Planning Office as an instrument introduced through AJKCDP for better synergies and responsiveness to needs identified through CDPs. However, during AJKCDP, it was largely project budgets (funds) that were leveraged for CDP needs, and departments own budgets largely remained top-down, an issue that would need to be addressed in AJKCDP2.

26. **Rural Microfinance.** Indebtedness is not an issue in AJK rural areas and microfinance is a rapidly growing and dynamic sector with a number of existing and emerging sources. The Bank of AJK, a state-owned bank established in 2005 through its 65 branches in AJK and a partnership with AJKRSP, has emerged as a major source of micro-finance for individuals and small enterprises. It has a loan portfolio of Rs. 2.7 billion and 400 staff. It provides loans up to Rs. 100,000 with no collateral. NRSP Bank is also operating its microfinance programme in seven districts directly as well as in partnership with LSOs (it handed over its portfolio in 3 districts to AJKRSP). Its 2016 disbursement was Rs. 4 billion, representing 70 per cent of the market and 65 per cent of borrowers¹⁷. AJKRSP is also operating a microfinance programme using funds inherited from NRSP in three districts and community credit revolving funds established under AJKCDP through an open-ended outreach partnership with Bank of AJK. In addition, GoAJK has received a grant of Rs. 750 million from the Punjab Government to initiate an interest-free microfinance programme in partnership with AKHUWAT¹⁸. The programme will be launched in next two months across the State and will primarily target households in poverty band 0-34.

B. Rationale

27. The entry point for AJKCDP2 is to leverage on the commitment of the Government to fully institutionalise a decentralised and bottom-up (local/ community) development process in AJK. The basis for this commitment was laid down by the previous IFAD-funded AJKCDP (2004-2012), which supported the establishment and strengthening of 3,200 COs and 126 LSOs as well as establishment of an AJK-based RSP and a CDD Section in the Planning and Development Department (PDD). AJKCDP2 will further strengthen the institutional and regulatory framework for full integration of COs/VOs/LSOs network into regular government development processes with access to development resources and service 'as a matter of right'.

28. The AJKCDP2 is the next phased intervention, to build on the achievements and lessons of the first phase, and towards the institutionalisation of the recognizably effective community-driven development (CDD) model, embedded within the structure of local government and public sector development. The idea is to institute a change, whereby CDD will evolve from being a largely project or programme-centred initiative, to an approach that is mainstreamed into regular government budgets and rural development planning and implementation (with COs accessing provincial or local development funds). In time and with experience, the mainstreaming and institutionalisation of the CDD approach in AJK, can inform over 200,000 community organizations nationally – i.e. it has significant scaling up potential.

¹⁷ NRSP Credit Programme Brief for AJKCDP2 design mission and Annual NRSP Report

¹⁸ Akhuwat is the largest interest-free microfinance provider, targeting the ultra-poor and poor with total disbursements of Rs. 43 billion and with a current loan portfolio of over Rs. 13 billion with 820,000 active borrowers.

29. Whilst the government's ongoing efforts to fully capacitate AJKRSP appear to be promising and are progressing at a satisfactory level, there is scope to engage NRSP for added support/backstopping in social mobilisation responsibilities, and/ or for technical assistance to provide some mentoring or further capacity building to AJKRSP for an interim period, with AJKRSP taking overall social mobilisation responsibilities in the medium to long-term.

30. As well, today the current structure and regulatory framework of local government in AJK provides opportunities for strengthening the responsiveness and delivery of development services to the rural population and imbedding community driven development in regular development budgets, especially in light of the fact that more than 50% of this population falls within the PSC band of 0-34 (i.e. the very poor, poor and vulnerable). Improving the income and livelihood conditions of this population is a key development challenge for AJK, compounded by small per capita holdings, high incidence of malnutrition and increasing vulnerability to climate change (including changing cropping cycles and water insecurity). Access to markets, employment opportunities for youth and services are also constrained due to road network shortfalls, lack of skills and limited knowledge and awareness.

31. Lessons learned and successes in terms of effective targeting and poverty graduation approaches tested in IFAD-financed and other programmes (e.g. PPAF and NRSP), can now be leveraged and replicated in AJK. Complementing the CDD objectives, opportunities abound to support poor households to graduate out of poverty on a sustainable basis through a strategic approach combining on-farm and off-farm interventions, including asset creation for the very poor and women-headed households and skill and enterprise development for male and female rural youth.

32. The current AJK context also showcases other opportunities that can be captured, including:

- (a) Ownership and good understanding of community driven rural and agriculture development processes within the political and administrative setup and a keen desire to mainstream it into government development agenda on a sustainable basis;
- (b) An excellent base of over 4,000 COs, VOs and LSOs to further pursue and strengthen community driven development with sharper focus on the poorest and women headed household through the NPS targeting;
- (c) An egalitarian and socially coherent society with comparatively high literacy levels, women's participation and keen sense of self-reliance that can be leveraged for a successful participatory development model;
- (d) Opportunities to expand the CDD model to over 800 villages not yet reached, and attain State-wide coverage;
- (e) Location and topographic advantages that are suitable for agricultural diversification towards higher-value crops, off-farm income generation and livestock/poultry production that can be scaled up following a value chain based approach;
- (f) A decent base for community-based savings and credit programmes (initiated under previous projects) that can be fine-tuned and scaled-up across the State with appropriate linkages with micro-finance institutions and additional co-financing sources.

33. Overall, the development challenges of the AJK region and available opportunities to overcome them, are well aligned to the three strategic objectives of the COSOP 2016-2021. Furthermore, as climate change has started to have significant effect on AJK agriculture, AJKCDP2 can mainstream effective strategies, interventions and approaches to address the challenges of climate change.

II. Programme description

A. Programme area and target group

34. **Programme area.** The programme will cover all 10 districts of AJK. The current estimated total population of the target districts is 4.4 million, consisting of approximately 613,846 households. Within 1,771 revenue villages, approximately 4,200 Community Organizations have been established under

various programmes (including two previous IFAD-financed projects). Of the 1,771 villages, around 800 villages have yet to be covered under the CDD approach; these remaining villages in selected priority poorest Union Councils, will be organized into COs, VOs and LSOs under AJKCDP2.

35. **Target group.** IFAD's target group will comprise those households falling within the PSC band range of 0-34, of which there are approximately 326,904 households, and representing over 50% of the population. For new COs, the households falling in the band 0-34 range will be actively engaged to become members of CO from the very start. For existing COs, inclusion in the programme would require that any remaining households falling within the poverty band range and who are not yet included, must be integrated, as a condition for participation in programme activities. Poverty graduation/ asset building activities will be specifically targeted to households in poverty band 0-11; other households in band 12-34 will benefit from programme interventions including skill, vocational and entrepreneurial development training, rural infrastructure, social mobilisation and social welfare interventions (leveraged from other programmes) under the CDD approach and vis-à-vis the local institutional entities (COs, VOs and LSOs), and on-farm and off-farm activities and complementary services rendered by public agencies largely using their annual development allocations from government budgets and responding to beneficiary needs identified in community development plans.

36. **Targeting strategy.** In order to avoid too thin a spread of programme resources, priority will be given to the poorest Union Councils. UCs/LSOs with over 1,000 hhs in the poverty band of 0-34 will be a priority for programme interventions. Even in these priority poorest UCs, infrastructure investments will be prioritised to those COs that are newly created and those COs which previously did not benefit from any infrastructure/ CPI investments under AJKCDP and regular LGRD interventions. The NPS registry will be used for the initial selection of the poorest UCs. Other agriculture and livelihoods development interventions, will be available to all COs, VOs and LSOs that otherwise meet programme inclusion criteria.

37. **Gender and youth strategy.** AJKCDP2 will develop and employ a well-defined gender and youth strategy in all areas of local planning and needs assessment, equitable access to available opportunities under various components, specific women-centred and youth-centred activities for income-generation and employment creation, etc. At least 50% of the COs will be women-only COs while all VOs will be mixed VOs with 50 per cent representation given to women of which at least 40 per cent will be in decision-making positions. LSOs will have at least 30 per cent women representation. Women-headed households and ultra-poor women will be specifically targeted for graduation and asset creation. Women's role will be strengthened in both community and household decision-making. All social sector interventions in particular, will require specific women-centred dialogue and prioritization. Formation of mixed and women's COs will be particularly encouraged in non-covered villages and membership of existing COs will be expanded to bring all women, in particular those in PSC band 0-34, into the CO fold.

38. Whilst the State-level youth strategy and policy is not yet in force, and a youth diagnostic and an assessment of their priority needs and aspirations are not available, AJKCDP2 will make a particular effort to conduct a youth diagnostic, in particular linked to their employment preferences. Subsequently, interventions in skills, vocational and/ or entrepreneurial training, would be the main entry point for engaging the youth, and ensuring that the training corresponds to realistic economic and employment opportunities. Tourism will be a particular area of focus for youth engagement and enterprise development with the dual objective of developing AJK's huge tourism potential and providing decent income generation opportunities for the youth within their own areas.

39. **Inter-district allocation of resources.** AJKCDP2 will have a dual-track approach in terms of distribution of programme resources among the ten districts. 'Soft' interventions will be implemented in all covered eligible UCs/LSOs in equal measure and a LSO/CO access to funding resources will largely depend on their performance in terms of organization, membership, inclusiveness and adherence to other programme stipulated performance and eligibility criteria. As for the allocations under assets for ultra-poor graduation and Community Physical Infrastructure (CPIs), the distribution of resources among the ten districts will be on the basis of a multi-factor criteria involving weighted

average of population (70%), area (10%) and poverty (20%). Table 1 below reflects share of each district in Asset Creation and CPIs.

Table 1: District Share in AJKCDP2

S.No.	District	Share
1	Bagh	9%
2	Bhimber	10%
3	Hattian	7%
4	Haveli	4%
5	Kotli	19%
6	Mirpur	8%
7	Muzaffarabad	16%
8	Neelum	7%
9	Poonch	12%
10	Sudhnoti	7%
	Overall	100%

40. **Allocation amongst LSOs/ UCs within a District.** Equitable allocation within the District, amongst the priority eligible LSOs (with eventual linkage to the UC), and by LSOs amongst COs, will be determined by the District Planning Office/District Coordination Committee for LSOs, and by LSOs for COs respectively. The allocation will be on the basis of performance, relative as well to poverty and need. Each District Planning Office and LSO will notify its resource allocation criteria at the very start of programme activities based on ground realities in their respective areas and consultations with the key stakeholders, including beneficiaries. An upfront criteria for such allocations is not specified at design stage due to considerable geographic, social and access variations within AJK, and considerable information gaps in terms of current status of existing COs and their distribution among districts and UCs, potential for organizing COs in left over areas on the basis of programme's poverty considerations and actual infrastructure needs vis-à-vis each COs development plan and livelihoods development activities identified in that plan. The Baseline report, including 'ground-truthing' by the social mobilisation partner (SMP) on the status of COs/VOs and LSOs will enable the programme to address many of the existing information gaps to arrive at a fair allocation formula. It is also worth noting that as the CO community development plans (CDPs) are elaborated and aggregated to a higher level at LSO-level, there will be an eventual transfer of the consolidated/ aggregated needs to be taken upon by the public sector at the corresponding UC level, for longer-term financing with public sector funds.

41. **Alignment of regular development budgets by Line Agencies/ Departments.** Partner line agencies/ departments including LGRD, Agriculture Extension, Livestock, Forestry and Social Welfare Department will align their regular annual development budgets with the needs identified through community development plans at CO/VO level and consolidated at UC/LSO level. District Planning Offices, with representation from all partner departments, will be the forum to ensure such alignment is undertaken transparently and in a participatory and consultative manner. The budgets thus provisioned from regular government annual development plans will be computed towards government counterpart contribution.

B. Development objective and impact indicators

42. The programme development objective is to improve the livelihoods and incomes of 250,000 rural poor households with the institutionalisation of community-driven development within the government development framework.

43. This will be achieved through supporting capacity development of local institutions (community organizations (COs), village organisations (VOs) and local support organizations (LSOs), AJKRSP (the social mobilization partner) and LGRD to function and implement community-driven development plans in the new development framework, and promoting a conducive and facilitating regulatory and budgetary framework for CDD (in order to finance the communities' identified development priorities, both public goods and private for their improved incomes and livelihoods).

44. Some key figures in terms of AJKCDP2 targets and expected results are the following: (i) 250,000 households will be organized into 10,000 COs, VOs and LSOs and supported to prioritize their development needs through CDPs; within the overall 250,000 hhs to be organized, (ii) 100,000 households (40% of the participating households) in PSC band 0-34 increase their incomes to over Rs. 15,000/ month from current less than Rs. 5,000/ month on a sustainable basis; (iii) a sustainable legal, budgetary, regulatory and social mobilization support framework, institutionalizing the CDD approach is established; (iv) 50,000 households (including 20,000 ultra-poor households in PSC band 0-11) will benefit from a flexible menu of tangible and intangible (training) assets for poverty graduation; and (v) 150,000 households will benefit from priority CPIs leading to improved livelihood well-being (living conditions, health, sanitation, access to water (domestic and productive), etc.) and/ or improved incomes.

45. **Theory of change.** The theory of change of the programme is based on a fundamental premise that building the institutional capacity and structure of local/ community organizations will enable participatory bottom-up planning to more effectively inform development interventions and investments that are relevant and sustainable, and will contribute to and have impact on the livelihoods of the local population. In parallel, mainstreaming and institutionalizing this process into the local government development systems and structure, will support: (i) transparency in the allocation of public funds; (ii) continuity for the availability of funds in a predictable manner for community-articulated needs; and (iii) effective utilisation of funds to meet local context development targets and objectives. The development hypothesis and theory of change is that rural poor households, through their participation and representation in well organized and capacitated community organizations, will benefit (in terms of income, livelihoods, assets and social capital) in a sustained manner from the institutionalisation of the community-driven development process in local government systems, and which will facilitate long-term local economic growth.

46. This approach necessarily requires better organization and capacities of the community organizations, and establishing a transparent and well-structured framework for feeding information and needs upwards to influence decision-making at the level of local government. This will be achieved through strengthening and fine-tuning of the current RSP promoted three tier structure consisting of COs, VOs and LSOs (at Union council level) and linking it up with the local government development planning and resource allocation. The sensitised and properly structured existing and new COs will be enabled to develop their community and household level development plans linked to assured and sufficient sources of funding. COs within the limits of a revenue village will be federated into VOs and all VOs within the limits of a Union Council will form an apex representative institution in the form of an LSO. LSOs will represent the interest and development priorities of its constituent COs/VOs at Union Council and District Development Coordination Forums. A crucial dimension of sustainability will be to formalize linkage of these three tiers of local representation with regular development resources and public services delivery departments and by improving their organizational, managerial and governance capabilities for outreach and provision of services to their local communities. The responsiveness of government development system would be strengthened through appropriate forums at District and State-level for processing and coordination of community articulated needs through community development plans (CDPs) and alignment of annual development plans and resource allocation of concerned government departments with these CDPs.

C. Outcomes/Components

47. **Programme components.** The programme will have three components: (i) Community-driven development (CDD) for Livelihoods Enhancement, primarily focused on capacity development for CDD and investments in private goods for poverty graduation of ultra-poor and poor; (ii) Institutional Strengthening and Public Services Delivery, focused on developing legal and structural underpinning for responsive service delivery and leveraging investments in public goods collectively benefitting rural poor community members and local economy; and (iii) Programme Management. The detailed description of components and sub-components are provided in Appendix 4.

48. The related **expected programme outcomes** are: (i) Improved livelihoods and/ or income-generative capacities of rural poor households with enhanced access to development resources for poverty graduation; (ii) Improved and coordinated public services delivery (aligned with aggregated CDPs; and (iii) Institutionalised CDD in Government rural development framework.

49. Component logic and implementation arrangements follow the two broad intervention streams comprising private goods and public goods. The first stream covered under component 1 involves provision of assets (tangible productive assets and intangible assets in the form of vocational and enterprise training) to support poverty graduation of ultra-poor and poor households, through the proven community-driven development approach. This component will be implemented by the AJKRSP as part of the exit strategy and long-term vision of its independent status and mandate for social mobilisation responsibilities and functions. The second stream is covered by component 2, which builds on the findings and results of the CDD/ social mobilisation process and as articulated by the community development plans (CDP), towards leveraging public funds to finance priority community physical infrastructure (CPIs) and to provide the requisite public services (including extension services) as demanded by rural communities in support of their economic empowerment. To this end, the Local Government and Rural Development Department (LGRD) will be the coordinating and lead implementing body.

Component 1: CDD for Livelihoods Enhancement (US\$ 27.9 million)

50. This component comprises two sub-components – (1.1) Capacity building for CDD; and (1.2) Poverty Graduation.

51. **Sub-Component (1.1) Capacity building for CDD (US\$ 7.5 million).** This sub-component will focus on sensitization, mobilisation, and formation of COs/VOs/LSOs, resulting in the elaboration of the community development plans (CDP); issues and priorities identified through the participatory and consultative process, and key interventions included in the CDPs will be further consolidated at the VO and ultimately, LSO level. Approximately 250,000 rural poor households in PSC band 0-34 will be organized in 10,000 community organizations (COs), with average membership of 25 households per CO. These COs comprise existing and new COs, with the intention that the capacity of the COs will be strengthened in terms of their organizational, management and governance (including accountability, financial reporting and monitoring and evaluation) functions.

52. Through the participatory mobilisation and sensitization process, the underlying 'product deliverable' of the COs, will be the elaboration of their community development plans (CDPs). The review and 'approval' of the CDP, including the budget, will be subject to well-defined criteria and transparency of the review process and programme specified criteria for investments and cut-off limits.

53. These CDPs will in turn, be reviewed and amalgamated to the VO and LSO levels. At the level of the LSO, the consolidated priorities identified in the CDPs will be transferred to the corresponding local government Union Council (UC) structure for further uptake by the public sector, in terms of financing the public goods and services demand and is the basis on which the government (public) agencies and departments will align their annual development plans and budgets upwards to inform District and State level budget planning (see the complementary Component 2, specifically sub-component 2.1).

54. Some key activities to be financed/ promoted/ supported under Sub-Component 1.1 are the following:

- (a) Union Council targeting: the CDDU (PMU) will procure BISP Poverty Data and in consultation with the social mobilisation partner (SMP) and line departments, will select the priority poorest Union Councils in all ten districts; all Union councils with over 1,000 households in poverty band of 0-34 will be selected in initial phase;
- (b) Baseline survey and 'ground-truthing' of existing COs/VOs/LSOs, identification of gaps and establishment of baseline indicators for key programme interventions and outcomes;
- (c) Strengthening of existing (approximately 4,000) Community Organizations and their related Village Organizations and Local Support Organizations (LSOs), including expansion of membership to all 0-34 PSC households living in the physical domain of the community; inclusion of over 60 per cent of the ultra-poor and poor households within the CO coverage area will be a condition for CO's access to programme interventions and services;
- (d) Establishment of an additional 6,000 Community Organizations, Village Organizations and LSOs in the as-yet uncovered poorest Union Councils, with the condition that a minimum of 60 per cent of poorest and poor households in the community are members of the CO;
- (e) Registration of LSOs under relevant laws and regulations and establishment of standardised governance, management and oversight arrangements as well as their formal recognition as "Dehi Councils" under the Local Government Act 1979 to be eligible recipients of specified share of Local Government Annual Development Funds with attendant rules and flow of funds mechanism;
- (f) Updating of Community Development Plans (CDPs) in existing COs in the light of programme approach and interventions and preparation of participatory CDPs in newly established COs as vehicles for programme and government service delivery; the initial CDPs will be developed in close collaboration between the SMP and line departments; subsequently, detailed plans for private goods/asset creation will be developed by the SMP;
- (g) Training and capacity building of COs, VO and LSOs by the SMP to enable them to perform their assigned tasks effectively;
- (h) Technical assistance for capacity building of AJKRSP as the SMP – this includes in areas of management, financial management, M&E and other technical areas¹⁹; and
- (i) Operational costs of social mobilisation (with SMP co-financing from own sources).

55. **Sub-Component (1.2) Poverty graduation (USD 20.4 million).** With the formation of COs, and verification of the households falling within PSC band 0-11 (the ultra-poor), Sub-Component 1.2 will pursue a poverty graduation approach, in line with an overall national strategy to promote the poverty graduation approach *successfully tested* by IFAD, PPAF and other partners in Pakistan (poverty graduation scaled up at a national level is being promoted under the IFAD-financed National Poverty Graduation Programme). Under the graduation approach, the programme will provide a flexible menu of assets, both tangible and intangible (e.g. productive physical assets or skills/ vocational/ technical training) to 20,000 ultra-poor households; among ultra-poor, women and women-headed households will be the primary target group. A further 30,000 very poor and poor households

¹⁹ To ensure programme implementation readiness, a phased approach could be adopted; whilst AJKRSP will be engaged under an MOA to implement this component, there may be provision to leverage the NRSP experience and capacity for an interim period to provide additional back-stopping, mentoring or capacity building support to AJKRSP. The arrangement would be reviewed during the MTR. In terms of AJKRSP, see Appendix4, Annex 1 for an extract of the AJKRSP capacity building plan.

(PSC band 12-34) will also benefit from a package of vocational, technical or enterprise development training for one household member.

56. The identification of appropriate assets matching individual ultra-poor household needs and capabilities, and market demand, procurement and delivery of assets in a participatory and transparent manner, will be the responsibility of social mobilization partner with technical expertise and advice provided by relevant government agencies.

57. Under the proposed programme, 20,000 households in PSC band 0-11 in the selected Union Councils, and that have demonstrated some potential for employment or entrepreneurial competencies, will be provided with a package (average amount of US\$ 467) that consists of a combination of assets along with the relevant skillset training (asset management training) to utilize the asset transferred. Intangible assets comprising technical, vocational and/ or enterprise development trainings for which job placement or self-employment opportunities (especially targeted at the youth) have already been identified through the market research during the Baseline study, are intended for a further 30,000 households in PSC band 12-34 (represented by one member of the household). In order to further facilitate these individuals and ensure the sustainability of the programme after the project period, systematic handholding will be offered for linking up households and communities to markets, value-chains, and employment opportunities. Trained individuals will also be linked up with sources of micro-finance to employ their training for income generation (e.g. Prime Minister Interest Free Loan, Bank of AJK, NRSP Bank, Khushali Bank, etc.). Over the medium-term, the package is anticipated to enable the ultra-poor and poor to attain the score of 34 and above on sustainable basis, whereby they can become eligible to access formal credit services for further development.

58. The programme will support the delivery of these services through existing institutions, such as TEVTA and its 159 centers in AJK, technical training centres in adjacent areas of Pakistan and in partnership with relevant government departments (e.g. Agriculture, livestock and social welfare). However, the key will be to ensure that i) the supply of training is aligned with market demand; ii) that all training are delivered in appropriately accredited courses and centers; and iii) entrepreneurship is encouraged through support for the creation of business, linked with access to finance.

59. AJKRSP will leverage its existing microfinance funds and partnerships, as well as develop new partnerships with existing and upcoming micro-finance programme (e.g. Akhuwat), to meet the microfinance needs of promoted trainings and enterprises. A cadre of micro-finance outreach agents will be developed/promoted from among LSOs to address the current outreach limitation of existing micro-finance purveyors in AJK.

60. Over the medium to long-term, and as both the community population and social mobilisation partner evolve, the social mobilisation partner (AJKRSP) will increasingly take upon a business facilitation role, providing follow-up support, providing mentoring in developing business plans, and linking/ facilitating households with other microfinance sources for start-up capital or working capital for their productive activities.

Component 2: Institutional Strengthening and Public Services Delivery (US\$ 70.1 million)

61. This component comprises two sub-components – (2.1) Capacity Building and Public Services Delivery; and (2.2) Community Physical Infrastructure.

62. **Sub-Component (2.1) Capacity building and Public Services Delivery (US\$ 31.7 million).** This sub-component will support the capacity development and institutional strengthening of the relevant public sector agencies and departments with responsibilities vis-a-vis rural sector development, with the view to ensure long-term sustainable, regular, timely and transparent allocation and utilisation of Government resources (financial and human resources) to respond to the demand and development needs of rural communities, including their evolving economic circumstances, and as articulated in the CDPs – i.e. this will take the form of public goods and services to rural communities. As longer-term economic priorities are identified by the CDPs and aggregated to LSO

level by the social mobilisation partner, this will be subsequently transmitted to local government at the corresponding Union Council level for public sector uptake. From UC level, priority public development needs (including goods such as infrastructure and services) will be promoted upwards within the local government framework through Markaz/ Tehsil and District levels, and finally to the State level. LGRD will aggregate the emerging needs, and coordinate the relevant public agencies (e.g. Agriculture Extension, Livestock Directorate, Forest & Fisheries Department, Social Welfare, Women & Youth Departments) to plan their annual development budgets to provide the required services to rural communities. Whilst the specific needs will emerge from the CDD process, some areas of services that could be pursued may include diversification of production, value addition, off-farm activities, etc.

63. In addition, within the public services delivery structure, a particular focus on climate change awareness and resilience will be addressed through extension messages for awareness and coping strategies, identification of cropping cycles and crops more resilient to change, demonstration of such crops and training and access to inputs for such crops through the relevant line departments/ public agencies.

64. The sub-component, together with sub-component 2.2 and component 3 will also support capacity building of AJK Government and its service delivery departments to mainstream CDD in its development framework. This will include technical assistance for legal and regulatory reform (LGRD Act, PDD Budget Guidelines and Manual, LGRD “Dastoor ul Amal”, etc.). Longer-term technical assistance (TA) will be provisioned to establish effective computerised financial management system including extension of SAP system down to Markaz level and M&E systems within District Planning Offices, LGRD and extension services. Required training in participatory bottom-up planning and participatory implementation as well as new regulations will be arranged for all relevant agencies. Additional support will be provided to LGRD to address its mobility and communication constraints at the field level. All capacity building interventions will be financed through the IFAD grant. An extract of the capacity building plans and provisions are detailed in Appendix 4, Annex 1.

65. The sub-component is designed in a manner to facilitate institutionalization of CDD in extension service budgeting and delivery. The key element is its twin stream of financing. The first source will be IFAD funds, primarily to kick-start activities; the second and more significant source will be funds made available through alignment of public agencies/ line departments Annual Development Plan budgets with CDP identified needs. These funds will be distributed among districts as per programme specified allocation criteria and District Planning Office and District Development Coordination Committees will determine their further allocation to CDPs of each LSO/ UC. Concerned Secretaries of the Departments will administer both IFAD and ADP funds and will be responsible for the performance and outcomes under this sub-component. The mechanism is expected to establish an institutionalized mechanism for bottom-up and responsive planning and implementation for extension services. For programme estimation purposes, the 2016-17 budgets of the four key agencies have been taken as baseline and escalated for programme period as per historic annual growth in ADP allocations. It has been further assumed that a percentage of this annual allocation would be allocated to AJKCDP2 supported CDPs starting with 10% in year one and growing to around 40% by programme end. As per this estimation, the first year combined allocation of all four agencies²⁰ to CDP identified needs will be Rs. 160 million growing to around Rs. one billion by programme end. The total ADP-based investments in the sub-component will be treated as Government counterpart contribution.

66. The longer-term perspective, is that as rural communities evolve, their economic empowerment needs too will evolve, and which requires the public sector to be able to mobilise itself to meet these emerging needs, mostly related to on-farm and off-farm activities, including improved commercialisation in the agricultural and/ or livestock sector.

²⁰ 2017-18 Development Budget for key rural extension agencies (in millions) is the following: Agriculture & Livestock (Rs. 490, Forestry & Fisheries (Rs. 550), Social Welfare (Rs. 100), Youth, Women, Tourism etc. (450) ; the LGRD budget is Rs. 2 billion.

67. **Sub-Component (2.2) Community Physical Infrastructure (US\$ 38.4 million).** This sub-component will specifically, focus on leveraging investment funds to meet the priority public infrastructure for rural communities identified within the CDPs – i.e. community physical infrastructure (CPIs). Through the CPIs, approximately 150,000 households are expected to directly benefit, with LGRD directly coordinating and implementing the Sub-Component. Whilst communities will be expected to contribute to 20 per cent of the infrastructure scheme cost, the ultra-poor (PSC 0-11) will be exempt from such contribution. CPIs may take the form of rural access roads, irrigation schemes, or other social infrastructure schemes such as drinking water supply.

68. In close coordination with the SMP, LGRD, through its District and Markaz-level engineering and social mobilization staff, will be the lead agency for implementation. LGRD will make an amendment in the existing Local Government Act and “Dastoor ul Amal” to recognise COs at par with CBOs and will operate through programme sponsored COs. COs will be primarily responsible for the implementation, through elected project committees for specific schemes. Design, cost estimation, technical appraisal and implementation supervision and completion certification will be the responsibility of LGRD on the pattern already successfully trialed under the first phase AJKCDP. The implementing technical department will be paid a lump sum 8 per cent of scheme cost for its overheads and operational expenses. LGRD may engage other specialized departments for specific schemes like irrigation infrastructure on the same terms and conditions.

69. The component will be financed mainly from two sources, apart from the 20 per cent mandatory community contribution in each scheme (with PSC 0-11 households exempted). The first source of financing will from IFAD loan funds, though the more significant share of the resources stems directly from the public sector through the annual development budget. It is expected that 60 per cent of the ADP funds will be allocated for the development schemes of Union Councils. LGRD will allocate around 20 per cent of budget allocated for Union Council development schemes to Union Councils covered by the programme to finance schemes identified through the consolidated/ aggregated CDPs. LGRD and PDD will develop the necessary guidelines and regulations for allocation and utilization of these funds through the CDD process. For project estimation purposes, the 2017-18 LGRD allocation of Rs. 2 billion is taken as a base and escalated as per historic growth norms in ADP allocations (rising to Rs. 3.6 billion by programme end). These are conservative estimates and the actual financing may be more. Based on this projection, total LGRD financing of CPIs will be around Rs. 1.8 billion or US\$ 18 million which will be treated as Government of AJK counterpart contribution. Distribution of this allocation among districts will be as per programme criteria for district shares. Within each district, the District Development Coordination Committee will allocate the available funds, to individual COs/VOs/LSOs.

70. Allocation of infrastructure schemes will be first prioritised to those existing COs/VOs that have not benefitted from such schemes under the first phase AJKCDP and that are located in the 60 per cent poorest Union Councils. To the possible extent, schemes will be preferred that benefit more than one CO in the same village. Flow of funds for scheme implementation will follow the already well-established system of inspection and certification-linked releases to the CO in three tranches. LGRD's existing Manual developed under WB-funded CIDP will be updated to guide the implementation, flow of funds and financial management process. A joint Bank account, operated by LGRD and an LSO nominee, shall be used for the transfer and management of funds.

71. The schemes specified in this document, are indicative only, tentatively based on needs identified during the course of the design mission. Actual type and numbers for each type may vary, based on priorities identified in CDPs. However, these priorities shall be examined in the light of project criteria for overall cost limits and per beneficiary costs to ensure equitable allocation of resources to each LSO and CO. The investments will cover both economic/ productive and social infrastructure. Climate change resilience will be ensured in scheme siting and design specifications.

72. *Economic infrastructure* will cover various types of transportation infrastructure (upgrading of fair-weather roads, new metalled roads, culverts and small bridges, concrete inter and intra-village

foot-paths etc.) and irrigation infrastructure (irrigation diversion structures, channels, tube-wells, lift-irrigation schemes, rain storage ponds, communal storage for vegetable gardening etc.).

Roads and Rural Access

S. No	Infrastructure Type	Unit	Quantity	O&M responsibility
1.1	Upgrading of fair weather roads	km	100	LGRD
1.2	New roads (metalled)	km	25	LGRD
1.3	Foot bridge / pathway	No.	20	CO
1.4	Concrete / PCC Link Roads	No.	200	CO/VO
1.5	Trail Path/ Foot (bridal) Steps	No.	200	CO
1.6	Culverts / super passage / others etc.	No.	50	CO

Note: Quantities and numbers are indicative only - All CPIs would be identified and prioritized by communities

73. Irrigation and agriculture water security related infrastructure will contain schemes reflected in following table:

Irrigation and Water Harvesting

S. No	Irrigation & water Harvesting Schemes	Unit	Quantity	O&M responsibility
2.1	Water Channel (improvement and Rehabilitation)	No.	100	WUA
2.2	Watercourse lining	No.	40	WUA
2.3	Tube well	No.	15	WUA
2.4	Lift irrigation schemes	No.	30	WUA
2.5	Water Tanks	No.	100	WUA/CO
3	Flood Protection works	No.	80	CO
4	Water Storage/Rain Water Harvesting for Women	No.	200	Household

Note: Quantities and numbers are indicative only - All CPIs would be identified and prioritized by communities

74. Social infrastructure will include drinking water supplies, household rainwater harvesting, renewable energy solutions (biogas, micro-hydel and solar systems).

Social Infrastructure by Type & Quantities

S. No	Infrastructure Type	Unit	Quantity	O&M responsibility
1	Drinking water Supply	No.	600	CO
2	Rain water harvesting	No.	200	CO
3	Street pavement / drainage	No.	150	CO
4	Renewable Energy Solutions			CO
4.1	Mini / micro hydro	No.	10	CO
4.2	Biogas	No.	20	Household
4.3	Solar home system	No.	100	Household

Note: Quantities and number are indicative only - All CPIs would be identified and prioritized by communities

75. Cost Estimates and quality standard. Each infrastructure scheme would adhere to standard engineering norms and would accordingly be designed as per respective departments' (LGRD/ Irrigation Department) standard specifications. Further, each design would be made climate-smart, offering adequate resilience against climatic variability. This would be achieved through adapting appropriate measures (proper siting, using richer specifications; higher supporting

foundation/platforms for critical sections etc.). Cost estimates would be prepared on the basis of most recent published AJK composite schedule of rates (CSR).

76. *Community Contribution.* Communities will be expected to contribute 20 per cent of the scheme cost, as per existing practice and norm in all community driven development project. The ultra-poor and poor (0-18 PSC) shall be exempt from such contribution and will have a priority right on all wage-labour opportunities generated during the construction. Post completion O&M will be the responsibility of beneficiary communities through selection of a maintenance group/ individual, agreement on monthly user fees, system for management and use of collected fees and appropriate training by the project for such groups/ individuals. Furthermore, the already existing Manual developed under the previous WB-funded AJK Community Infrastructure Services Project (CISP) will be updated for AJKCDP2, to guide implementation, including maintenance (O&M) during and post-project, flow of funds and financial management process.

77. A *phasing* of schemes will follow the phasing/ development and maturity of the COs/VOs and LSOs. All IFAD funded schemes shall in any case be completed by Project Year 3 to allow for consolidation and post-completion O&M arrangements. LGRD funded schemes shall continue to be implemented during PY-6 and beyond as part of an institutionalized arrangement.

78. A *Social Mobilization Audit* will be carried out through an independent consultant twice before the mid-term review (MTR) to ensure that the LGRD process and approach is consistent with programme objectives and remains fair and transparent.

Programme management (US\$ 9.8 million)

79. Overall programme management will be delegated to a programme management unit to be set up to become a permanent feature/ unit within the structure of the Planning and Development Department (PDD) of AJK, and named the CDD Unit (CDDU). The rationale behind this, is to have in place a champion tasked to establish over the long-term, a conducive and facilitating space, institutional framework and policy environment for integrating CDD in local government development planning and processes. Legal, regulatory, budgetary and inter/ intra-agency coordination aspects will be covered.

80. Under the programme, technical assistance is provisioned across a broad spectrum, to ensure that AJKRSP, LGRD and the CDDU have the capacity to deliver on the institutional development aspects, including preparing and follow-up on legal and regulatory reforms required. Amongst others, the technical assistance may relate to the following: (i) framing of rules and regulations for allocation and disbursement of Local Government Development funds to COs/VOs/LSOs development plans; (ii) framing of revised PDD guidelines for bottom-up preparation of line department budgets on the basis of CDPs consolidated at LSO/ UC levels and received by District Planning Officers, including constitution of District Development Coordination Committees and their SOPs; (iii) strategy and actions to substitute programme financing with government financing by the end of programme period; (iv) legal and regulatory framework for decentralisation, integrating the local institutions (COs, VOs, and LSOs) within the local government structure; mechanisms and tools required to *operationalize* decentralisation.

81. The technical assistance for capacity building will be provisioned for two aspects; legal and regulatory revisions and development to support CDD and capacity building of AJKRSP and government agencies, in particular LGRD, to effectively operationalize the CDD approach. Project activities and interventions during the start-up phase are designed in a manner that their implementation is not linked in any manner to progress on capacity building aspects. Both will continue in parallel and the TA and capacity building will contribute to programme's sustainability and exit strategy aspects. While TA/capacity building aspects are budgeted under individual components, CDDU will be the lead agency to guide the activities in this regard including finalizing of TORs for TA, engagement of competent entities and oversight of progress. The main recipients, interventions and process will be as follows:

- (a) *LGRD*. TA and capacity building will focus on the legal and regulatory framework, human resource capacity building and physical capacity building. Main activities and phasing will be:
- (i) Legal & regulatory framework. Short term TA will be engaged in the first year through a competitive process by LGRD, against the TOR approved by CDDU, to assist in revision and updating of Local Government Act 1990 to provide for legal recognition of three tier CO/VO/LSO structure. Following this, TA will be engaged to update the LGRD Operational Manual to guide the process and procedure for CO/VO/LSO engagement and implementation. Other TA will be engaged to establish IT-based financial management and reporting system down to lowest spending unit and establish standards and quality checks for rural infrastructure.
 - (ii) Support will be provided to LGRD for establishment of a dedicated CDD Unit within department at state level as head of social mobilization establishment of LGRD at district and Markaz level and effectively coordinate community related development aspects with AJKRSP and other line departments.
 - (iii) Capacity building support will also be provisioned for procurement of computing and networking equipment for districts and field level, survey equipment and vehicles and motorcycles for the field units for effective management and monitoring of CPI identification and implementation.
 - (iv) Training for LGRD staff at all levels for CDD approach, programme orientation and implementation, IT-based financial management and M&E.
- (b) *AJKRSP*. AJKRSP will be supported through appropriate TA to assist in its governance and institutional development as well establishment of IT based financial management system for effective management of financial resources and monitoring of field activities. AJKRSP will be encouraged to engage this TA with P&D support prior to programme start-up and the expenditure will be eligible for retroactive financing through IFAD Grant. AJKRSP will also be assisted in strengthening of its physical capacities through provision of IT equipment, furniture and fixtures for its district offices and vehicles and motorcycles for field level mobility. Incremental staff will be recruited for district and field levels against regular programme costs provisioned for CO/VO formation
- (c) *Line Departments*. Some essential capacity building support will be provided to Agriculture Extension & Research (in shape of equipment) and Livestock Directorate (strengthening of cold chain for artificial insemination) to enable them to deliver the potential extension services identified during design in an effective manner. Staff of two departments and others will be provided training in community based extension approaches as well as small-holder based production and value chain development.
- (d) *PDD*. Technical Assistance will be provided to P&D to update its budget manual and budget preparation guidelines so as to enable the line departments and LGRD to align their annual development plans with the needs identified at CO level through Community Development Plans. The TA will also assist P&D in effective tracking and monitoring of allocations made against CDPs and their utilization. The TOR for such assistance will be prepared by PDD with assistance from CDDU and CDDU will monitor the progress of such TA and report to the ACS (D)²¹.

82. In complement, the programme will also support the establishment of permanent District Planning Offices to coordinate and integrate priority CDP-identified needs with the annual district development plans of government line departments – especially those departments/ agencies dealing with social, rural development and production sectors.

²¹ See Appendix 4, Annex 1 for TA and Capacity Building detail

83. In terms of day-to-day programme management responsibilities, the CDDU, headed by a Director General, will be responsible for overall planning, coordination, M&E, knowledge management financial management and reporting functions, and will have in place the capacity to carry out these responsibilities. Regarding consultations and steering committees, a State-level Steering Committee will be established, headed by the Additional Chief Secretary of Development, with the Director General of the CDDU acting as the Secretary to the Steering Committee. At the district level and linked to the District Planning Office, a District Development Coordination Committee will be established for implementation coordination and monitoring, with membership from all implementing agencies and social mobilisation staff.

D. Lessons learned and adherence to IFAD policies and the SECAP

84. A Number of relevant lessons are available from previous IFAD interventions in AJK and Pakistan to guide the design for AJKCDP2. These lessons include:

- (i) The BISP poverty scorecard, which is currently being updated, allows effective targeting of the most vulnerable people;
- (ii) Investments in agricultural development alone do not necessarily benefit the very poor and landless people. A flexible menu of customized interventions is needed to benefit the very poor, landless and women headed households, especially with the huge diversity observed in Pakistan;
- (iii) Market/ demand driven vocational and entrepreneurship training, combined with start-up capital support activities, are key to boosting employment opportunities for the rural poor and youth
- (iv) Investments in pro-poor rural infrastructure is necessary for improved access to social and economic services and support value chain development;
- (v) Role of community organizations in rural development need to be institutionalized as part of the third-tier decentralization process, with formal linkages to government budget systems to ensure the sustainability of COs and investments made through them;
- (vi) Strengthening the resilience of poor rural people to climate change has to be systematically integrated, in collaboration with development partners, to minimize investment risk at the household level;
- (vii) Nutrition is a complex issue and requires a mainstreamed approach, undertaken in partnership with specialized institutions; and
- (viii) Institutional arrangements should be simple and efficient including direct contracting with specialized non-governmental institutions.

85. **Impact of relevant approaches and past interventions.** IFAD and the PPAF successfully piloted the BRAC graduation model for 3,000 households under the SSN-TUP in 2007, providing each poor household a flexible package of productive assets, skills enhancement, a subsistence allowance, and access to health services and community savings and credit. Evaluation of programme demonstrated that income of households increased by 178 per cent and assets by 198 per cent over the period 2008-2012, compared with 41 per cent and 90 per cent for a control group (non-beneficiaries). The on-going Southern Punjab Poverty Alleviation Project and Gwadar-Lasbela Livelihoods Support Project also demonstrate tangible and sustainable results in upgrading extremely, chronically and transitorily poor people in band 0-23.

86. The IFAD-financed AJKCDP, which closed in 2013, has been internalized by the Government of AJK, particularly the model of strengthening the role and capabilities of community organizations as part of a sustainable decentralized approach to local development. More than 60 per cent of the community organizations established or supported were able to achieve a level of maturity likely to guarantee their sustainability over the long term and serve as key entry points in community

development planning and implementation. CO support system has been further enhanced through establishment of 127 LSOs at Union council level which are providing a critical leadership, institutional monitoring and support link between COs, VO and RSPs and government line departments. Many LSOs are also operating successful micro-finance on-lending programmes for the CO members on behalf of RSPs and other microfinance institutions.

87. With four IFAD projects containing elements of poverty graduation in Pakistan, and targeting of households informed by the BISP poverty score-card, the proposed programme will further create opportunities for sustained policy dialogue with the national and provincial governments on mainstreaming and scaling up of poverty graduation approaches in national policies and programmes. Whilst the National Poverty Graduation Programme (NPGP) will have a national focus covering 10 poorest districts in all provinces including AJK, AJKCDP and other IFAD projects have had a provincial focus. Note further, that NPGP will be implemented in close coordination with provincial projects wherever there is an overlap in target districts. These projects also create opportunities to link up beneficiaries with government programmes like the Prime Minister’s Interest Free Loan Scheme (PMIFL) for youth and other skill development and income generating programmes. The alignment of AJKCDP2 and other IFAD funded projects with government pro-poor programmes is illustrated in the following matrix:

Poverty Graduation Alignment within the IFAD Portfolio in Pakistan

PSC	Government Pro-poor Interventions	AJKCDP2	SPPAP	ETI	NPGP
0-100	Community Development/ Rural Infrastructure (public goods)	Yes	Yes	Yes	No
0-100	COs/VOs Institution Building (Public Goods)	Yes	Yes	Yes	Yes
0-11	Asset Creation (Private Goods)	Yes	Yes	No	Yes
12-24	Vocational and Technical Skills (Private Goods)	Yes	Yes	No	Yes
25-34	Prime Minister’s Interest Free Loans (private goods)	Linkage	Linkage	Linkage	Linkage
>34	Micro-finance and Bank loans	Linkage	Linkage	Linkage	Linkage

88. **Adherence to IFAD Policies.** The AJKCDP2 design is in line with the IFAD Strategic Framework objectives 1, 2 and 3 (“increase poor rural people’s productive capacities”, “increase poor rural people’s benefits from market participation” and “strengthen the environmental sustainability and climate resilience of poor rural people’s economic activities”). The programme is also aligned with the Pakistan COSOP (2016-21) strategic objectives 1, 2 and 3, related to ‘Promoting poor rural households economic transformation by expansion and scaling up of poverty graduation approaches’, ‘Policy and institutional strengthening for community-led development’, and ‘Building resilience for sustainable nutrition and food security’.

89. The programme is also responsive to relevant IFAD policies on environment and natural resource management, gender equality and women empowerment, as well as with the strategies on rural finance, private sector/4Ps and climate change. AJKCDP2 approach and interventions will also focus on two areas of strategic importance to IFAD i.e. nutrition, which will be mainstreamed in programme’s participatory approach and community based plans and through specific activities, and Scaling-up. The programme will expand the CDD to hitherto uncovered villages in AJK, would scale-up the successful poverty graduation approaches tested in SPPAP and under PPAF poverty graduation programmes and formalize CDD into government institutions and systems in AJK to become a model for adoption in other provinces.

90. Fundamentally, AJKCDP2 is also aligned with Government policies on poverty reduction and agriculture and rural development as well as Sustainable Development Goals. The programme objectives and interventions directly contribute to SDG 1 (end poverty in all its forms everywhere), SDG 2 (end hunger, achieve food security and improved nutrition and promote sustainable agriculture), SDG 5 (achieve gender equality and empower all women and girls), SDG 6 (ensure availability and sustainable management of water and sanitation for all) and SDG 13 (take urgent action to combat climate change and its impacts).

91. **SECAP.** AJK, like rest of Pakistan, is vulnerable to climate change induced phenomenon and environmental hazards which pose several risks for smallholder agriculture and rural livelihoods. As part of the RB-COSOP formulation process in Pakistan, IFAD prepared an Environmental and Climate Change Assessment (ECCA). The study provides a strong analytical underpinning to ensure environmental and social sustainability in IFAD's country programme. The results of the ECCA provide a suitable guideline for mitigation measures and improved climate change resilience for the beneficiary communities under AJKCDP2. ECCA identifies three priority climate change adaptation actions: i) decentralization of climate change knowledge through the community development plans; ii) adoption of climate change resilience policies from Federal level to Provincial level; and iii) collaboration among the UN Rome-Based Agencies.

92. In terms of climate change, water security for domestic and agriculture purpose, has emerged as a major challenge in AJK. Other major challenges include adoption to changing weather patterns affecting traditional crops and cropping cycles in rain-fed agricultural areas. AJKCDP2, through State Level Steering Committee, will engage with State Government at the policy and strategy level to address these challenges through adoption of appropriate state policies and strategies. At implementation level, Community Development Plans (CDPs) will be used as a primary tool to raise awareness about climate change risks and coping strategies, make available resources to address the risks identified in the CDPs including improved water security and adoption of new crops and cropping cycles resilient to climate change phenomenon. Capacity of technical departments, in collaboration with RBAs, will be enhanced to develop and disseminate new crop varieties and production technologies. NRM activities will have a special focus on climate smart agriculture and environment protection including forest resource and sustainable pasture management. Community infrastructure will create awareness and opportunities for climate smart infrastructure, water conservation and harvesting for improved water security and innovative energy solutions for reduced pressure on natural resources.

III. Programme implementation

A. Approach

93. The AJKCDP2, builds on the results, lessons and foundations established by AJKCDP in promoting the CDD approach as a mechanism for rural development and poverty alleviation. The national policy direction for decentralised government reinforces the importance of ensuring the institutionalisation of the CDD approach within the framework and structure of Local Government development framework.

94. The programme implementation approach will be guided by its exit strategy from the very start with a view that programme related CDD planning and implementation approach is fully imbedded in the AJK government planning and local development systems by end of programme. The aim to institutionalize the CDD approach in government system irrespective of shape and structure of community based forums (they may be RSP sponsored COs/VOs/LSOs or LGRD sponsored CBOs). This would be achieved through introduction of required legal, regulatory and budgetary adjustments from the very start and further fine-tuned and adjusted on the basis of experience over the implementation period. The key actions will be: (i) according formal recognition to LSOs as Dehi Councils in terms of Local Government Act 1979 and allocation of 20 per cent specified share of local government development budget along with required rules and flow of funds mechanism; (ii) ensuring

independence, autonomy and financial sustainability of social mobilization service provider; (iii) developing and implementing systems and processes for alignment of LGRD and line department's budgets with the needs expressed in CDPs and establishing a permanent coordination mechanism at district level for such alignment, and (iv) supporting LSOs to become capacitated grassroots support organizations for VOs and COs and an important link between community organizations and formal government systems including elected local government system (as and when it materialises).

95. It is understood that institutionalisation of CDD would require time for developing required legal and administrative systems and confirmed buy-in and commitment of both the public sector and the rural population. The programme, therefore, will have a clearly defined roadmap and milestones phased over the programme period with a stock-taking opportunity during mid-term review for further course-correction, if required. The achievement of trigger indicators and targets at mid-term, will inform and signal the extent of adjustments to be made, and which are required to enter into the second-phase of the programme. The programme phasing is indicated below:

	AJKCDP (past)	AJKCDP2 – Pre-MTR	AJKCDP2 – Post-MTR
Status and level of CDD institutionalisation	Introduction of the CDD approach and formation of 3200 COs	Revitalisation and full coverage of COs (10,000 COs in total)	Institutionalisation of COs integrated into decentralised structure of CO-VO-LSOs and linked to regular government development resources
Implementation arrangement	<ul style="list-style-type: none"> • PMU implemented social mobilization • Initiation of AJKRSP 	<ul style="list-style-type: none"> • Reform and strengthening of AJKRSP capacities for implementation • Interim backstopping support of NRSP as/ if required • LGRD coordination for alignment and responsiveness of public sector development and services budget 	<ul style="list-style-type: none"> • AJKRSP in-charge of all social mobilization aspects of CDD in AJK with a credible and autonomous governance structure • LGRD coordination for alignment and responsiveness of public sector development and services budget
Decentralisation and institutionalisation processes	Introduction of CDD – basic foundations and principles – but project specific and not internalized in government systems	<ul style="list-style-type: none"> • Set-up of the decentralisation framework – establish laws, regulations, CO-VO-LSO structure • Share of local government funding for LSO Dev Plans • Alignment of line agencies district and State Budgets with CDPs 	<ul style="list-style-type: none"> • Full alignment of all rural service delivery agencies budgets with the CDPs • AJKCDP2 promoted CDD financing and procedures are fully internalized in decentralized local development systems of AJK

96. **Innovation.** There are several innovative aspects which the programme will attempt to introduce and promote as follows:

- (i) Mainstreaming and formal recognition of community driven development into government's decentralized local government and rural development framework;
- (ii) Tailored interventions for each segment of the poor – ultra-poor, very-poor and poor/vulnerable to enable them to escape poverty sustainably;
- (iii) Innovative water security solutions for agriculture and domestic use to counter the uncertainties induced by climate change.

97. **Scaling-up.** The innovative approach to mainstreaming community driven development in formal public sector local government and rural development framework is very promising for scaling-up in the country and region. There are currently over 200,000 COs, VOs and LSOs that remain

dependent on RSPs or projects to meet their assessed development needs and are not formally recognized as eligible recipients of regular government development budgets. AJKCDP2 will develop systems, procedures and legal framework to break this glass-ceiling. This will open up immense opportunities for the government (including provincial government) and COs.

98. The future scaling up strategy should be based on:

- (i) Robust Impact Assessments of the adopted systems and processes to learn what works and what doesn't and how to do it better;
- (ii) Dissemination of the results of approach through creation of regular appropriate forums at regional and national level involving government, other funding agencies and civil society/NGOs;
- (iii) IFAD's role would be to facilitate, through dissemination, dialogue and adoption, the scaling-up of successful innovations within the country, region and elsewhere.

B. Organizational framework

99. **Economic Affairs Division.** At the federal level, the Economic Affairs Division will be the main coordinating agency for IFAD financing on behalf of the borrower and facilitate subsequent programme supervision and trouble-shooting. The Joint Secretary (WB, ADB and UN) will be the main focal person.

100. **AJKCDP2 Steering Committee.** A Steering Committee for AJKCDP2, chaired by the Additional Chief Secretary (Development), will be responsible for all strategic, policy, programme planning and management-related aspects. Members of the Steering Committee would include:

- (i) Government – State Secretaries of Agriculture and Livestock Department, Finance Department, Women's Development, Local Government and Rural Development, Environment Department, and Social Welfare Department;
- (ii) Non-Government – Social Mobilization Partner; Microfinance/ financial sector representatives
- (iii) Beneficiaries – Two representatives from each Division (total 6) elected by LSOs in respective divisions, half of which would be women.

101. **Lead Executing Agency.** The Planning and Development Department (PDD), Government of AJK will be the lead executing agency through an autonomous Community Driven Development Unit. Component 1, covering social mobilization, community need identification and planning, and identification of ultra-poor and poor for poverty graduation interventions (private goods) will be implemented by the social mobilization partner. LGRD will be the lead implementing agency for Component 2 along with other relevant government agriculture extension and social development departments. Inputs and activities of all agencies will be coordinated at District level by a District Planning Office and at State level by the Community Driven Development Unit in PDD.

102. **Programme implementation**²². A State-level Community Driven Development Unit (CDDU), under a competitively selected Director General, will be responsible for effective and efficient programme planning, coordination and delivery. CDDU will be a permanent presence in P&D to remain as focal agency and coordinator for decentralized and community driven development beyond programme life. The main technical staff of CDDU will include a Director Administration & Finance/Deputy DG, a Deputy Director M&E & Knowledge Management, a Deputy Director, Gender, Poverty and Nutrition, an Assistant Director Procurement, an Assistant Director Internal Audit and an Assistant Director, Media and Communication and necessary complement of support staff. ALL CDDU positions will be filled on competitive basis and will be eligible for market-based salaries. Selection will

²² An organizational chart of the project is attached in Appendix 5, Annex 1. TORs for the key project staff are attached in Appendix 5, Annex 2.

be finalized in consultation with IFAD Country Office (ICO) and, once selected, the Director General and other professional staff will complete at least three years in the programme.

103. **District Planning Offices.** A District Planning Office, headed by a District Planning Officer, will be established in each of the districts of operation. DPO will be a BS-18 Officer (selected competitively on deputation from among AJK departments) and supported by an Accounts Officer and an Assistant. Funds for CDP identified activities and approved as part of AWP/B at district and programme level will be disbursed through DPOs till MTR. Once satisfactory systems and processes have been developed by SMP and Line Departments by MTR, the programme funds will be directly channelled by CDDU to the SMP and concerned departments. A District Development Coordination Committee consisting of district heads of all relevant government departments, NGO partners and microfinance partners, will be notified by P&D to assist DPO in district level planning and implementation and aligning line agencies annual development budgets with CO generated CDPs. DPO will be responsible for consolidation of CDPs covering both project and regular ADP financed activities of CDPs and needs furnished through LSOs, their conveyance to CDDU and line departments at State level, and effective implementation of the approved plans by partner government and non-government entities. DPO's will also monitor implementation progress in their respective districts through regular reviews and submit monthly and quarterly progress reports to CDDU and line departments. DPOs will also be permanent offices that will continue to exist the support CDD in post-programme period.

104. Each partner government and non-government entity will notify its district focal persons and other support staff for programme implementation. The assigned notified staff will provide the services agreed in the annual development plans and budgets of AJKCDP2 under the guidance of their district officers. The District staff will also be responsible to coordinate the development activities funded from other sources with that of AJKCDP2 CO Development Plans and District Plans.

105. **Service providers/implementing partners.** Apart from regular government departments, main service providers and implementing partners would be Social Mobilization Partner(s), vocational and technical training institutions and microfinance service providers where required.

106. **Social Mobilization Partner (SMP).** AJKRSP is the obvious choice for social mobilization aspects of programme implementation. GoAJK has taken definitive steps to address AJKRSP's governance and institutional issues and AJKRSP is expected to be ready to assume its social mobilization role by the programme start-up date. In case AJKRSP is found not ready for its assigned role, the programme will engage NRSP for this role for an interim period. It would involve engagement of NRSP under a tripartite agreement between the Programme, NRSP and AJKRSP whereby NRSP will take charge of both AJKRSP institutional development as well as field level social mobilization and community driven planning and development activities for an initial phase (or up to MTR). NRSP will assist the Government of AJK to put AJKRSP on a firm footing in terms of its governance, institutional structure and field operations with required rules, regulations and internal and external control and oversight mechanisms. It will also take charge of the field level activities through existing AJKRSP and NRSP staff in the field with necessary adjustments. The programme will pay the actual cost of field level staffing, mobility and overheads plus a 5 per cent of field level expenses as management fee to NRSP Head Quarter for its support. At MTR, the readiness of AJKRSP's governance and institutional set-up to take full charge of AJKCDP2 activities will be assessed and a decision on continuation of existing arrangement or otherwise will be made.

107. **LSOs.** LSOs at UC level will represent the COs and VO's interests in each Union Council and also facilitate AJKCDP2 and partner agencies staff in effective delivery of services as per CO Development Plans. LSOs will be registered entities with designated office bearers and standard SOPs and get required training and capacity building through SMP for their assigned tasks. AJKCDP2 will introduce systems and processes to ensure LSO's administrative and financial viability. Initially, an appropriate percentage of total investment funds invested in their jurisdiction in shape of CPIs and other interventions will be paid to qualifying LSOs to defray their operational costs. An additional

source of funding would be the commission paid to them in lieu of their facilitation in disbursement and recovery of micro-finance to CO members through their existing revolving credit funds

108. **Pre-Start-up and Start-up Activities.** Based on lessons learned in previous IFAD-financed projects in Pakistan, a number of pre-start-up and start-up activities will be implemented to ensure a timely start for the programme. Main pre-start-up activities to be completed, some of which will be condition for loan effectiveness, are: (i) confirmed institutional arrangement regarding the social mobilization partner; (ii) preparation and approval of the PC-I; (iii) recruitment of the DG, CDDU and other key CDDU staff; (iv) appointment of District Planning Officers, establishment of District Planning Offices and notification of composition and TOR of the District Development Coordination Committees.

C. Planning, M&E, learning and knowledge management

109. **Planning cycle.** AJKCDP2 will follow the Government of AJK and Ministry of AJK&GB annual planning and budgeting cycle, to ensure that assessed needs for counterpart funds are timely furnished to the P&DD and Finance Departments, and that the required funds are accordingly made available in the budget

Planning

110. **Annual Work Plan and Budget.** AWP/B will be the primary planning instrument for AJKCDP2, covering IFAD, Government, beneficiary and co-financing contributions. AWP/B will consist of two streams of financing and activities. One stream consists of IFAD loan financed activities specifically explained in the PDR and its attached component budgets. The second stream will be Government's regular ADP based funds provided to line departments working in coordination with AJKCDP2 at community level. These agencies will also prepare their ADP plans on the basis of approved Community Development Plans submitted to DPOs. All those activities that these agencies will budget and implement on the basis of CDPs will be reflected in AJKCDP2 annual plan as counterpart financing of AJK Government. These activities could be from among those that are identified in PDR or they could be additional activities reflected in CDPs but not part of PDR listed activities. The planning format will follow the programme logical framework with clearly spelled out monitoring indicators that can be easily measured and reported. Appendix 6 gives more details of the planning, monitoring and evaluation arrangements.

111. The AWP/B will be finalized during the last quarter of each financial year and got approved from Programme Steering Committee and endorsed from IFAD before the end of financial year i.e. 30 June each year. AWP/B will represent the culmination of a bottom-up participatory planning process started from Community Development Plans of COs. These plans will be verified and consolidated at Union Council Level by LSO, with assistance from social mobilizers and line departments. LSO plans will be submitted to District Planning & Coordination Units where they will be technically appraised and consolidated into annual district plans. The consolidated district plan will be submitted to PCU for inclusion in the AWP/B. PCU will finalize the annual workplan/budget in close coordination with all partners including social mobilization, microfinance and line agencies in the course of a comprehensive annual planning and progress review workshop.

112. **Annual Planning & Progress Reviews.** The PCU will convene annual planning and progress reviews involving all stakeholders to take stock of existing progress and constraints and plan for the next year AWP/B. This will be in addition to quarterly planning and review sessions for review of progress and planning for next quarter. Programme Steering Committee will meet twice a year for progress review and plan approval purpose. The mid-year review will be conducted in December to assess programme progress against AWP/B. Programme internal planning and review processes would be backed by regular IFAD supervision and implementation support missions.

Monitoring and evaluation

113. Programme results will be measured at output, outcome and results levels and will be measured against indicators provided in programme logical framework. The system will be guided by IFAD Results and Impact Management System (RIMS). An M&E plan will be formulated at the start of programme, as part of PIM, that would provide the basis for annual M&E plans and activities contained therein.

114. The overall responsibility for the M&E activities will lie with CDDU and DPOs. The Planning, Monitoring and Evaluation System (PME) will be finalized and made operational, in consultation with all implementing partners, within the first six months of programme start-up. The PME will be part of an overall Information, knowledge management and communication system that will provide timely and accurate information on implementation progress and feedback for management decision making. All indicators will be disaggregated according to gender and socio-economic status/BISP category to the extent possible so as to enable a proper assessment as to whether the programme is reaching its intended target beneficiaries (*See Annex 6 for detail*).

115. **Structure and Components.** Programme PME system will consist of simple planning formats, corresponding to key monitoring indicators contained in programme logframe, that can be easily monitored and reported by all levels of implementation with time and cost efficiencies. Programme will use simple processes, structures and instruments including a simple computer based software with multiple user interface (like tablets that can be carried to field and information reported in real time) at all levels to ensure that important M&E information is available to all stakeholders in a timely manner. The design will be aligned with Government/P&D monitoring and reporting structures for foreign funded projects to minimize duplication of effort. Baseline information will be made the basis for all measurements of programme outcomes and impacts. Knowledge management and communication will be closely linked and aligned with PME framework for effective feedback and knowledge sharing. All staff and external partners involved with PME system at different levels will be provided adequate training.

116. **Benchmarks and Studies.** A baseline benchmarking and 'ground truthing' will be carried out by CDDU in partnership with SMP with twin purpose. First will be establishing benchmarks for the logframe output and outcome indicators for subsequent measurement of progress and results. Second will be firmly establishing status of COs, VOs and LSOs on ground in terms of their maturity, activeness and representativeness to agree on numbers regarding existing and new COs, VOs and LSOs with SMP(s) to accurately assess the needs and delivery performance. Apart from regular internal monitoring and evaluation of programme interventions, quality and impacts, AJKCDP2 will carry out periodic impact assessment studies for key interventions through external consultants and agencies.

Learning and knowledge management

117. During the first six months of implementation, the CDDU will prepare a programme level KM strategy in line with IFAD policy on KM. The strategy will define the processes that will be involved in building a robust KM system in the Programme. The KM system will enable the Programme to generate, capture, share and disseminate relevant information and knowledge to various stakeholders in a timely manner. The Programme website will be completed within the first year of implementation and used as a knowledge sharing tool, and also linked to IFAD Asia website. The KM team will extensively document and share knowledge generated in the Programme. The quarterly review meeting (QRM) forums will be used as potential knowledge sharing venues for capturing lessons learned and best practices leading to development of related knowledge products. Key information from M&E studies, reviews and exposure visits, lessons and best practices will be disseminated through knowledge products such as newsletters, publications, case studies and reports, etc. The KM team will strive to build a culture of knowledge documentation and sharing within the Programme.

118. The IFAD Country Office will facilitate close lesson learning and exchange of experience between AJKCDP2 and other IFAD funded projects in the country, in particular SPPAP and GLLSP

that have strong poverty graduation approaches and relevant experience in community centred development in partnership with social mobilization partners.

D. Financial management, procurement and governance

119. **Financial management. Fiduciary risk assessment.** The country's inherent fiduciary risk is rated as *Medium*. In 2016, Transparency International (TI) ranked Pakistan 116th out of 176 countries, a significant improvement from its 143rd rank in 2010. Thanks to the steady improvement in Pakistan's TI score (from 27 in 2012 to 32 in 2016), the country risk rating was moved from High to Medium. However, corruption remains a serious problem in Pakistan and, although strengthened in recent years, oversight mechanisms remain under-resourced. According to the last Public Expenditure and Financial Accountability (PEFA) report published in 2012, significant efforts have been made to establish an effective system for financial management, reporting and audit, and to strengthen the country's public procurement system. Under the Pakistan Improving Financial Reporting and Audit (PIFRA) Project supported by the World Bank, some key milestones have been achieved, including a centralized and advanced financial reporting system, and an important reform program to establish an effective accounting, reporting and auditing system complying with accepted standards. Problems remain with budget execution (especially the tax system), procurement, and internal audit and controls function. Although legislative scrutiny is still lagging, external audit practices are improving and reforms introduced by the Auditor General of Pakistan have improved the timeliness of submission of audit reports.

120. The overall residual fiduciary risk of the programme is rated as *Medium*²³, provided that mitigation measures are adopted, which include full training of accounts staff in IFAD FM and procurement procedures, assurance that deputed staff will be retained throughout programme life, drafting of a complete financial, procurement and administrative procedures manual, installation of an adequate accounting software, implementation of a reliable financial reporting system and recruitment of an internal auditor.

121. *Financial management.* At CDDU, the finance and administrative team will be composed of a Director Administration & Finance, 2 Accounts Officers (deputed from the AG Office), 1 Accounts Assistant and 1 Administrative & Human Resources. At district level, there will be 1 District Account Officer in each office (deputed from the AG Office and working closely with the DPO), and 1 Assistant. Once they are fully conversant with IFAD guidelines and FM procedures (which is expected at or before mid-term), these DAOs would be transferred back to the district AG offices from which they would continue to carry out their duties in relation to the programme.

122. Before programme start, the CDDU will have to ensure that the PC-1 is aligned to the detailed cost tables as per the approved PDR, so as to avoid distortions in the annual budgeting process. Subsequently during programme execution, the CDDU will make certain that programme AWPBs are fully in line with the GoAJK ADP, with counterpart contribution in the AWPB matching the ADP allocation.

123. The programme will either obtain an extension of the GoAJK SAP accounting system (with some degree of customization), or will acquire an accounting software that meets IFAD requirements. The AJKCDP2 financial reporting system (including monthly financial reports, quarterly IFRs as required by IFAD and annual financial statements) will be fully embedded in the computerized accounting system.

124. *Implementing partners.* Under the overall coordination and oversight of the CDDU, the implementation of components 1 and 2 activities will be for the most part entrusted to (i) AJKRSP as social mobilization partner and (ii) LGRD and, to a lesser extent, other GoAJK line departments (irrigation and NRM). AJKRSP interventions will be paid on the basis of an agreed AWPB and monthly invoicing / financial reporting to the CDDU. Due to significant weaknesses in its governance and financial management systems, AJKRSP will have to be strengthened through a solid technical

²³ The risk assessment summary table and proposed mitigation measures are shown in Appendix 7 (Attachment 2).

assistance program prior to programme start, as a prerequisite to the signature of the agreement with AJKCDP2.

125. As the main programme implementing partner for community infrastructure, and GoAJK's main executing agency for decentralization and rural development, the LGRD represents the ideal conduit for the institutionalization and mainstreaming of AJKCDP2 interventions into the GoAJK structure and systems. However, improvements are required in the department's financial and accounting systems to enable it to manage programme funds in compliance with IFAD requirements. As a consequence, a two-phased approach will be adopted. The LGRD will initially be paid a service fee by the CDDU on the basis of a performance-based agreement. Once the required improvements have been implemented (which is expected by mid-term), the LGRD will progressively endorse the role of budget holder and expenditure/payment authorization entity for activities implemented by GoAJK line departments.

126. The other GoAJK line departments will be engaged on the basis of performance-based agreements and will be paid service fees for their interventions.

127. *Flow of funds.* A chart of the flow of funds arrangements is shown in Appendix 7 (Attachment 1). IFAD financing will follow the imprest account mechanism, with an authorized allocation equivalent to approximately 6 months of project expenditure so as to ensure a smooth flow of funds and avoid delays in implementation. Subaccounts will be opened at district level to cover DPO expenditures and transfers to CO accounts. With regards to field activities, both IFAD and counterpart funds would be managed by LGRD after mid-term provided that the department has made the necessary improvements to its accounting and FM systems.

128. *First disbursement conditions.* The following will be designated as precedent to disbursement of funds to AJKCDP2: (i) appointment of key programme personnel (including Director General, Director Administration and Finance); (ii) opening of the designated account; and (iii) IFAD no objection on a draft Programme Implementation Manual (including the financial, procurement and administrative procedures manual). In addition, the installation of an acceptable computerized accounting system within six (6) months of programme effectiveness, will be designated as an additional ground for suspension of the right of the Borrower to request withdrawals.

129. *Counterpart funding* will be used to cover taxes and duties as well as programme activities. These funds will be managed through the standard government mechanism of ADP allocations, with quarterly transfers to the dedicated assignment account at provincial level, opened specifically for AJKCDP2's counterpart funding allocations, under sanction of P&D and Finance departments. In order to avoid shortages of counterpart funds in case government releases are delayed, the revolving fund mechanism in place under AJKCDP-I will be renewed for AJKCDP2 (with a balance equivalent to a quarter of the average annual counterpart contribution – approximately PKR 170 million).

130. *Audit.* The annual external audit of the project will be carried out by the Auditor General of Pakistan as agreed by IFAD, and in accordance with the International Standards of Supreme Audit Institutions. At the start of the programme, IFAD will meet with representatives of the AGP to discuss audit requirements and to reach a general agreement on the audit TOR; additionally, AGP auditors will be invited to participate in the start-up workshop. Each year, the CDDU will be required to prepare audit TOR as per IFAD Guidelines for Project Audits, discuss them with the AGP office and submit them to IFAD for prior no objection. The final audit report and management letter are required to be submitted to IFAD by the GoAJK at the latest six months after the end of each fiscal year. In addition to external audit activities, the project will recruit an Internal Auditor who will be under the direct authority of (and will submit audit reports directly to) the Programme Steering Committee.

131. **Procurement**²⁴. The procurement of goods, works and services to be funded from IFAD financing proceeds will be carried out in accordance with the procurement rules of the Government of

²⁴ Appendix 8 gives an overall assessment of government procurement systems and more detailed procurement arrangements for the programme.

AJK²⁵, to the extent that they are consistent with IFAD procurement guidelines. In case of conflict, the IFAD procurement guidelines shall prevail. The applicable guidelines and procedures will be detailed in the Letter to the Borrower (LTB) and in the financial, procurement and administrative procedures manual.

132. The preparation of annual procurement plans (PP) will form the basis for all procurements, and will be consistent with the duly approved annual work plan and budget (AWPB). The PP should comply with IFAD standards in both format and content, and will be submitted (together with the AWPB) to the PSC for approval and to IFAD for no objection. The PP will be presented by component and type of procurement, and for each envisaged procurement, it will indicate the AWPB reference, the estimated cost, the procurement method, the need for IFAD prior review (based on applicable thresholds) and the timeline for execution of the each step in the procurement process until contract signature. While conducting procurement for the programme, the guiding principles of ethical behavior, accountability, competition, transparency, fairness, efficiency and value for money must be followed. The programme must ensure that the cost of procurement never exceeds the amount of allocated funds per category as laid out in the Financing Agreement.

133. A Procurement Officer with specialized training in public procurement will be recruited and based at the CDDU; s/he will be responsible for procurement planning and monitoring, conducting the procurement process, and contract management. Procurement relating to programme management, technical assistance and the contracting of IPs/SMP and training institutions will be carried out by the CDDU. The procurement of small value goods and services available at district level will be decentralized to DPOs to the extent feasible, under the oversight of the Procurement Officer. The rest of the procurement (under components 1 and 2) will be carried out mostly by the COs with oversight by a Procurement Committee including representatives of the COs, concerned line department, DPO and social mobilization partner. The procedures applicable to community procurement (which must be in compliance with the main guiding principles of procurement) will be defined by the CDDU, described in detail in the AJKCDP2 procedures manual, and included in the PC-1.

134. **Governance.** Whilst the enforcement of good governance is the primary responsibility of the Government, all stakeholders of the programme should be aware that IFAD applies a zero tolerance policy towards fraudulent, corrupt, collusive or coercive actions in projects financed through its loans and grants. The dissemination of IFAD's anti-corruption policy²⁶ amongst programme staff and stakeholders is expected to reinforce good practices. Additionally, in accordance with IFAD guidelines, procurement for goods, works and services financed from resources funded or administered by IFAD will require bidding documents and contracts to include a provision requiring suppliers, contractors and consultants to (i) ensure compliance with IFAD's anticorruption policy and (ii) allow IFAD to inspect their accounts, records and other documents relating to the bid submission and contract performance, and to have them audited, if deemed necessary. Lastly, the project will promote good governance through the involvement of communities and beneficiaries in (i) the preparation of the annual work plans and budgets; (ii) the procurement process (at community level); and (iii) the monitoring and evaluation of project activities

E. Supervision

135. **Supervision and implementation support.** The programme will be directly supervised by IFAD in collaboration with P&D Department AJK and relevant national level entities including EAD. At the start of programme, a start-up workshop involving all key stakeholders including relevant private sector and civil society entities, will be conducted to apprise them of programme objectives and activities. Main programme implementers will be trained in key aspects of programme approach and processes. A supervision or implementation support mission will be conducted after every six months

²⁵ The AJK Public Procurement Rules 2017 and AJK Procurement Regulatory Authority Act 2017

²⁶ IFAD's anticorruption policy is available on the IFAD website at www.ifad.org/governance/anticorruption/index.htm. The IFAD website also provides instructions on how to report any alleged wrongdoing to the Office of Audit and Oversight (<http://www.ifad.org/governance/anticorruption/how.htm>).

in the initial period and thereafter at least on an annual basis. The Government of AJK and EAD will provide the facilitation and logistical support for the missions and nominate suitable persons to join the mission.

136. Mid-Term Review (MTR). A Mid-term review will be conducted at the end of third year of programme implementation, to assess the progress, achievements, constraints and emerging impact and likely sustainability of programme activities and make recommendation and necessary adjustments for the remaining programme period. The MTR will be carried out jointly by the CDDU/government and IFAD. Main programme features to be assessed during MTR are: (i) Effectiveness and accuracy of regional and household targeting and level of participation and benefits for the priority target households (ii) the effectiveness of programmes poverty graduation and crop diversification activities and their impact; (iii) Relevance, quality and sustainability of economic and social infrastructure financed by programme; (iv). Level of institutionalization of CDD approach achieved, including alignment of government agencies plans with CDPs, and challenges and prospects for remaining programme life. (v) Effectiveness of programme's gender, climate change and nutrition approach and activities, and (vi) Effectiveness of programme's social mobilization strategy, quality of community institutions supported and effectiveness and efficiency of social mobilization partner (s) including quality of governance.

137. Programme Completion Report (PCR). At the end of the programme, a completion evaluation will be conducted, as an input into the Programme Completion Report (PCR), through a formal survey preferably undertaken by an agency with no previous involvement in programme implementation. PCR will assess the overall achievements, impacts and results of programme design and interventions and lessons learned.

F. Risk identification and mitigation

138. The main risks identified (that may have a bearing on programme progress) and the corresponding proposed mitigation measures, are reflected in the following matrix:

Risk	Likelihood	Mitigation measures
Institutionalization of CDD Approach: Institutionalization of CDD has never been attempted before and there are entrenched political and bureaucratic apprehensions against this approach apart from legal and regulatory gaps which may be a challenge.	Medium	There is very high degree of ownership and buy-in for the approach in AJK based on positive outcomes of AJKCDP. Programme will adopt an incremental approach and least resistance strategy starting with available enabling provisions in Local Government Act and existing practices to allow a more formalized role to COs and LSOs in development decision making and resource allocation
Despite positive progress, AJKRSP's governance and institutional development process may take time leaving the programme with inadequate social mobilization capacity during the crucial initial phase	Low	Programme will maintain a fallback option in case AJKRSP is found not ready to assume responsibility. NRSP will be engaged which has its existing presence in 9 out of 10 districts of AJK, multiple ongoing programmes with existing COs and an active partnership with IFAD in three projects. In this option, NRSP will also undertake institutional development of AJKRSP and prepare it for the full takeover by MTR.
Security: Pakistan is in the middle of an unstable region and security situation throughout the country is subject to many externalities which may jeopardise free movement of supervision missions and technical experts	Low	AJK has been the safest and most crime free area in Pakistan for a number of years. There has been hardly any incidence of terrorism in the region and the area remains a preferred region for local tourists and families
Programme involves multiple actors including a CDDU, government implementing agencies, social mobilization entities, microfinance service provider, and district and sub-district coordination and implementation entities posing the risk of loose management and coordination	Low	A high profile and high-powered Steering Committee is being proposed at the State Level with ACS (D) heading it and representation from all implementing partners including LSOs/Community Organizations for effective guidance and control. The government agencies and SMPs as well as communities are well-tuned to IFAD procedures and requirements in view of previous implementation of IFAD-funded NJVCDP and AJKCDP.

High turnover of programme staff and government implementing agencies' staff, as experienced in recent past in AJKCDP-I, may affect programme progress adversely	Medium	It is being made part of the Financing Agreement conditions that key programme staff would be recruited in transparent and competitive manner and in consultation with IFAD and once recruited, the key staff would stay with programme for at least three years. Competitive market based salaries will be paid to encourage longer term retention.
Larger than norm Government counterpart funding and AJK dependence on federal government releases may result in delayed or inadequate provision of counterpart funds	Low	Government counterpart financing is actually the budgets that GoAJK in any case provides to line departments for activities in rural areas. The programme is tying these budgets to a bottom up planning process to ensure that they respond to expressed needs and are synergized with AJKCDP2 investments.
Delays in start-up: long delays in fulfilling the first disbursement conditions and start the programme implementation are one of the main factors negatively affecting programme performance in Pakistan. The Southern Punjab Poverty Alleviation Programme (SPPAP), Gwadar-Lasbella Programme and LAMP are cases in point.	Medium	GoAJK has maintained a Steering Committee, a PMU and District Planning Offices since the closure of AJKCDP-I and continued to provide development funding for activities at CO level. These institutions will be tweaked into an acceptable shape for the AJKCDP2 implementation and achieve a head-start.

IV. Programme costs, financing, benefits and sustainability

A. Programme costs

139. AJKCDP2 will be implemented over a six-year period, with an estimated total programme cost, including physical and price contingencies, in the amount of US\$ 107.8 million. The table below reflects the programme costs by component.

Table: Programme Costs by Component

Pakistan AJK Community Development Project-II Components Project Cost Summary	(Pak Rs '000)					(US\$ Million)				
	Local	Foreign	Total	%	% Total	Local	Foreign	Total	%	% Total
				Foreign Exchange	Base Costs				Foreign Exchange	Base Costs
A. CDD for Livelihoods Enhancement										
1. Capacity Building for CDD	690 719	69 795	760 514	9	7	6.40	0.65	7.04	9	7
2. Poverty Graduation	2 032 527	-	2 032 527	-	19	18.82	-	18.82	-	19
Subtotal CDD for Livelihoods Enhancement	2 723 246	69 795	2 793 041	2	26	25.22	0.65	25.86	2	26
B. Institutional Strengthening and Public Services Delivery										
1. Capacity Building and Public Services Delivery	3 119 295	-	3 119 295	-	29	28.88	-	28.88	-	29
2. Community Physical Infrastructure	3 757 644	35 592	3 793 237	1	36	34.79	0.33	35.12	1	36
Subtotal Instit. Strength. and Public Services Delivery	6 876 939	35 592	6 912 531	1	65	63.68	0.33	64.00	1	65
C. Programme Management	942 663	29 511	972 174	3	9	8.73	0.27	9.00	3	9
Total BASELINE COSTS	10 542 848	134 898	10 677 746	1	100	97.62	1.25	98.87	1	100
Physical Contingencies	-	-	-	-	-	-	-	-	-	-
Price Contingencies	1 711 983	10 997	1 722 980	1	16	8.94	0.02	8.96	-	9
Total PROJECT COSTS	12 254 831	145 895	12 400 726	1	116	106.56	1.27	107.83	1	109

B. Programme financing

140. The programme is financed through: (i) an IFAD highly concessionary loan in the amount of approximately US\$ 36.4 million; (ii) an IFAD grant in the amount of US\$ 2.9 million; (iii) Government contribution in the amount of US\$ 62.4 million; (iv) beneficiary contribution of approximately US\$ 3.6 million; and (v) RSP contribution in the amount of US\$ 2.5 million.

141. The IFAD grant is intended to enhance the programme's performance, including disbursement performance, by facilitating more effective and efficient implementation with reduced bottlenecks through the particular investments in capacity building of institutions (public and community institutions) and provision of technical assistance. The share of Government contribution will finance the associated costs of taxes and duties, share of salaries and operational budget, and more especially, will finance the bulk of the investments under Component 2 through leveraging of the allocations under the regular Annual Development Plan budget.

Table: Programme Components by Financiers

Pakistan AJK Community Development Project-II Components by Financiers (US\$ Million)													Local	
IFAD Loan		IFAD Grant		AJK Govt		Community		RSP		Total		For. Exch.	Local (Excl. Taxes)	Duties & Taxes
Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
A. CDD for Livelihoods Enhancement														
1. Capacity Building for CDD														
3.21	42.6	0.54	7.1	1.29	17.2	-	-	2.49	33.1	7.54	7.0	0.66	6.32	0.56
2. Poverty Graduation														
16.29	79.8	-	-	4.11	20.2	-	-	-	-	20.40	18.9	-	20.40	-
Subtotal CDD for Livelihoods Enhancement		19.50	69.8	0.54	1.9	5.41	19.3	-	-	2.49	8.9	0.66	26.72	0.56
B. Institutional Strengthening and Public Services Delivery														
1. Capacity Building and Public Services Delivery														
1.46	4.6	1.62	5.1	28.66	90.3	-	-	-	-	31.74	29.4	-	31.74	-
2. Community Physical Infrastructure														
10.84	28.2	0.20	0.5	23.77	61.9	3.60	9.4	-	-	38.40	35.6	0.33	37.80	0.27
Subtotal Instit. Strengthening and Public Services Delivery		12.30	17.5	1.82	2.6	52.42	74.7	3.60	5.1	-	-	0.33	69.54	0.27
C. Programme Management														
4.63	47.4	0.55	5.7	4.57	46.9	-	-	-	-	9.75	9.0	0.28	9.11	0.37
Total PROJECT COSTS		36.43	33.8	2.91	2.7	62.40	57.9	3.60	3.3	2.49	2.3	1.27	105.37	1.20

C. Summary benefits and economic analysis

142. **Summary benefits.** The programme comprises three components: (i) Community-driven development (CDD) for Livelihoods Enhancement, primarily focused on investments in private goods for poverty graduation of ultra-poor and poor; (ii) Institutional Strengthening and Public Services Delivery, focused on leveraging investments in public goods collectively benefitting rural poor community members and local economy; and (iii) Programme Management. Incremental benefits are envisaged through productive use of tangible assets, gainful employment made possible as result of vocational trainings, saving (time and reduced losses) realized as a result of improved social infrastructure, economic use of community infrastructure, return to credit, reduced expense for fuel/ electricity, reduced healthcare costs, and increased earnings from existing cropped area as well as increase in cultivated area owing to improved irrigation infrastructure.

143. **CDD for Livelihoods Enhancement.** This component comprises two sub-components – (1.1) Capacity building for CDD; and (1.2) Poverty Graduation. Sub-Component 1.1 will focus on sensitization, mobilisation, and formation of COs/VOs/LSOs, resulting. Under 1.2 households falling within PSC band 0-11 (the ultra-poor), will provide a flexible menu of assets, both tangible and intangible (e.g. productive physical assets or skills/ vocational/ technical training) to 20,000 ultra-poor households. A further 30,000 very poor and poor households (PSC band 12-34) will also benefit from a package of vocational, technical or enterprise development training for one household member. The use of productive assets will result into increased income of the participating households.

144. **Institutional Strengthening and Public Services Delivery.** This component consists of two sub-components – (2.1) Capacity Building and Public Services Delivery; and (2.2) Community Physical Infrastructure and will support the capacity development and institutional strengthening of the relevant public sector agencies and departments with responsibilities vis-a-vis rural sector development. Services that could be pursued may include diversification of production, value addition, off-farm activities resulting into increased and additional income. Sub-Component 2.2 will specifically, focus on leveraging investment funds to meet priority public infrastructure for rural communities benefitting households or infrastructure that pertain to groups or individual needs. These may include CPIs such as rural access roads, irrigation schemes, or other social infrastructure schemes. The target households will benefit either in the form of increased income or saving realized in terms of reduced household expenditures notably on energy, transportation and healthcare.

145. **Financial analysis.** The financial analysis of AJKCDP2 shows viability of the proposed project as evident from its overall Financial Internal Rate of Return (FIRR) of 23.5%. The Net Present Value (NPV) of the proposed project over 20 years' period is noted to be USD 57 million. The benefit cost (B:C) ratio is noted to be 1.56.

146. **Economic analysis.** The overall economic internal rate of return (EIRR) of the project is estimated at 22.8%. The economic net present value (NPV) of the project net benefit stream, discounted at 15%, was calculated to be USD 49 million. The B:C ration is noted to be 1.26.

147. **Sensitivity analysis.** Three two major risks identified include (i) political, economic and security risks; and, (ii) institutional framework – potentially leading to underperformance for the

achievement of full scale project benefits, delay in realization of benefits and reduced effectiveness. Under the risk scenarios, the analysis reveals acceptable values of both NPV and EIRR, and thus the proposed investment is feasible under these adverse scenarios.

D. Sustainability

148. **Key factors of programme sustainability.** Sustainability and a clearly defined exit strategy is built into the programme components and approach through the following measures:

- (i) *Institutionalization of CDD into Government Systems.* From the very start CDD will be mainstreamed into government development allocations and planning systems, backed by legal provisions and rules of business. This will enable the COs/VOs, LSOs to have a recognized development role and access to regular annual development funding. In addition, the rural service agencies will adopt a bottom up annual planning process aligned with community development plan priorities and needs. Local Government & Rural Development Department will assume the lead role in this institutionalization process.
- (ii) *Cos/VOs/LSOs.* COs/VOs/LSOs will become a formally recognised rural development partners rather than project/programme specific entities. Apart from their annual share in development budget reflected in ADPs, the rural service agencies develop their annual plans on the basis of needs identified in COs' plans. Innovative ways of developing financial sustainability of LSOs is being introduced through payment of a percentage of approved investments and commission on disbursement and recovery of micro-finance.
- (iii) *Poverty Graduation Based on Tested Successful Models.* The poverty graduation approach and model is based on tried and tested models and linked to a robust targeting criteria. Only those households will be covered under the component who meet selection criteria conditions and who have development potential. A sustained handholding will be ensured during the initial critical period through social mobilization staff and peer support from COs.
- (iv) *Community Led, Owned and Maintained Infrastructure.* All infrastructure will be selected on the basis of consensus community priorities and will be implemented through a community driven approach in which communities will commit to ensure the post completion O&M. The system is already successfully functional in AJK for all social sector schemes.

149. A breakdown of the main programme interventions and their sustainability prospects beyond programme completion are presented in the table below:

Programme sub-component/activity	Continuing activity or investment completed at the end of the programme
1. Institutionalization and the role of COs/VOs/LSOs	1.1 A regulatory mechanism together with formal recognition of COs/VOs/LSO has Dehi Councils under Article 10.1 of Local Government Act would enable the community organizations to function and play their participatory development role sustainably 1.2 New Planning Guidelines by P&D will allow allocation of development resources from government sources for the community organizations on annual basis 1.3 A bottom up planning process will be introduced for the rural service delivery agencies to align their annual plans with community development plans consolidated at district level 1.4 Recognition of LSOs as community representative bodies at Union council level will build their management capacities and enable them to effectively represent CO interests 1.5 Rural service delivery agencies (agriculture, livestock, Forestry and social services) align their annual development plans with community development plans
2. Poverty Graduation	2.1 Tested and successful models of poverty graduation through a flexible menu of interventions including asset building will be applied to households with potential for development. 2.2 Effective hand holding by social mobilization partner and peer support through COs will be ensured to enable the supported hhs to reach the score

	<p>of 24 and above and then link up with micro-finance for further development</p> <p>2.3 The poor and vulnerable will be assisted through a integrated package of training, microenterprise development/job placement and micro-finance</p>
3. Rural Infrastructure	<p>3.1 Community led planning and identification process will be used to identify priority infrastructure;</p> <p>3.2 Infrastructure will have direct nexus with COs income generation and socio-economic development priorities</p> <p>3.3 Community will lead the implementation and contribute 20% of the schemes cost</p> <p>3.4 Community will assume responsibility for post completion O&M and will be trained for this purpose including management of O&M charges and usage</p> <p>3.5 Climate change resilience and water security will be central in all rural infrastructure planning and specifications</p>
4. Social Mobilization capacity	<p>4.1 A reformed and independent/autonomous governance structure will be established to lead AJKRSP</p> <p>4.2 A revised organogram, with emphasis of quality and capacity, will be put in place to improve delivery and effectiveness</p> <p>4.3 An enhanced endowment fund, financed by GoAJK, will generate the financial resources to meet regular operational expenditures of AJKRSP</p> <p>4.4 An expanded agreement with commercial banks and micro-finance institutions will enable AJKRSP to act as intermediary, expand range of its services to CO members and generate additional institutional income through on-lending margins</p>

150. **Policy Engagement.** The AJKCDP2 presents an opportunity for furthering IFAD's overall strategy of promoting policy dialogue on scaling up a sustainable and cost-effective poverty graduation model to the national level, in partnership with the Government (Federal and Provincial/ State Governments) and other development partners such as donors, PPAF, the Benazir Income Support Programme (BISP) and others.

151. Noting that the Government of Pakistan is operating one of world's largest social protection programmes under the aegis of Benazir Income Support Programme, with a huge financial outlay of US\$ 1.2 billion on an annual basis²⁷, the poverty graduation approach (building on the BRAC model) implemented through IFAD-financed programmes/ projects such as the proposed AJKCDP2, NPGP and SPPAP, offers an alternative model for delivering poverty alleviation and graduation objectives, to be considered. The limitations of the BISP have been identified, and with IFAD's support via the ongoing and pipeline projects, lessons from the implementation of the evolving poverty graduation model will feed the already ongoing dialogue which has policy elements. To take full advantage of the knowledge generated and models developed, opportunities will be created for development of appropriate forums for regular sharing of experience as an input to government policy and donor resource allocation.

152. The second important area for policy engagement will be the community driven development model developed under AJKCDP2 which aims at mainstreaming this approach into regular government development framework from its current ad-hoc project centred existence. Recognition of community organizations as legitimate development partners and by-right recipients of annual development allocations hold huge promise for over 200,000 community organizations that currently exist in the country – especially in the backdrop of an often non-functional elected local government system. The progress made and lessons learned in the course of institutionalization of this approach in the AJK development framework will provide an excellent basis for dialogue with other provincial governments with on-going IFAD projects as well as federal government, other development partners engaged in rural development and civil society/ RSPs at large.

153. Finally, through the approach with an extensive role and participation of COs in the development planning and implementation process, it is also expected that specific thematic policy issues will be identified through the bottom-up approach, and which could feed into policy dialogue.

²⁷ The BISP is disbursing around US\$ 18 per month to 5.4 million poor families as unconditional cash grants; despite the substantial financial outlay, it has become apparent that cash grants alone are not sufficient means to help beneficiary families graduate out of poverty sustainably

Appendix 1: Country and rural context background

1. The Islamic Republic of Pakistan is the 6th most populous country in the world (with a population of 188.9 million), 26th largest economy with an estimated GDP of USD 270 billion²⁸ and 36th largest country in terms of area (881,913 sqm). Pakistan is a lower middle income country, with an average income per capita of USD 1,5129. Services sector (59%) is the largest contributor, followed by agriculture (21%) and industry (20%). The agriculture sector employs 44% of the national work force. Pakistan has important strategic endowments and development potential but governance and security challenges over the last decade have significantly impacted growth potential. After persistent subdued growth during 2008-13 (average 3 per cent), a slump in international oil prices and fast-growing remittances has helped GDP to grow by 4.2 percent in FY15 and expected to reach 4.5 percent in FY16. Despite these gains, Pakistan's low human development indicators undermine its labor force productivity and economic growth. Pakistan ranks 147 out of 188 countries in the 2015 Human Development Index (HDI).

2. Pakistan has made substantial progress in reducing poverty³⁰. The Government of Pakistan has recently adopted a revised calorie based poverty line (from Rs. 2,350/adult/month to Rs. 3,030/adult/month). Using the revised poverty line, the headcount poverty rate has declined from 64.3 percent in FY01/02 to 30 percent in FY13/14. 30% (59 million) of the total population is defined as poor and an additional 20 million has been declared vulnerable. This steady decline in poverty has occurred despite periods of moderate growth. Growth incidence curves illustrate the pro-poor nature of Pakistan's growth with consumption of the poorest growing faster than mean consumption. However, Pakistan's performance on most MDG targets including education, gender, health, nutrition, infant mortality³¹ remained below targets.

3. Poverty is much more acute in rural areas as compared to urban areas. Poverty rate in rural areas is 54.6 per cent as compared to 9.3 percent in urban areas. But there are huge disparities across provinces and within provinces. Rural poverty is outcome of multiple factors including highly skewed land ownership and landlessness, a pro-urban bias in social and economic sector investments, high illiteracy rates among youth at 32 per cent, lack of skills among productive age poor (only 6% of young have technical skills³²).

4. In 2008, the Government of Pakistan (GoP) carried out a nationwide poverty survey for the purposes of a National Poverty Score Card, ranking households on a scale from 0 to 100. The corresponding IFAD target groups³³ are households with a score between 0 to 34 (approximately 97 million people); this includes the extremely poor in the band of 0-11 (3 million people), the chronically poor (band 12-18; 19 million people), the transitory poor (band 19 to 23; 37 million people) and the transitory vulnerable (band 24-34; 38 million people). A fresh survey is currently underway to update the registry and would offer a good tool for targeting the very poor and poor.

5. According to Government's Vision 2025, 60% of the country's population is facing food insecurity, and nearly 50% of women and children under five years of age are malnourished. Pakistan ranks 76 out of 107 on the Global Food Security Index³⁴. 2011 National Nutrition Survey estimated that the rates of child stunting have not changed since 1965 with 44% of children being stunted, 16% of Pakistani children under 5 suffer from acute malnutrition. Over a third of deaths under five are linked to malnutrition. Many Pakistani children are faced with long-term nutritional deprivation, due to poverty, food insecurity, poor health services, illnesses linked to hygiene such as diarrhoea, and

²⁸ data, World Bank/country/pakistan (accessed on 25 Nov 2016)

²⁹ Pakistan Economic Survey 2014-15, Ministry of Finance

³⁰ Ibid

³¹ Pakistan MDG Status Report 2013, Government of Pakistan and UNDP Pakistan

³² UNDP, Pakistan. Update on Security and Political Situation in Pakistan (Feb 2015)

³³ Refer Key File 4 in appendix

³⁴ WFP, Pakistan

improper feeding practices. At 15 per cent, the proportion of children who suffer from wasting, indicating acute malnutrition, exceeds the international emergency threshold. A fifth of pregnant women and children under five have severe Vitamin A deficiency, and 62 per cent of children under five are anaemic.³⁵

6. Agriculture sector. Pakistan's agriculture sector made great strides in achieving food sufficiency in the past, especially during the Green Revolution in the 1960s and has largely been able to feed the fast growing populace. About 27 percent of the total 79.6 million hectares of the country is under cultivation³⁶. Most of agriculture is rain-fed though the country boasts of world's largest integrated gravity flow irrigation system. Agriculture is also the main contributor to exports and industry. The sector is however largely dominated by small farmers and only 17 percent of farms are large³⁷. Over the last three decades, the production has stagnated and major crops (food grains and cotton) have contributed 60 percent less than their planned production. Agriculture sector growth has also lagged behind overall economic growth in most years during the last decade³⁸ as illustrated by following Table.

Year	2008-09	2009-10	2010-11	2011-12	2012-13	2014-15	2015-16	2016-17 (P)
Agric. Growth	3.5	0.2	2.0	3.6	2.7	2.50	2.53	-0.19
GDP Growth	0.4	2.6	3.6	3.8	3.7	4.05	4.04	4.71

7. Agricultural growth, on an average, stayed around 6.77 percent in the 1960s and about 6.14 percent in the 1980s (World Bank 1994). This has happened due to persistent structural issues, policy weaknesses and weak extension support services. After adoption of 18th Amendment to Constitution, agriculture and food security are provincial subjects. However, no province is yet fully equipped to fill the void previously occupied by federal research agencies and development initiatives. Agriculture, despite its importance, remains low on the development priority list in annual development plans and annual allocations of the provinces and utilization is not commensurate with the share of this important sector in national economy.

8. Other agriculture sub-sectors (forestry, fisheries) have either remained static or their contribution has decreased. Livestock is the only subsector whose contribution has doubled however no parallel increase has been noticed in fodder area and production. The increase has largely been driven by smallholder and landless farmers who increasingly rely on livestock (both milk and meat) as an important source of additional income. While milk processing industry has grown over the last three decades, but out of the 36 million tons of milk produced annually, more than 95 percent still reaches the consumer in unprocessed form³⁹. Collection challenges from small and scattered production in hinterland, pricing, huge seasonal production variations and consumer preference for fresh milk all play their role in this.

9. Rural development. 60% (116 million people⁴⁰) of Pakistan's population live in rural areas. Pakistan's rural labor force is expected to increase until 2030 (FAOSTAT), indicating continuing pressure on the average size of farms. The stagnation of rural wages that has characterized the last decade (IIED 2015) will continue unless non-farm employment opportunities can be created for the rural youth, or rural out-migration will continue at an accelerated pace. The concept of rural development has changed significantly during the last three decades. Till 1970s, rural development

³⁵ UNICEF Pakistan Annual Report 2016

³⁶ FAO Investment Center 2012.

³⁷ Ibid

³⁸ Pakistan Economic Survey 2015-16

³⁹ FAO Investment Center. 2012

⁴⁰ Ibid

meant agriculture development with focus on agriculture production. Since then, the focus of rural development has increasingly shifted to a more holistic socio-economic development⁴¹. National and regional Rural Support Programmes (RSPs) and Pakistan Poverty Alleviation Fund (PPAF) have, since 1990s, emerged as effective intermediaries for pro-poor participatory rural development for both government and donor-funded programmes.

10. A major set-back for rural development has been absence of elected local bodies for long periods of time which has deprived the rural areas from an effective voice in development resource allocation and articulation of local development priorities. This void is currently largely filled by Community Organizations and Village Organizations supported by Rural Support Programmes and various development projects who perform host of social and economic development functions for their members including managers and conduits for rural finance. However, these COs/VOs are not formally recognized as representative bodies eligible for regular access to government development sources. They largely remain project specific bodies and their level of activeness and activities is tied to presence or absence of a project supporting them. So, in absence of formal recognition and access to government development funds, their sustainability always remains suspect.

11. **Rural Access to Finance.** Access of smallholder farmers, landless and landless to traditional banking channels remains constrained and bulk of agriculture lending goes to larger holders and agriculture based businesses. However, in parallel, the microfinance banking sector is expanding fast with ten privately-owned MFBs operating in the country. The microfinance sector (MFBs and MFIs) witnessed a 29.2 percent growth in its aggregate loan portfolio grew to Rs. 73.7 billion covering 3.3 million borrowers as of March, 2015. The coverage of the branchless banking network is also expanding significantly with nearly 204,073 agents. However, much of this and RSP rural finance network benefits economically active poor and IFAD priority group (Poverty Score 0-24) is largely bypassed by all channels of micro-finance due to lack of collateral, skills and most often awareness and access.

12. **Governance & Decentralization.** Pakistan is a Federal Republic with four provinces and three special areas. A Senate and National Assembly (Majlis-i-Shura) at Federal Level represents the legislative and Prime Minister is the Chief Executive of the State. Provinces have their Provincial Assemblies and are headed by a Chief Minister. Districts are the main units of administration in each province. Around 90 per cent of the dynamic taxes are collected by the Federal Government which are distributed between federation and provinces under a National Finance Commission Award, largely on the basis of population. The special areas like AJK and Gilgit-Baltistan are dependent on Federal Government for their development and non-development budget.

13. The devolution of certain functions to provinces in pursuance to 18th amendment coupled with the National Finance Commission Award, gives the provinces considerable authority, independence of action and resources to pursue their development priorities. Agriculture is now a fully devolved subject and provinces are responsible for all production and productivity related aspects. While the impact of this empowerment has been quite visible in more brick-and-mortar development, the impact on soft and social sectors including pro-poor development has been limited thus far. Provincial capacity constraints in strategic and evidence based planning and effective execution have also been quite visible. Local Government system is slowly being revived in all provinces though with considerably watered down powers as compared to the Devolved system introduced in 2001.

14. **Institutional Context.** Economic Affairs Division of Ministry of Finance coordinate all foreign/donor funding for social and economic development and is the main interface for IFAD at federal level. Foreign funded projects in social and economic sectors at provincial level are implemented by the provinces and they are also responsible for the loan liability. Federal Government provides sovereign guarantee for such loans. Counterpart financing is also the responsibility of concerned province. For special areas like AJK, while implementation is the responsibility of AJK government, the development funding is reflected in concerned Ministry's annual budget as a one-line item. IFAD financing for

⁴¹ www.researchgate.net/publication/216413804_Rural_Development_in_Pakistan_Issues_and_Future_Strategies

AJKCDP2 will be reflected in annual budget statement of Ministry of AJK & GB together with the counterpart funding.

15. **Climate Change and Water Security** is appearing as a big challenge for Pakistan's agriculture with its high dependence on Indus system water flows in irrigated areas and timely monsoon and westerly systems for its rain-fed areas. Pakistan has suffered from alternate cycles of devastating floods in irrigated plains and prolonged droughts in its arid zones since early 2000s. Per capita water availability has plummeted to "stress" levels and water security for both agriculture and domestic use is becoming critical. Pakistan is one of the few countries with a dedicated Climate Change Ministry responsible for a National Climate Change Policy. Translation of policy into action however largely falls in the domain of provinces and there are serious challenges of prioritization of climate change and environment in provincial annual plans and allocation of adequate resources.

Policies and programmes

16. The national poverty reduction strategy in Pakistan is based on the **Vision 2025** which aims at reducing poverty by half by 2025 and uplifting Pakistan to an upper middle income country. The resulting policy agenda is focused on economic growth, knowledge economy, social justice and protection, and universal access to quality social services. Similarly, agriculture and rural non-farm sectors remain crucial to the country's overall poverty reduction strategy, recognizing that they represent valuable sources of employment. Within that, the key emphasis is on social protection for the poor and vulnerable, skill development for rural male and female youth, access to services including finance and value addition for the rural produce. Federal Government has launched a major programme of interest free loans for youth.

17. **Social Safety Nets.** The first truly national social safety net programme was launched in the shape of Benazir Income Support Programme in 2008. Programme beneficiaries were selected through a transparent nation-wide census and beneficiaries were selected through a proxy-means score system based on families assets. A notional cut-off score of 16.17 was determined (which is not equal to poverty line), based on available resources and that made 7.7 million families eligible for assistance. The beneficiaries get a predetermined monthly cash stipend on quarterly basis through technology based transfer (smart cards, ATMs etc.). Current monthly stipend is Rs. 1,800 and about 5.2 million beneficiaries are currently being paid. The total allocations have risen from Rs. 1.76 billion in 2008-09 to over Rs. 100 billion in 2014-15. In addition the old ongoing cash support programmes like Zakat and Bait-ul-Mal also continue and together cover around two million households though both suffer from targeting, unpredictable fund-flow and insufficient scale issues. Periodic event linked support programmes are also initiated in the wake of natural calamities or other disruptive events like internal displacement of population. These are often one off payments to the affected families like Watan Card scheme providing one-time-cash assistance of Rs. 20,000 to affected households⁴². Such programmes are however often questioned in terms of their overt political dimension and limited impact.

18. **Poverty Graduation.** Government also recognizes that cash stipends and social safety nets alone are not sufficient to help the very poor escape poverty. BISP made an attempt through its "Waseela-i-Rozgar" and "Waseela-i-Haq" programmes to provide loans and assets to the poor to escape poverty. However, a combination of politicized approach, poor design and targeting and lack of proper social mobilization support led to poor performance and ultimately closure of the programmes. BISP currently has no poverty graduation programme linked to its cash stipends. A Prime Minister's Programme for skill development and an interest free loans programme for the youth (implemented by PPAF) and some provincial skills and interest free loans programmes are now in the field to assist poor households in graduation. However, except for PPAF run programme, other programmes have yet to undergo any independent evaluation to assess their effectiveness.

19. **Social protection and poverty reduction initiatives by Provinces.** Since the devolution of social protection and poverty reduction mandates, provinces have started initiating their own social

⁴² Selected households were as well given an additional Rs 20,000

protection strategies and institutions, in addition to BISP. In addition, both federal and provincial governments have initiated a number of skills development and interest free credit programmes focused on youth to contribute to poverty reduction and job-creation; the Prime Minister's Credit Programme for Employment Generation implemented through Pakistan Poverty Alleviation Fund (PPAF) and 24 Microfinance Institutions (MFIs), aims to reach one million clients in three years.

Azad Jammu and Kashmir Context

20. **Geopolitical.** Azad State of Jammu & Kashmir lies in the foothills of Himalayas in the north-east of Pakistan. It covers an area of 13,297 square kilometers (5,134 sq mi) and has an estimated population of about four million. AJK enjoys a special status within Pakistan being part of a disputed territory. Its semi-autonomous governance structure consists of a president, a prime minister, a cabinet and own high court and sub-ordinate courts. The territory is administratively divided into three Divisions and 10 districts and has 187 Union councils and 1771 revenue villages. Around 4,200 Community Organizations, established under previous IFAD projects and other programmes, mainly represent local development interests in the absence of elected local governments. The bureaucratic set-up resembles the set-up of any other province in Pakistan with a chief secretary heading the administration and around 20 departments headed by secretaries. The Planning & Development Department is the lead agency for all development planning and development funds allocation and management. The administrative and bureaucratic systems and capacities are fairly well developed.

21. All national level policies and programmes in the domain of social protection, social sector development, poverty reduction etc. extend in equal measure to AJK as well. The development priorities within AJK however are largely determined by AJK Government itself against single line budget entitlements from the Government of Pakistan. GoAJK's own ability to generate internal revenues is constrained due to lack of large-scale industry, limited arable land resource and under-developed services sector. AJK, however, is well endowed with hydrological resource with considerable potential for hydel power generation. The completion of the Neelum-Jhelum hydropower project and the completion of some other medium to large projects in the medium term promise considerable revenue generation for AJK in the shape of water charge and share in net hydel profit.

22. Some 88 per cent (383,800) of the AJK households are rural with an average family size of 7.0 persons. With very small average arable landholding (average 0.9 ha per hh), household income from crop and livestock is generally not enough to sustain the families and about 60 per cent of the family income is estimated to be derived from sources outside agriculture (wage labour, remittances, etc.). Seasonal migration by males to other parts of Pakistan for employment is quite widespread.

23. The literacy rate in AJK is currently estimated to be 70 per cent which is comparatively higher than the national average. Female literacy and school enrolment of girls is also much higher compared to rest of the country, though still lower compared to males in AJK. Women in AJK enjoy much higher mobility and participation in household decisions compared to women in other parts of Pakistan, however, opportunities for them remain limited due to distances, mountainous terrain and lack of income generation opportunities. Health coverage is mostly inadequate due to the mountainous nature of the area and poor transportation system. Due to limited local agriculture production, the area is dependent on adjacent areas of Pakistan for most of food supplies and inputs and roads play a crucial role in this regard.

24. **Poverty in AJK** has consistently been slightly higher than the national average due to the combination of poor agriculture resource base, small-holdings, difficult terrain, lack of industry and access to markets. About half of the population falls in 0-34 band on BISP Poverty Score Card while around 16 per cent of the households are BISP Cash Transfer recipients (PSC 16.9). Average per capita incomes at US\$ 1,215 is comparable to the national average. Local unemployment remains high forcing males to migrate leaving most households in the hands of women. About 10 per cent of the rural households are landless however all households have their own land for a homestead. Due to large outmigration of males for employment, there is high incidence of female-headed households and they perform a variety of roles traditionally reserved for male folk.

25. **Food insecurity and malnutrition**⁴³. Level of chronic malnutrition (stunting) among children less than five year of age in AJK is 31.7 per cent. It is comparatively better than the national average which stands at 44 per cent but still an alarming number. The rate of acute malnutrition (wasting) in AJK is almost 17.6 per cent, considerably above the critical level of 15 per cent. Anaemia especially maternal anemia, affects 42.2 per cent population and other deficiencies, including that of Vitamin A, remain very high. Vitamin D deficiency among pregnant women is a major public health problem in several areas in AJK. 57.1 per cent of the households in AJK are food-insecure. Around 25 per cent of the children in AJK are underweight and the situation for children in rural areas is worse.

26. **Economy**. AJK has a mainly agrarian economy with a very small average landholding of 0.9 ha. Forests, government employment, livestock and remittances are important sources of supplemental income for households. Average per capita income has been estimated to be at par with national 1512 US\$/capita and according to Labour Force Survey (LFS) the unemployment rate is 14.4% compared to national 6 per cent. Agriculture and livestock constitute 30-40 per cent of household incomes. There are around 2,000 small industrial units in the region and considerable mineral extraction. The region has considerable tourism potential but the lack of facilities has not allowed the region to develop its full potential. The road densities are almost double when compared to other regions in the country. Small land holdings and limited irrigation facilities translate into considerable dependence on imported foodstuffs, vegetables and fruits from neighbouring districts in Pakistan.

27. A stagnant development budget and inability of the AJK economy to generate sufficient number of jobs for a young population are two major challenges for the AJK economy. AJK is entirely dependent on federal government for its development resources. Since the decentralization under 18th amendment, and 2008 Finance Commission Award, the share of provinces in federal pool has increased from 43 per cent to around 57 per cent. The reduced federal share has serious resource implications for special areas like AJK that are dependent on federal funding. AJK development funding, resultantly, has almost stagnated and marginally increased from Rs. 11 billion in 2008 to Rs. 12 billion in 2016. By historical progression, it should have been Rs. 18 billion now. In the absence of a strong private sector or industry, AJK Government generated most of the employment opportunities in Public sector. That capacity has also reached saturation point as 90 per cent of annual AJK budget now goes to salaries and pensions. Lack of local job opportunities has forced around 1.5 million persons to migrate for jobs to other parts of Pakistan and abroad. So, job opportunities for the young population will have to be created in the farming or services sector. TVET and microfinance can play an important role in this regard.

28. Lack of space in AJK development allocations has implications for COSOP (2016-21) aim of encouraging higher than norm counterpart financing in second/third generation projects in the same region. AJK Government does not have that kind of resource availability. However, if AJK government can align the current allocations of rural service providers with those of AJKCDP2 supported community development plans and needs identified therein, then this can be treated as counterpart financing and can easily go up to the higher than norm allocation expected under COSOP.

29. **Agriculture sector**. The area is largely mountainous and consists of two distinct regions: high mountains, narrow valleys and more forest cover in the north, and the southern part consisting of mountains interspersed with flat and undulating plains used for crop cultivation. The area under cultivation is around 194 260 hectares, which is approx. 13% of the total Geographical area out of which 92% is rain-fed. About 87% households own agricultural land and almost 100% have land for own house. Irrigation availability and coverage remain low and there is very limited commercialization of production. Major crops are maize, wheat & rice whereas minor crops are grams, pulses (red kidney beans), vegetables and oil-seeds. Major fruits produced in AJK are apples, pears, apricots and walnuts. Forest is an important source for rural sustenance and additional incomes. AJK is better endowed in terms of forest compared to the rest of Pakistan and about 42.6% of the total geographical area (0.567 million hectares), is controlled by the Forests Department. The per capita

⁴³ National Nutrition Survey, 2012

standing volume is 299.5 Cubic feet and per capita forest area is 0.35 Acre. The local communities have traditional rights in terms of forest use for grazing, fuel wood and wood for housing.

30. **Livestock.** On average, every rural household has 3 heads of small ruminants and 2 heads of cattle/buffalo. Livestock is an important source of livelihood for large majority of rural households and contributes on average around Rs.1,600.00 per household/month, of which about 68% is from milk production. Livestock productivity remains low due to poor breeds, inadequate feed, poor husbandry practices and inadequate extension coverage. Livestock rearing is largely a women’s activity and income from livestock, especially milk sale, is controlled by women.

31. **Climate change.** AJK has faced increasing frequency of flash floods and land sliding due to torrential rains. It has also experienced shifting and unpredictable rain patterns over the recent past which has had serious implications for the agriculture dependent on rains. Little work has been done to identify and develop crops and seeds/varieties suited to new rainfall patterns or invest in improved water security through irrigation or water storage. Water security, both for domestic use and agriculture, is increasingly become a challenge despite AJK having ample surface water resources and falling within the monsoon and westerly winter rains zone.

32. **Rural finance.** AJK does not have problem of large rural indebtedness or usurious lending practices as witnessed in some other parts of the country. Demand for access to finance is high both among males and females for both on and off-farm activities including micro-enterprises and livestock rearing however the interest rates being charged (28 to 33%) is a constant complaint. A microfinance component was implemented under both previous IFAD projects with some mixed results. Under AJKCDP-I, CO based matching grant based revolving funds were established to be administered by CO for its members. Being done in the later stages of the project, it became a largely supply driven activity with poor articulation of conditions. Lessons have been learned, and today AJKRSP is now operating an on-lending programme based on funding received from AJK Bank under a MOU. The programme is making good progress due to its attractive terms whereby AJK Bank charges Kibor plus 1.5% from AJKRSP while AJKRSP charges 14% from the CO members. This is in contrast to 28% charged by the NRSP Bank.

33. Khushali Bank and NRSP are currently the two main providers of microfinance in AJK. AJKRSP is operating a smaller revolving credit fund programme inherited from AJKCDP-I and NRSP in four districts. Akhuwat, an interest free pro-poor microfinance programme, is currently negotiating a MOU with Ajk Government to start a microfinance programme with a grant of Rs. 750 million received from Punjab Government by Government of AJK. Akhuwat is operating nation-wide and has the largest interest-free loan programme with cumulative disbursements of Pak Rs. 43.7 billion and an outstanding loan portfolio of Rs. 13 billion with around 99% recovery. Khushali Bank is a registered micro-finance institution but largely urban centred and its outreach in the rural hinterland is still limited. It’s also not accessible for the IFAD target group due to its stringent collateral based conditions and remoteness for most of the rural households. NRSP currently has the largest coverage and direct linkages with LSOs and COs. NRSP started in AJ&K Region in 1991 in four districts. After the 2005 earthquake, NRSP extended its outreach throughout AJK. In 2010, after the emergence of AJKRSP, it handed over its loan portfolio in four districts to AJKRSP. At the end of June 2016, region share in microfinance sector (AJ&K) in terms of portfolio was 60.48% and 68.28% in terms of Active Borrowers. Following Table shows overall NRSP microfinance performance in AJ&K Region.

Description	Female	Male	Total
Overall Credit disbursement (PKR billion)	1,596,892,800	2,478,113,585	4,075,006,385
# of Loans (million)	75,142	125,922	201,064
Active Portfolio (PKR million)	255,019,636	209,796,519	464,816,155
Active Loans	16,704	14,485	31,189

34. At present, available sources of micro-finance are quite sufficient to meet the need in the programme target areas and the programme should not contemplate starting any additional micro-

finance initiative. The current challenge is outreach and high interest rates. Both can be addressed through programme approach. The social mobilization approach through AJKRSP can be leveraged to get into partnership with affordable sources of finance like existing AJK Bank credit line and upcoming Akhuwat programme and fill the outreach gap through development of a cadre of LSO based Microfinance agents and/or use of AJKRSP's in-house capacity to act as on-lending agent. AJKRSP's own sources from AJKCDP-I and inherited portfolio from NRSP in four districts can serve as another source.

35. **Community Organizations.** The RSP model of participatory development through organized community organizations was introduced by IFAD-funded NJVCDP (IFAD Loan No. 288-PK, 1992-1999) and was further expanded under next IFAD-financed AJKCDP (IFAD Loan No. 625-PK - 2004 to 2013). AJKCDP supported establishment of AJK's own RSP, AJKRSP. Other than IFAD projects, various other projects financed by multi-laterals and international NGOs as well as government agencies have been sponsoring their own COs and currently over 9,000 to 11,000 COs are reported by various agencies. However, it is often a case of double and triple counting in same villages and actual number of COs is around 4,200. The CO hierarchy follows the same pattern as in rest of RSPs with CO being the lowest tier at a hamlet or sub-village level, and then a VO at Village level consisting of 5/6 COs and a Local Support Organization at Union Council level consisting of 6 to 10 VOs. Current CO structures need revamping as most of them represent small proportion of households in a hamlet/sub-village with stagnant membership. In many cases, IFAD priority target groups are not even represented in existing COs. Local Support Organizations (LSOs) are mandated to provide regular oversight and institutional support to COs and VOs in their areas and act as conduits for some microfinance revolving fund activities (both by NRSP and AJKRSP). However, institutional capacity of LSOs and their operational expenses etc. are still areas of concern. AJKRSP and NRSP coverage extends to around 1006 villages while around 800-1,000 villages are yet to benefit from social mobilization and participatory rural development and government aims to extend the coverage to these remaining villages as well.

36. **Rural Development.** 88 per cent of AJK population lives in rural areas. The level of services and road densities in AJK is much better compared to rural areas in rest of the country. One reason may be a continuum of political process and democracy in AJK compared to regular disruption of this process in rest of the country. But another important reason is relative societal cohesiveness, homogeneity, higher literacy and awareness and easier access to sources of political power and decision-making. The previous two IFAD projects as well as NRSP and number of other NGOs have also played an important role in rural development in AJK. However, further development now faces serious challenges institutional and resource challenges. The stagnant AJK development budget has resulted in resource crunch affecting rural development allocations as well and LGRD budget over the last three years has seen a declining trend from Rs. 01 billion in 2014-14 to Rs. 650 million in 2016-17.

37. Rural development in AJK has a long history of experimentation in terms of institutional arrangements. Earliest interventions in this regard can be found during 1952-1963 period when Village Agricultural and Industrial Development (V-Aid) Program was launched alike rest of Pakistan. V-Aid programme essentially sought to formalize participation of village communities in the whole developmental process. Two key features of this initiatives pertained to the notion of Village Aid Worker who acted as an extension link between several villages and the program and the centrally controlled operations through government functionaries. Next experiment was introduction of Basic Democracies system (1963) which sought to combine political development and community development and was implemented between 1963 and 1972 (Rural Works Program). Last to come in the series of these top-down rural development interventions was Integrated Rural Development Program (1972 -77). Early eighties saw introduction of a new Local Government Ordinance, 1979 which established politically elected local governance institutions in the shape of District and Union Councils. Parallel to this, a participatory development model was launched in Northern Areas in the shape of AKRSP. Both streams of rural development, one political and one apolitical, then followed different trajectory. The political model was never fully owned by elected political governments and

local bodies most of the time remained suspended till 2001. On the other hand, the RSP movement thrived during next two decades as AKRSP model was successfully followed and adopted at national and provincial level which saw the birth of NRSP (nationwide), PRSP (Punjab), SRSP (NWFP/KP), BRSP (Balochistan) SRSO (Sindh) and the latest being AJKRSP (AJK).

38. Though not implemented in AJK, a new Local Government legislation, titled, Local Government Ordinance, 2001 was introduced all over Pakistan. LGO 2001 provided for a three-tiered system of decentralization where by District Governments, Tehsil/Town Municipal Administrations and Union Governments was introduced. What set this system apart from any of the previous local governance regimes was the reallocation of a huge portfolio of provincial government mandates to various levels of local governments. In this way, local governments established under LGO 2001 were not only performing traditional municipal functions but were also made responsible for a vast array of social service delivery including health, education, agriculture and other nation-building sectors. In other words, for the first time in Pakistan's history, local governments were given comprehensive autonomy through political, administrative and financial decentralization. In terms of rural development, it may be mentioned that a dedicated institutional set-up, titled village councils could never be established throughout the currency of LGO 2001 for a host of reasons. After, two successful tenures (2001-2009), the then elected provincial governments throughout Pakistan, did away with the spirit of LGO 2001 by appointing civil servants as administrators in all tiers of local governments. At present, provinces of Balochistan, Sindh and Punjab have reverted back to old model of LGO 1979 (doing away with decentralization) while, KP province has a hybrid local government system, drawing from both LO 1979 and LGO 2001.

39. **Development Challenge of AJK.** AJK is a highly mountainous region with considerable variation in agro-ecological zones. Over 88% of the population lives in rural area and is dependent on agriculture and livestock for a fair proportion of their incomes and almost half of the population falls in poverty band of 0-34 Score on BISP Poverty Scorecard.. Average land holdings are very small (0.9 ha). Only around 08 per cent of area is irrigated and climate change induced seasonal uncertainties are gravely affecting rain-fed agriculture. Small land holdings, combined with traditional agricultural practices and low value crops, force most households to rely on outside government/private employment and wage labour which, in turn, leads to further neglect of agriculture. Despite some promising models in most districts, production of higher value crops and development of value chains has not received sufficient attention. Dearth of industry and large-scale commerce makes government the single largest employer and over 92 per cent of government budget is spent on salary and allied obligations with little room for further employment generation. Available micro-finance bypasses the poorest and interest rates are generally considered exorbitant. Lack of appropriate skills and entrepreneurship is a major limiting factor in employability of majority of male and female youth. Water security is a critical issue for domestic, livestock and agriculture purposes and land degradation and deforestation has gravely affected traditional sources like springs. Despite considerably higher road densities compared to National Average, rural inter-village connectivity is often challenging and new roads are in high demand. Gender situation is much better compared to rest of country however, women headed households and female youth are still challenged in access to decent incomes and opportunities.

40. Among IFAD priority target group (0-34 on BISP Poverty Score Card) average household incomes are Rs. 5,000 to 7,000 per month that is not sufficient for a decent living standard. As per target households own stated assessment, they need to generate around PKR 15,000 per month to attain a decent level of living⁴⁴. Community driven development remains largely project-centred and is not mainstreamed into regular government budgets and rural development planning and implementation approach. Stagnant development budget of AJK over the last five years leaves little

⁴⁴ Whilst there is no official figures on the household income of the poorest target group in AJK, the design team undertook a rapid assessment in 15 communities, which confirmed average incomes of Rs. 5,000 per household; based on deeper consultations with these households, it was further confirmed that with provision of on-farm assistance (e.g. extension services, etc.) and off-farm interventions (in the form of vocational or skills training), household income could rise to Rs. 15,000 per month as a relatively conservative estimate.

room for definitive and decent scale allocations for community driven development. Community driven development is also fragmented and scattered across various departments. The existing rural development approach is based on traditional and stereotype interventions, hand-outs and subsidies and not focused on any clear strategy for raising incomes in sustained manner.

41. Despite these challenges, there are also considerable opportunities to holistically address the rural poverty and development challenges in AJK. These include:

- (a) Ownership and good understanding of community driven rural and agriculture development processes within the political and administrative setup and a keen desire to mainstream it into government development agenda on a sustainable basis.
- (b) An excellent base of over 4,000 COs, VOs and LSOs to further pursue and strengthen community driven development with sharper focus on the poorest and women headed household through BISP Poverty Score Card Driven targeting
- (c) An egalitarian and socially coherent society with comparatively high literacy levels, women participation and keen sense of self-reliance that can be leveraged for a successful participatory development model
- (d) Potential to introduce a poverty graduation approach enabling the poorest households (BISP Poverty Score Card 0-24) to sustainably get out of poverty through a combination of asset creation, skill development, entrepreneurship development and market linkages
- (e) Opportunity to expand the CDD model to still uncovered over 800 villages and attain State-wide coverage
- (f) Location and topographic advantages that are suitable for agriculture diversification towards higher value crops, off-farm income generation and livestock/poultry production that can be scaled up following a value chain based approach
- (g) A decent base for community based savings and credit programmes under previous two projects that can be fine-tuned and scaled-up across the State with appropriate linkages with micro-finance institutions and additional co-financing sources.

Appendix 2: Poverty, targeting and gender

Poverty in Pakistan

1. Pakistan has a population of 188.9 million, 60 per cent of which lives in rural areas. The Government of Pakistan has recently adopted a revised calorie based poverty line (from Rs. 2,350/adult/month to Rs. 3,030/adult/month). Using the revised poverty line, the headcount poverty rate has declined from 64.3 percent in FY01/02 to 30 percent in FY13/14. 30% (59 million) of the total population is defined as poor and an additional 20 million has been declared vulnerable. Poverty is primarily concentrated in rural areas where the poverty rate, as per new poverty line, is 54.6 per cent as compared to 9.3 per cent in urban areas. But there are huge disparities across provinces and within provinces. Rural poverty is outcome of multiple factors including highly skewed land ownership and landlessness, a pro-urban bias in social and economic sector investments, high illiteracy rates among youth at 32 per cent, lack of skills among productive age poor (only 6% of young have technical skills⁴⁵). Low social attainments is another strong contributory factor as Pakistan's performance on most MDG targets including education, gender, health, nutrition, infant mortality⁴⁶ remained below targets.

2. A major reason for rural poverty is the prevailing highly unequal distribution of assets particularly land, access to water⁴⁷ and lack of services, particularly education, health, and lack of voice in decisions that directly affect the poor and credit. Although agriculture is at the heart of the rural economy, and the majority of Pakistan's poor live in the rural areas, they are neither tenant farmers nor farm owners and depend upon non-farm sources for their income. Poverty and vulnerability levels are highest among rural households with no access to land or other productive assets, and among large households with minor dependents. Social inequalities based mainly on class, caste, religion and gender persist throughout rural areas which particularly limit access of certain groups to livelihood options, social services, and political empowerment. Disadvantaged populations such as women, religious minorities, or socially excluded ethnic groups are particularly vulnerable.⁴⁸ Because of this skewed distribution of ownership and access to productive assets, much of the direct gains in income from crop production, particularly irrigated agriculture, accrue to higher-income farmers with larger landholdings. Lately, climate change induced extreme weather events and environmental degradation and deterioration of the natural resource base has added to vulnerability of the poor given their large dependence on such resources.⁴⁹

3. According to Government's Vision 2025, 60% of the country's population is facing food insecurity, and nearly 50% of women and children under five years of age are malnourished. Pakistan ranks 76 out of 107 on the Global Food Security Index⁵⁰. 2011 National Nutrition Survey estimated that the rates of child stunting have not changed since 1965 with 44% of children being stunted, 16% of Pakistani children under 5 suffer from acute malnutrition. Over a third of deaths under five are linked to malnutrition. Many Pakistani children are faced with long-term nutritional deprivation, due to poverty, food insecurity, poor health services, illnesses linked to hygiene such as diarrhoea, and improper feeding practices. At 15 per cent, the proportion of children who suffer from wasting, indicating acute malnutrition, exceeds the international emergency threshold. A fifth of pregnant women and children under five have severe Vitamin A deficiency, and 62 per cent of children under

⁴⁵ UNDP, Pakistan. Update on Security and Political Situation in Pakistan (Feb 2015)

⁴⁶ Pakistan MDG Status Report 2013, Government of Pakistan and UNDP Pakistan

⁴⁷ According to the 2000 Agricultural Census, only 37 percent of rural households owned land, and 61 percent of these land-owning households owned fewer than five acres, or 15 percent of total land.

⁴⁸ Asian Development Bank (2008) Poverty Assessment Update

<http://www.adb.org/Documents/Assessments/Gender/PAK/Poverty-Assessment-Update.pdf>

⁴⁹ Shah, Marshuk Ali. The Growth of Poverty in Pakistan - Issues and Causes. Presented. ADB Pakistan Resident Mission. October 2002. NIPA, Lahore.

⁵⁰ WFP, Pakistan

five are anaemic.⁵¹

4. In 2008, the Government of Pakistan (GoP) carried out a nationwide poverty survey for the purposes of a National Poverty Score Card, ranking households on a scale from 0 to 100. The corresponding IFAD target groups are households with a score between 0 to 34 (approximately 97 million people); this includes the extremely poor in the band of 0-11 (3 million people), the chronically poor (band 12-18; 19 million people), the transitory poor (band 19 to 23; 37 million people) and the transitory vulnerable (band 24-34; 38 million people). A fresh survey is currently underway to update the registry and would offer a good tool for targeting the very poor and poor.

5. Outmigration within Pakistan and abroad for employment and labour is the most common coping strategy for rural youth and remittances are increasingly becoming very important for both Pakistan's current account balance as well as in terms of rural livelihoods. Remittances are also having an equalizing and poverty-alleviating impact given that migration has mainly been from the disadvantaged households of the rural areas.⁵² The diversion of remittance income towards productive investment opportunities can help raise economic growth and development. The main obstacle preventing the government from utilising the remittances effectively is essentially the informal nature of these inflows, meaning lack of recording and regulation and the fact that remittances have been mainly used for consumption purposes.

Gender Dimension of Rural Poverty

6. Women in rural Pakistan have been described⁵³ as being the most socially excluded. They have heavy workloads and carry out a wide range of tasks in agriculture, livestock rearing and off-farm activities. Studies show that a rural woman in Pakistan works 15.50 hours a day, spending 5.50 hours in caring for livestock, but can provide only 50 minutes for the care of her own children.⁵⁴ The migration of men to urban areas has further exacerbated their workload. Rural women are also the most deprived in terms of access to basic social services, livelihood opportunities and vulnerability to violence. For example, 65 per cent of the women in urban areas are literate in contrast to 30 per cent in the rural areas of Pakistan.⁵⁵ Similarly, the overall incidence of home deliveries in Pakistan is significantly higher in rural areas (78 per cent) compared to urban areas (68 per cent).⁵⁶ Gender disparities are also more pronounced in rural areas: men's literacy rate (60 per cent) is twice as high as that of women (30 per cent).

7. Pakistan ranks 144 out of 145 countries worldwide in terms of Gender empowerment⁵⁷. Large gaps continue to exist between men and women in health, education, politics, and economic participation. Factors contributing to high inequalities for women include gender-based violence, restricted mobility, lack of education, little awareness of rights, lack of access to and ownership of resources and assets, and limited access to social services. Various international partners are supporting the Federal and Provincial governments to narrow the gaps between men and women to promote a more prosperous, stable society in Pakistan⁵⁸. Even where women have attained better educational attainments, social mores and customs with regard to women mobility, employment and ascribed roles put severe restrictions on women's ability to make productive use of their education and skills. Of the approximately one million university students in Pakistan 47 per cent are women⁵⁹. However 62 percent women graduates do not join the work force; 55 percent of female medical

⁵¹ UNICEF Pakistan Annual Report 2016

⁵² Lucas 2005.

⁵³ Gazdar, Haris, and Shandana K. Mohmand. Social Structures in Rural Pakistan, Determinants and Drivers of Poverty Reduction and ADB'S Contribution in Rural Pakistan,. Rep. no. TA4319-PAK. 2007. Asian Development Bank. <<http://www.adb.org/documents/reports/consultant/37711-pak/socialstructures-rural-pak.pdf>>.

⁵⁴ <http://www.fao.org/sd/wpdirect/WPre0111.htm>

⁵⁵ Government of Pakistan, (2007) Pakistan Social & Living Standard Measurement Survey (2006-2007), Federal Bureau of Statistics, Islamabad

⁵⁶ ibid

⁵⁷ World Economic Forum's Global Gender Gap Report 2015.

⁵⁸ USAID, Pakistan, June 2016.

⁵⁹ Higher Education Commission of Pakistan. 2015

graduates never practice medicine or join any medical job, and only 2 percent of senior leadership and management positions are filled by women⁶⁰.

Poverty in AJK

8. Based on BISP Data, AJK has 613,846 households and a population of 4.4 million. Currently 104,240 HHs are on BISP beneficiary list (Score card 0-16.9) or 17 per cent of total households. 326,904 hhs are between 0-34 score denoting extremely poor, poor, transitory poor and vulnerable. PIDE constructed a district ranking of poverty (based on old calorie intake based criteria) and as per this ranking, following is the status of 10 AJK Districts⁶¹:

Table 1: Wellbeing Ranking of AJK Districts

District	Poverty Rate (%)	Status
Bhimber	8.29	Least poor
Poonch	8.30	Least poor
Sudhnoti	9.65	Least poor
Kotli	13.40	Least poor
Bagh	14.09	Vulnerable
Mirpur	14.83	Vulnerable
Muzaffarabad	23.23	Vulnerable
Hattian Bala	30.80	Poor
Haveli	37.57	Poor
Neelum	56.08	Extremely Poor
Overall	21.62	Vulnerable

9. Prevalence of poverty in AJK is relatively high, as compared to other parts of Pakistan. Following Table-2 illustrates that around 47% of the total households in AJK fall under the PSC 0-34 category. In terms of poverty prevalence across districts or for that matter within the district, there is wide variation observed in BISP data. In the northern district of Neelum more than 82% of HHs falling under the category PSC<34. Similarly, four more districts (Hattian, Bagh, Muzaffarabad and Sudhnoti) have more households in same category than overall AJK average of 47%. One common feature of these northern districts is the mountainous topography with limited arable and productive land surface as compared to the southern districts.

Table 2: Percent of Households (HHs) with PSC <=34 by districts

S.No.	Districts	PSC <= 34*	Total HHs**	% HHs with PSC <=34
1	Neelum	21,631	26,451	82%
2	Hattian	27,447	45,758	60%
3	Bagh	32,022	58,011	55%
4	Muzaffarabad	62,903	125,166	50%
5	Sudhnoti	23,229	47,463	49%
6	Poonch	40,864	88,090	46%
7	Kotli	51,378	119,136	43%
8	Haveli(kahuta)	18,174	45,758	40%

⁶⁰ Fiza Farhan, Member, UN High Level Panel on Women's Economic Empowerment, UN Women Pakistan, May 2016.

⁶¹ Detailed list of UC wise list of HHs in 0-34 band is at Attachment 1.

9	Mirpur	25,820	70,747	36%
10	Bhimber	23,436	69,648	34%
Total		326,904	696,229	47%
* BISP Data Base; ** calculated by dividing rural population with average HH size by district: AJK at a Glance (2015)				

10. Rural poverty in AJK is linked to very small landholdings (average 0.9 ha), mountainous nature of the land, poorly developed irrigation facilities, challenges of communication and access, limited off-farm employment opportunities and lack of employable skills among rural youth. There is no large-scale industry or well-developed services sector generating job opportunities. Most small holders and landless people rely on daily wage opportunities, which are not regularly available in remote rural areas, or seasonal migration to large cities to work as construction workers. Government is largest employer in AJK but further opportunities to create more jobs in public sector are limited due to stagnation of State budget allocations from Federal Government. Given the small size of land holdings, there is little potential to raise incomes through production or productivity gains in traditional crops and cropping patterns

11. Homelessness is not an issue in rural areas of AJK. All households have some land for their own homestead though quality of housing and sufficiency of accommodation in joint family arrangements in some cases may be an issue. The homelessness related challenges of economic and political empowerment that are witnessed elsewhere in the plains are not there in AJK.

12. Gainful employment of large number of educated male and female youth can contribute to alleviation of poverty in their households. However, employment of male and female youth is constrained due to lack of employable skills as per market demand. The skill development carried out in AJKCDP-I was very supply-driven with scores of people trained in same skill in same village or LSO area e.g. 10 people trained as electricians in same village or twenty people getting plumbing training in same village. The other constraint is training in courses and institutions that lack accreditation and recognition both within country and abroad. To achieve the desired objective, the skill and training ahs to be dictated by market demand, individual's potential and recognition of the certification. AJK TEVTA is currently undergoing major capacity strengthening through foreign assistance and offers an opportunity to get the male and female youth trained in properly accredited courses as per market demand and helped to either get gainful employment or start own business through access to microfinance under an integrated strategy.

Gender Dimension of AJK Poverty

13. Gender situation in AJK, particularly in the northern part, is much better as compared to most other areas in Pakistan. Women's education levels and their participation in all facets of decision-making and economic activities is markedly better. They are quite active in rural economic life, self-confident and vocal. Female literacy levels, though lower than males, are still better than rest of the country. Of the 120 reserved seats for AJK in Pakistan's Medical Colleges, 88 were last year captured by female candidates. However, they still face number of a constraints and disadvantages dictated by social norms, patriarchal tendencies and geography. They shoulder more than their fair share of burden in livestock and agriculture with little control over incomes, have exclusive responsibility for fetching water for domestic use and collection of firewood for cooking. Access to higher education is often constrained due to absence of educational institutions within reasonable distance and parents reluctance to send girls to distant places. For those who do complete higher education, jobs within the area are few and far between.

14. GoAJK has been proactive in improving gender situation in the region. A number of legislative, policy and institutional steps have been initiated in this regard. These include:

- (a) State policy framework for Women Empowerment 2012.

- (b) “Azad Jammu & Kashmir Protection Against Harassment of women at The Work Place Act 2014” enacted in AJ & K.
- (c) “Domestic Violence (Prevention & Protection) Act, 2014.
- (d) Azad Jammu & Kashmir Commission on the Status of Women Act 2014.
- (e) CEDAW Committee is notified with members of relevant Govt. Departments & civil society organization.
- (f) Establishment of Gender Development Forms at District levels. (GDF).
- (g) Establishment of women help line with the cooperation of Aurat Foundation.
- (h) Entrepreneurship training for women at Women Welfare Centers for income generation.
- (i) Awareness/Sensitization Campaigns on women rights, domestic violence.

15. In 2012, the Social Welfare & Women Development Department was split into two and an autonomous Women Development Directorate was created. The Directorate of Women Development AJK has carried out various steps including establishment of Women Development Centres throughout the AJK to promote women welfare. The Directorate currently has 5 District offices headed by Assistant Directors, 21 Women Development Centres, 14 Employment Development Centres and 2 Shaheed Benazir Bhutto Women Development Centres. Around 9,000 women have been imparted skills and entrepreneurship training in these centres till 2015-16. Employability of trained women in these centres remains constrained due to lack of access to start-up capital and limited access to markets.

Table 3: Training Imparted to Women in different skills

S #	District	WDCs (#)	Achievements up to 2014-15 (females)	Target 2015-16 (females)
	Muzaffarabad	5	1380	150
1	Hattian	2	480	60
2	Neelum	3	540	90
3	Bagh	4	960	120
4	Haveli	1	300	30
5	Rawalakot	6	1560	180
6	Sudhnoti	2	480	60
7	Mirpur	3	780	90
8	Bhimber	2	480	60
9	Kotli	7	1860	210
	Total	35	8820	1050

Source: Directorate of Women Development, AJK.

16. Establishment of COs under previous IFAD-funded projects and various other programmes run by RSPs and government agencies have created avenues for women’s voice in development decision-making, provided access to skills and capital and contributed to women empowerment. In AJKCDP-I, a Gender Strategy was prepared which informed CDPs approach and procedures to promote equitable access by women to project resources. A conscious effort was made to maintain a fair balance between male and female CO’s membership and by the end 44.3 per cent of the CO members were women. Project adopted proactive approach to targeting certain activities to only women members (like goat distribution, poultry etc.) and also ensured fair share for women in vocational and NRM training (especially livestock and kitchen gardening). All water supply and sanitation related schemes were designed on the basis of women preferences. Project also encouraged more and more mixed and exclusive Female COs. Presence of women among key positions of LSO management committees was also encouraged. Majority of COs and LSOs have made conscious effort to appoint women as office bearers in key positions. A number of relevant

lessons are available from AJKCDP-I experience to further empower women in AJKCDP2 and enable them to make effective use of available programme resources for self-betterment.

Options for Targeting of Poor and Gender Strategy

17. Key considerations for programme targeting will be its pro-poor orientation (smallholder farmers, landless, women headed households falling in PSC of 0-34), ensuring that resources are not spread too thin, and equitable distribution of resources across districts, UCs/LSOs and COs. Another important consideration would be expanding coverage of community driven development to still uncovered 800-1,000 villages. The programme will be implemented only in rural UCs of AJK and no urban UC will be covered. Priority will be given to the poorest UCs with largest number of poor households in each district.

18. AJK is divided into three divisions: (i) Muzaffarabad, (ii) Poonch; and (iii) Mirpur; with Muzaffarabad as the capital of the State. There are 10 districts in three divisions. The Muzaffarabad Division comprises of Muzaffarabad, Hattian and Neelum districts, Poonch Division comprises of Bagh, Haveli, Poonch and Sudhnoti districts, whereas Mirpur Division consists of Mirpur, Kotli and Bhimber districts. These ten districts are further divided into 32 Subdivisions, 194 Union Councils (UCs) and 1,771 Revenue Villages. There are 5 Municipal Corporations, 13 Municipal Committees, 18 Town Committees and 31 Markaz Councils (MCs), which are administrated by the Local Government & Rural Development Department (LGRD). There are around 4,426 existing male and female community organizations (COs) established under various programmes including previous two IFAD financed Projects. The priority target group for AJKCDP2 will be the households falling below the PSC of 34 who are estimated at 326,904 or around 50 percent of the total households.

19. **Priority Inclusion of Ultra Poor and Poor.** According to NRSP report, in the 127 LSOs/UCs currently organized in AJK, around 60 per cent of the households are members/organized. The remaining households either live in villages/hamlets that are yet to be organized or live in the area of a CO/VO but are not members of the CO/VO. The PCR and Post completion Assessment of AJKCDP-I also underlined the fact that most COs/VOs were static and their membership had not expanded much beyond the original members. It also highlighted the fact that in majority of cases most of the non-member households were very poor or poor who happen to be IFAD priority target group under AJKCDP2. AJKCDP2 therefore would make sure that poor and ultra-poor households are made members of the existing and new COs on priority and that would be a key criteria for COs to access programme sources.

20. **Target Group.** Programme priority target group will be households falling in 0-34 band on BISP Poverty Score Card while maintaining a whole CO approach in UCs selected for programme interventions. While in new COs the households falling in 0-34 range will be actively engaged to become members of CO from very start, in the existing COs covered under the programme, all such left out HHS' inclusion would be a primary condition for CO's eligibility to participate in programme activities. The poverty graduation/asset building activities will be specifically targeted on households in poverty band of 0-11 as per BISP PSC. The rest of programme interventions including CPIs and rural economy fund, and CPIs will have a whole CO approach in all the participating COs.

21. **Targeting Strategy.** In order to avoid thin spread of programme resources, priority will be given to poorest Union councils for activities under Poverty Graduation and rural infrastructure. UCs/LSOs with over 1,000 hhs in poverty band of 0-34 will be eligible for these interventions. It is estimated, based on BISP data, that around 60 per cent of the rural Union councils will be eligible. Even in these priority poorest UCs, infrastructure investments will be prioritised to those COs that are newly created and those COs which previously did not benefit from any infrastructure/CPI investments under AJKCDP-I. BISP Poverty Registry will be used for the initial selection of these poorest UCs.

22. A total of 250,000 hhs will be organized into around 10,000 COs. Household targeting will allow the programme to proactively mobilize all target households in existing and new COs to be members of the CO and be eligible for activities designed for such households' poverty reduction. Within that, certain activities will be exclusively targeted at the poorest (private goods) for their poverty graduation

while the public goods under CPIs will be implemented among those poorest UCs and COs which have not benefitted from any CPI in AJKCDP-I and P&D Bridging Project following AJKCDP-I. CPIs will have a whole COs approach but again granted to the villages and COs that meet the specified criteria. The asset building and rural economy fund activities will be implemented across all targeted UCs.

23. **Programme Inclusion Criteria:** The programme inclusion criteria for a Union Council would be:

- (a) Having more than 1,000 households in poverty band 0-34
- (b) Have an existing CO/VO/LSO set-up or willing to engage in creation of such a set-up with priority inclusion of all ultra-poor and poor households
- (c) Willing to abide by programme conditions and social mobilization principles
- (d) Willing to clear any existing default in respect of LSO or any of the VOs and COs
- (e) Willing to abide by programme gender, climate change and nutrition guidelines and effective implementation of recommended activities

24. **Inter-District Allocation of resources:** AJKCDP2 will have a two-track approach in terms of distribution of programme resources among ten districts. The soft component including crop diversification, livelihoods development etc. will be implemented in all covered eligible UCs/LSOs in equal measure and a LSO/CO access to these resources will largely depend on their performance in terms of organization, membership, inclusiveness and adherence to other programme stipulated performance and eligibility criteria. As for the two major allocations under assets for ultra-poor graduation and Community Physical Infrastructure (CPIs), the distribution of resources among the ten districts will be on the basis of a multi-factor criteria involving weighted average of population (70%), area (10%) and poverty (20%). **The Table 4 below reflects share of each district for assets (poverty graduation) and CPIs.**

Table 4: District Share under AJKCDP2

S.No.	District	Share
1	Bagh	9%
2	Bhimber	10%
3	Hattian	7%
4	Haveli	4%
5	Kotli	19%
6	Mirpur	8%
7	Muzaffarabad	16%
8	Neelum	7%
9	Poonch	12%
10	Sudhnoti	7%
	Overall	100%

25. **Allocation Among LSOs within District.** Equitable allocation within district among the LSOs and by LSOs among COs will be determined by District Planning Office/District Coordination Committee for LSOs and by LSOs for COs. Key considerations for development of criteria will be relative poverty, inclusion of ultra-poor and poor in CO membership, quality of LSO, VO, CO participation, investments received under previous IFAD or other projects and willingness to abide by investment conditions. Each District Planning Office and LSO will notify its resource allocation criteria at the very start of programme activities based on ground realities in their respective areas and consultations with the key stakeholders including beneficiaries. An upfront criteria for such allocations

is not being specified at design stage due to considerable geographic, social and access variations within AJK and considerable information gaps in terms of current status of existing COs and their distribution among districts and UCs, potential for organizing COs in left over area on the basis of programme's poverty considerations and actual infrastructure needs vis-à-vis each COs development plan and livelihoods development activities identified in that plan. (See Annex IX of Working Paper on Community Physical Infrastructure for design consideration and indicative shares of districts).

26. **Responsibility for Spatial and Household Targeting.** Ranking of Union councils in terms of their poverty will be compiled and notified by Community Driven Development Unit (CDDU) at the start of programme on the basis of BISP poverty data. Union councils eligible for CPI and Poverty Graduation investments will be also clearly identified. Organization/reorganization of COs/VOs and LSO within identified Union Councils will be the responsibility of social mobilization partner including priority inclusion of ultra-poor, poor and women-headed households. SMP will use BISP Poverty Score card for each UC for the identification of poor households and carry out a participatory validation of identification to address any inclusion or exclusion errors. Selection of beneficiaries for private goods and specific activities to be implemented by line agencies will be carried out by SMP and concerned line agencies jointly with active participation of the CO.

27. All development needs of the CO, both for individual based activities related to poverty graduation/livelihoods development and infrastructure related needs will be identified as part of Community Development Planning Process. SMP and concerned line departments will jointly conduct this exercise with the participation of all CO members. The agreed priorities, phasing and intended beneficiaries will be reflected in Community Development Plans and all CDPs will be consolidated at LSO level for a LSO/Union Council Plan. The plan will be reviewed and approved at District Coordination Committee level and recommended to be financed from Annual Work Plan & Budget (AWP&B) of AJKCDP2. Criteria for all programme activities and implementation process will be reflected in Programme Implementation Manual.

28. The staff of SMP and implementing partners will undergo orientation training, to be organized by CDDU, at the start of the programme to ensure that they fully understand programme approach and targeting criteria and have a shared understanding of programme strategy and implementation process. Crop diversification and NRM related activities will be implemented with the assistance of Agriculture Extension, Agriculture Research, Livestock & Dairy Development and Forestry Department. CPIs or public goods will be implemented by LGRD through its Markaz offices with active participation of COs. Design and technical support/oversight will be provided by LGRD Engineering Wing while social mobilization aspects will be covered by SMP and LGRD's social mobilization staff. All skills and vocational activities will be implemented with the assistance of AJKTEVTA, concerned line agencies and WDD (where relevant). Output and outcome based MOUs will be assigned between CDDU and line departments/service providers for this purpose. Implementing agencies will be eligible for payment of a defined percentage of activity budgets to cover their operational expenses, as already successfully employed in AJKCDP-I. The terms will be reflected in PIM.

29. **Baseline and Ground-Truthing of COs.** The Social Mobilization Partner will establish a baseline for Logframe performance and outcome indicators within three months of start. The exercise will also establish definitive numbers of existing active COs/VOs and LSO and map all uncovered areas to be the basis for programme CO formation and community mobilization strategy. Maximum use will be made of the available secondary data. A new survey is now underway by BISP and may come up with the new set of poverty data by the time programme is initiated. If not, then the existing data set will be used as a baseline for households targeting. However, this targeting within organized COs will be further validated through community endorsement to address any inclusion or exclusion errors in BISP data and to cater for any changes in well-being status of a household since BISP survey in 2008.

30. **Gender Strategy.** AJKCDP2 will develop and employ a well defined gender strategy in all facets of local planning and need assessment, equitable access to available opportunities under various components, specific women centred activities in income generation and employment creation

etc. Women headed households and ultra-poor women will be specifically targeted for graduation and asset creation. Women's role will be strengthened in both community and household decision-making. All social sector interventions in particular will require specific women centred dialogue and prioritization.

31. Formation of mixed and women COs will be particularly encouraged in non-covered villages and membership of existing COs will be expanded to bring all women, in particular 0-34 poverty band, in the CO fold. AJKCDP2 will also identify specific income opportunities for women that are more suitable for women in the local socio-cultural setting and train women for such jobs. Since women bear disproportionate burden of harvesting, post-harvest shelling, processing, drying of products etc., the programme would introduce appropriate labour savings devices/equipment for women use. The women headed households and landless poor will be exempted from beneficiary cost sharing in the various components.

32. Equitable access of women and women headed households to programme interventions will be ensured through:

- (a) Formation of mixed and women specific COs will be given priority in all new villages and participation of left out women and women headed households in existing COs will be ensured
- (b) CPI prioritization exercise will be gender segregated in all mix COs; all water supply related schemes for domestic use, rain harvesting and kitchen gardening will be selected and designed as per women priorities
- (c) Over 80 per cent of asset creation for poverty graduation will be through women.
- (d) 50 per cent of vocational training will be provided to women.
- (e) 50 per cent of entrepreneurship development training will be provided to women.
- (f) 50 per cent of the start-up package following skills/ entrepreneurship training will be provided to women.
- (g) 30 per cent of 220 on-farm and off-farm Farmer Producer Groups will be women groups.
- (h) 50 per cent of the participants of all types of the training will be women.
- (i) 60 per cent of the CO members receiving training in livestock and poultry rearing/production will be women.
- (j) 50 per cent of the credit products will be disbursed to women
- (k) 40 per cent of LSO management positions will be reserved for women.
- (l) 20-30 per cent of the Project Management Staff at all levels will be women.
- (m) Annual Work Plan and Budget (AWPB) of the programme will contain a specific gender action plan and budget allocations. Gender workshops will be organized at PCU and division\district implementation unit level. The gender action plan developed in these workshops will be periodically reviewed by the management at the provincial and district levels;
- (n) The Programme M&E system would monitor gender and targeting dimensions in a disaggregated manner. SMPs will engage female social organizers for organizing women COs and facilitating identification of women preferences in programme's development activities. To the extent possible, all women related training would be delivered in-situ or closest central point to overcome the constraints of mobility.
- (o) The terms of reference for staff and technical experts will include responsibilities for mainstreaming gender;
- (p) A poverty and gender specialist will be included in the yearly supervision missions, Mid-Term Review and Programme Completion Mission.

33. An indicative list of programme investments specifically benefitting women, in particular in the 0-34 PSC Band is at Annex-IV.

Nutrition

34. The nutrition situation in AJK is quite alarming, especially for women and young children. Around one-third (32 per cent) of the child population in AJK is stunted, 18 per cent wasted, while 26 per cent children are underweight⁶². While stunting showed a downward trend in AJK between 2001 to 2011, from 40 per cent to 32 per cent, an upward trend was observed in the prevalence of wasting which increased from 7 per cent to 18 per cent. In the table below a comparative picture of the key nutrition indicators of children is given for Pakistan vs AJK.

Table 5: Key Nutritional Indicators of under Five Children.

Indicator	Pakistan	AJK
Stunting	43.7%	32%
Wasting	15%	18%
Anemia	61.9%	46%
Vit A deficiency	54%	44%
Zinc deficiency	39.2%	47.2%
Vit. D deficiency	40%	35%

Source: National Nutritional Survey 2011

35. The nutritional status of women in AJK is also discouraging. While AJK women fare better compared to rest of Pakistan on most deficiency indicators, they still remain high and in some cases even surpass national average. AJK situation in terms of women nutrition is shown in the Table below:

Table 6: Maternal Nutrition Key Indicators

Indicator	Pakistan	AJK
Anemia (moderate to severe) In non-pregnant women based in Hb level[1]	50.40%	41%
Anaemia (moderate to severe) In pregnant women based in Hb level	51%	43%
Vit A deficiency (non pregnant)	42.10%	13.70%
Vit A def. (pregnant)	46%	32.20%
Night blindness during last pregnancy	16%	17%
Vitamin D (non-pregnant)	66.80%	73.30%
Vitamin D (pregnant)	68.90%	73.40%
Urinary iodine excretion in women (moderate to severe deficiency)	14%	35%
Use of iodized salt for cooking	39.80%	71.60%
Presence of Goitre	2.90%	9.80%
Worm infestation in the last six months	5.90%	13.90%

Source: National Nutritional Survey 2011.

36. While poverty plays a role in this alarming situation, lack of knowledge and awareness are also equally important reasons. A UNICEF study in AJK shows that the prevalence of stunting among children of illiterate mother is higher (48.2 per cent), while it is almost 50 per cent less (22.4 per cent) amongst the children of mothers educated up to ten grades or more. Similarly prevalence of stunting varied with the wealth quintile – prevalence of stunting being higher (53.1 per cent) in the lowest quintile group. So there is need to work on both sides of the equation. Improved incomes and livelihoods show go hand in hand with increased knowledge and awareness among the target rural poor – both at community as well as household level. Specific activities, events and interventions

⁶² National Nutrition Survey, 2011

need to be built in entire implementation framework of development to effectively address this challenge.

37. An Inter-sectoral Nutrition Strategy (INS) has been adopted by Government of AJK to address stunting and wasting amongst children and malnutrition amongst mothers. The strategy seeks to reduce:

- (a) Stunting in children from 32 per cent to 15 per cent by the end of 2019;
- (b) Child wasting in children aged 6 to 59 months by 10 per cent points (from an estimated 18 per cent to 8 per cent by the end of 2019);
- (c) Iron-deficiency anaemia in children from 46 per cent to 15 per cent by the end of 2019;
- (d) Iron deficiency anaemia in pregnant women from 43 per cent to 22 per cent by the end of 2019.

38. Some of the identified sectoral approaches where AJKCDP2 will make positive and direct substantial contribution include:

- (a) **Agriculture:** the strategy emphasizes sustainable agriculture development and interventions to bring maximum cultivable land to use, increase nutrient value of the crops, minimize post-harvest losses and make nutritious food accessible to everyone; Support for smallholders to increase their crop and livestock/poultry production and productivity; extension support and improved access of farmers to quality inputs for diversification of crops and production of high value vegetable crops; promote research on bio-diversification and bio-fortification through breeding plants and livestock selectively to enhance nutritional quality, e.g. increasing protein content of beans and milk, etc.
- (b) **Women Development:** the INS recommends interventions to empower women through improving their economic wellbeing and building their knowledge and skills in nutrition and food related ventures; training in improved handling of the crops and thereby reducing post-harvest losses, preservation, storage, preparation and processing techniques.
- (c) **Microfinance:** the strategy recommends pilots to improve smallholders access to microfinance and assess its impact on production and productivity and food security for larger replication and scaling-up.

39. **AJKCDP2 Approach to Nutrition.** AJKCDP approach, target population, processes and menu of interventions create considerable opportunities to mainstream nutrition objectives and government INS into programme activities and outcomes. AJKCDP2 will work through organized forums in which women have a very strong and effective role and say. The forums in the shape of COs/VOs provide conducive platforms for effective education, awareness, and peer learning. Active participation of women in income generation and NRM activities, including livestock, dairy and poultry, improves their status and decision-making power as well as access to resources for improved nutrition for themselves and their children. The programme will promote inclusion of girls and women for skill development and micro credit programs and encourage women to play a more active role in decision making both at household level as well as at community level. Community Development Plans provide an opportunity to address cross-cutting concerns like nutrition, climate change and environment. Availability of and access to clean drinking water is an important factor in rural health and nutrition and will be a priority intervention under CPIs funded by AJKCDP2.

40. Apart from government's INS on nutrition, there are some on-going promising models which can be learned from and adapted. AJKRSP has established Mother Support Groups at village level under the umbrella of existing Village Organization (VOs). The prime objective of these groups is to improve knowledge and awareness about best health and nutrition practices at grass root level and to create locally an overall nutrition sensitive environment. So far, AJKRSP has organized 620 such

groups in four districts (Muzaffarabad, Huttian, Neelum and Haveli). AJKRSP also plans to align its micro-credit and enterprise development activities to identified nutrition deficient families to strengthen their income generation capacity for improved access to nutritious food.

41. AJKCDP2 will mainstream nutrition into its overall educational, awareness and capacity building framework. Specific educational and awareness raising printed materials will be prepared for use at CO, village and other avenues of information sharing particularly local educational institutions so that local children and teachers also become part of this education and awareness loop. Programme interventions in livelihoods development and income generation, both on farm and off-farm will have a specific nutrition dimension in terms of planning, education, delivery and use of additional food and income sources.

Annex 1: District and UC List of PSC 0-34 Households⁶³

DISTRICT	TEHSIL	UC	NO OF HOUSEHOLDS	POPULATION
Kotli	Kotli	Panjerah	1243	9,264
Kotli	Sehnsa	Tarala	1392	10,256
Bhimber	Barnala	Iftikhar abad janubi	793	5,481
Kotli	Kotli	Majwal	9	65
Bagh	Bagh	Dhara	2483	17,980
Mirpur	Mirpur	Kanali	966	6,440
Kotli	Kotli	Charhoi	1	6
Muzaffarabad	Muzaffarabad	Gojra	3396	21,336
Muzaffarabad	Muzaffarabad	Town commity	9785	60,786
Mirpur	Mirpur	Manda	1	5
Poonch	Abbaspur	Khali daraman	3481	20,152
Bagh	Bagh	Sawanj	1674	12,257
Bagh	Haveli	Kala moola	1	8
Muzaffarabad	Hattian	Langla	1	6
Muzaffarabad	Muzaffarabad	Tal gran	957	6,791
Neelum	Sharda	Kail	2305	17,014
Sudhnoti	Pallandari		420	3,050
Hattian bala	Hattian bala	Langla	2446	14,850
Bhimber	Bhimber	Baring	1	8
Poonch	Rawalakot	Pachhiot	1368	8,658
Poonch	Hajira	Mandhole	6	47
Kotli	Kotli	Goi	2214	15,746
Bhimber	Bhimber	Kas guman	347	2,612
Bagh	Haveli		7	44
Muzaffarabad	Athmuqam		16	101
Kotli	Charhoi	Bratla	1804	13,178
Sudhnoti	Pallandari	Dhar dharachh	1722	12,199
Poonch	Abbaspur	Chhatra	1255	7,478
Kotli	Fatehpur thakiala	Dharooti	1540	10,558
Sudhnoti	Baluch	Baluch	3	27
Neelum	Athmuqam	Neelum-3	2	14
Poonch	Rawalakot	Ali sojal	1400	8,930
Sudhnoti	Tarar khal	Tarar khal	1069	7,650
Kotli	Kotli	Nar dadyalan	1	9
Poonch	Abbaspur	Tangeran	24	143
Haveli(kahuta)	Haveli	Bhedi	1427	9,335
Bhimber	Bhimber		356	2,583
Haveli(kahuta)	Haveli	Chhanjal	1	5
Bhimber	Barnala	Barnala	1732	11,456
Muzaffarabad	Patika	Sarli sacha	32	220
Sudhnoti	Tarar khal	Qillan	1	14
Kotli	Kotli	Seri majwar	1992	13,478

⁶³ Source: BISP Database

Muzaffarabad	Patika	Bal gran	107	667
Muzaffarabad	Muzaffarabad	Panjgran	1117	6,581
Muzaffarabad	Hattian		4	21
Mirpur	Mirpur	Islamgarh	11	79
Muzaffarabad	Muzaffarabad	Kachheli	1704	11,153
Haveli(kahuta)	Haveli	Sangal	3031	20,398
Muzaffarabad	Muzaffarabad	Kahori	289	1,792
Sudhnoti	Pallandari	Siah pura	10	70
Bagh	Dhir kot	Chamyati	1764	12,135
Kotli	Sehnsa	Sehnsa	2104	15,628
Mirpur	Mirpur	Panyam	395	2,704
Haveli(kahuta)	Haveli		1634	11,238
Poonch	Hajira	Hajira	786	4,721
Kotli	Khui-ratta	Khui-ratta	110	712
Hattian bala	Leepa		2	15
Muzaffarabad	Muzaffarabad	Jhand gran	1565	9,366
Kotli	Kotli	Phag wari	1486	10,656
Kotli	Charhoi	Throchi	998	7,071
Bagh	Dhir kot	Mallot	2073	14,548
Mirpur	Mirpur	Khari khass	1805	12,014
Haveli(kahuta)	Khurshid abad	Kala moola	1400	10,139
Poonch	Hajira	Sehr kakota	1819	10,068
Bagh	Bagh	Bir pani	1838	13,096
Hattian bala	Hattian bala	Lamnian	2080	13,501
Poonch	Rawalakot	Pakhar	1159	7,222
Bhimber	Barnala	Malote	1710	11,045
Haveli(kahuta)	Khurshid abad	Chhanjal	2384	17,632
Bhimber	Bhimber	Maghloora	1	12
Kotli	Kotli	Sarsawa	658	4,771
Kotli	Sehnsa		12	78
Kotli	Khui-ratta	Seri majwar	51	309
Kotli	Kotli	Barali	1640	11,697
Muzaffarabad	Hattian	Sulmiah	1	12
Hattian bala	Hattian bala	Gujar bandi	2825	18,013
Bagh	Bagh		3013	21,024
Kotli	Charhoi		30	227
Poonch	Hajira	Bhanteni	2512	15,400
Kotli	Charhoi	Kotera khana	1458	10,007
Bhimber	Samahni	Chowki	1915	13,170
Muzaffarabad	Muzaffarabad	Panjkot	1810	11,374
Muzaffarabad	Patika	Bheri	42	274
Poonch	Hajira	Rakkar	2	14
Haveli(kahuta)	Khurshid abad	Khurshid abad	2265	15,359
Poonch	Rawalakot	Rehara	1078	7,096
Bagh	Bagh	Jaglari	1061	7,569
Kotli	Kotli	Roli	1238	9,123

Haveli(kahuta)	Haveli	Badhal	2062	14,127
Mirpur	Mirpur	Sahng	1	6
Bhimber	Bhimber	Sehlar	2	21
Mirpur	Mirpur	Kalyal bainsi	2	10
Bhimber	Samahni	Bagsar	1	8
Neelum	Athmuqam	Ath muqam	2	13
Kotli	Khui-ratta	Sarhota	233	1,756
Hattian bala	Chikar	Sulmiah	2447	14,734
Neelum	Athmuqam		88	599
Kotli	Kotli	Anohi sarhota	1	12
Bhimber	Bhimber	Akbar abad(kalri)	378	2,696
Haveli(kahuta)	Haveli	Chakyas	1	4
Sudhnoti	Tarar khal	Neirian	2358	15,503
Sudhnoti	Mong	Mong	864	6,267
Kotli	Charhoi	Kotli sohlnan	1583	10,885
Mirpur	Mirpur	Samwal	1058	7,227
Sudhnoti	Baluch	Chowkian	3355	22,012
Kotli	Charhoi	Panjen	1436	9,995
Sudhnoti	Pallandari	Gorah janubi	1	4
Kotli	Charhoi	Palahal	3	17
Kotli	Fatehpur thakiala	Mathrani	1406	9,317
Muzaffarabad	Patika	Panjkot	146	989
Mirpur	Mirpur	Rathoa mohammad ali	556	3,582
Muzaffarabad	Muzaffarabad		7006	44,751
Haveli(kahuta)	Haveli	Kalali	2283	15,429
Muzaffarabad	Muzaffarabad	Therian	1748	12,181
Muzaffarabad	Muzaffarabad	Bal gran	864	5,400
Bagh	Bagh	Topi	1463	10,427
Mirpur	Dudyal	Onah	1520	8,774
Poonch	Hajira		70	443
Bhimber	Samahni	Khambha	1193	8,129
Neelum	Athmuqam	Bandi ash kot	2400	14,550
Kotli	Sehnsa	Atkorah	349	2,612
Mirpur	Mirpur	Dhangri bala	482	3,283
Muzaffarabad	Muzaffarabad	Chittarklass	1661	10,552
Poonch	Rawalakot	Tain	758	4,627
Mirpur	Dudyal	Ratta	617	3,224
Mirpur	Mirpur	Pindi sabarwal	821	5,428
Muzaffarabad	Muzaffarabad	Heer kutli	1676	10,140
Sudhnoti	Baluch	Kahala	2906	20,345
Neelum	Sharda	Sharda	2034	14,694
Mirpur	Mirpur	Samole sharif	187	1,321
Mirpur	Dudyal	Amb	1	4
Kotli	Kotli	Dhanna	12	99
Sudhnoti	Pallandari	Jhanda bagla	932	6,731
Bhimber	Barnala	Amberiala	1	4

Bagh	Dhir kot	Hill surang	1431	9,389
Kotli	Kotli		3971	26,368
Muzaffarabad	Muzaffarabad	Katkair	1743	12,172
Poonch	Rawalakot	Rawalakot m.c	1825	10,768
Kotli	Fatehpur thakiala	Jandrot	1	6
Bagh	Dhir kot	Makhyala	1687	11,421
Neelum	Athmuqam	Neelum-1	3475	24,118
Muzaffarabad	Patika	Panjgran	35	206
Haveli(kahuta)	Haveli	Kahuta	2	16
Sudhnoti	Tarar khal	Papay nar	1	7
Poonch	Hajira	Sarari	3849	22,825
Kotli	Kotli	Qamrothi	1417	10,248
Sudhnoti	Mong	Pattan sher khan	1580	10,760
Muzaffarabad	Muzaffarabad	Muzaffarabad	3694	23,992
Sudhnoti	Pallandari	Pallandari	7	50
Poonch	Rawalakot	Jandali	7	46
Muzaffarabad	Patika	Saidpur	76	478
Bhimber	Samahni		15	91
Kotli	Khui-ratta	Bhial	37	244
Mirpur	Mirpur	Mirpur m.c	6658	43,250
Bagh	Dhir kot	Sahlian dahamnota	1179	7,763
Hattian bala	Hattian bala		1288	8,051
Kotli	Kotli	Sarhota	1034	6,948
Mirpur	Mirpur	Potha bainsi	634	4,130
Poonch	Hajira	Sehra	1437	9,635
Sudhnoti	Pallandari	Gorah	1462	10,614
Kotli	Sehnsa	Kathar	812	6,080
Poonch	Hajira	Ghambir	2100	11,649
Poonch	Abbaspur	Abbaspur	990	5,855
Haveli(kahuta)	Haveli	Degwar	1680	11,653
Muzaffarabad	Patika	Tal gran	151	1,101
Kotli	Khui-ratta	Khore	101	637
Bhimber	Samahni	Samahni	2619	17,780
Bagh	Haveli	Bhedi	1	9
Kotli	Fatehpur thakiala		1630	11,016
Bagh	Dhir kot	Chirala	1215	8,464
Bagh	Haveli	Kalali	3	15
Poonch	Rawalakot	Singola	1359	8,111
Bagh	Bagh	Thub	504	3,447
Sudhnoti	Mong		2	16
Bagh	Haveli	Chhanjal	2	19
Mirpur	Mirpur	Raipur	2	12
Bhimber	Barnala	Watala	357	2,085
Bagh	Bagh	Islam nagar	1491	11,068
Hattian bala	Hattian bala	Khalana	1655	10,645
Bhimber	Samahni	Poona	1713	12,128

Neelum	Athmuqam	Barrain-1	1720	10,312
Muzaffarabad	Muzaffarabad	Sarli sacha	2035	13,517
Kotli	Fatehpur thakiala	Fatehpur thakiala	17	133
Muzaffarabad	Muzaffarabad	Chirakpura	1997	12,640
Mirpur	Mirpur	Afzal pur	642	4,447
Kotli	Charhoi	Rajdhani	848	5,879
Muzaffarabad	Patika	Machhayara	58	341
Muzaffarabad	Muzaffarabad	Kommi kot	1977	13,151
Neelum	Athmuqam	Shah kot-1	2674	18,146
Kotli	Fatehpur thakiala	Majhan	3390	23,932
Bagh	Bagh	Rawali	853	6,023
Kotli	Kotli	Kajlani	1	10
Hattian bala	Chikar	Chikar	1995	11,829
Poonch	Rawalakot	Dhamni	1023	6,268
Kotli	Kotli	Bhial	1670	11,383
Kotli	Sehnsa	Trahier	1	11
Kotli	Kotli	Sohana	323	2,092
Bhimber	Barnala	Pangali	1048	7,407
Kotli	Kotli	Chowki tenda	917	6,521
Muzaffarabad	Muzaffarabad	Seri bheri	922	5,643
Hattian bala	Leepa	Banamula	1807	12,349
Kotli	Fatehpur thakiala	Town area	22	163
Poonch	Abbaspur		96	570
Neelum	Athmuqam	Dudnhail	8	57
Kotli	Khui-ratta	Sohana	38	252
Bhimber	Bhimber	Kalri	44	284
Kotli	Kotli	Dhanwan	2073	15,939
Poonch	Rawalakot	Chota gala	1	4
Hattian bala	Hattian bala	Chak hama	3966	24,597
Kotli	Kotli	Khad gujran	952	6,610
Hattian bala	Hattian bala	Hattian bala	3425	20,243
Mirpur	Mirpur	Chak sawari	1213	7,833
Mirpur	Mirpur	Islam garh	1550	10,562
Bagh	Haveli	Khurshid abad	1	7
Hattian bala	Leepa	Leepa	336	2,216
Bhimber	Bhimber	Bhimber	35	259
Neelum	Athmuqam	Kundal shahi	2927	20,656
Kotli	Charhoi	Prahi	658	4,903
Sudhnoti	Tarar khal		5	34
Poonch	Rawalakot	Dothan	1413	8,087
Bhimber	Bhimber	Panjeri	671	4,956
Bhimber	Bhimber	Bhimber rajani	1956	14,101
Muzaffarabad	Patika	Noura seri	258	1,598
Poonch	Abbaspur	Chaffar	1467	8,954
Kotli	Kotli	Samlahar	11	68
Hattian bala	Hattian bala	Sarrak chinari	1550	9,750

Muzaffarabad	Muzaffarabad	Saidpur	1167	7,581
Bagh	Dhir kot	Dhirkot	1501	10,080
Hattian bala	Hattian bala	Daman	1613	9,362
Poonch	Hajira	Phagwati	3986	24,373
Neelum	Sharda	Dudhnail	1700	11,245
Muzaffarabad	Hattian	Chak hama	2	21
Bhimber	Bhimber	Dhandar kot	1517	10,962
Bagh	Bagh	Nar sher ali khan	1453	10,077
Poonch	Hajira	Battle	1594	10,464
Bhimber	Barnala	Banian	9	60
Mirpur	Dudyal		27	142
Bagh	Bagh	Bagh	1729	12,351
Muzaffarabad	Patika	Kahori	85	498
Muzaffarabad	Muzaffarabad	Mera kalan	1568	10,662
Sudhnoti	Pallandari	Sehar	1	6
Muzaffarabad	Muzaffarabad	Chattar domel	998	6,103
Kotli	Fatehpur thakiala	Palani	2	12
Muzaffarabad	Muzaffarabad	Danna	2359	14,919
Mirpur	Dudyal	Ankar	718	4,278
Kotli	Fatehpur thakiala	Merah	1	5
Bagh	Bagh	Bani pasari	1415	9,982
Muzaffarabad	Muzaffarabad	Lanegarpura	2290	14,523
Bagh	Dhir kot		39	265
Hattian bala	Hattian bala	Chowkothe	6	34
Mirpur	Dudyal	Kathar	1468	8,768
Bagh	Haveli	Degwar	1	2
Kotli	Kotli	Khui-ratta	1781	11,788
Muzaffarabad	Patika	Town commity patika	32	216
Kotli	Kotli	Sarhota no 2	7	50
Sudhnoti	Pallandari	Baral	1840	13,660
Muzaffarabad	Muzaffarabad	Noura seri	810	4,934
Sudhnoti	Baluch	Besari	3879	25,588
Mirpur	Mirpur		48	296
Bagh	Dhir kot	Rangla	2140	14,975
Bhimber	Barnala	Iftikhar abad shamali	586	3,913
Kotli	Kotli	Banahir	772	5,538
Kotli	Kotli	Kotli	12	79
Kotli	Sehnsa	Seher mandi	715	5,246
Kotli	Kotli	Khore	1497	9,702
Muzaffarabad	Muzaffarabad	Seri darra	2	9
Poonch	Rawalakot	Hurna mera	679	4,276
Kotli	Fatehpur thakiala	Dabsi	1663	11,610
Mirpur	Mirpur	Pind khurd	676	4,279
Bhimber	Barnala	Patni	1129	7,685
Mirpur	Mirpur	Naugran	1157	8,131
Neelum	Sharda	Gurais	2292	15,051

Mirpur	Dudyal	Dudyal	962	5,583
Mirpur	Mirpur	Kharak	240	1,585
Mirpur	Dudyal	Chatroh	260	1,633
Poonch	Rawalakot	Thorar	919	5,456
Bhimber	Bhimber	Daura	1102	7,891
Sudhnoti	Pallandari	Pallandari tc	802	5,698
Sudhnoti	Baluch		9	63
Muzaffarabad	Muzaffarabad	Kaimanja	2563	15,315
Hattian bala	Chikar		6	38
Haveli(kahuta)	Haveli	Khurshid abad	1	11
Neelum	Sharda		4	21
Mirpur	Dudyal	Raipur	961	5,282
Mirpur	Mirpur	Plak	1	9
Haveli(kahuta)	Haveli	Kala moola	3	24
Poonch	Rawalakot	Ban josa	768	4,568
Muzaffarabad	Muzaffarabad	Hattian dupatta	4000	23,024
Poonch	Rawalakot	Bangoin	1509	9,453
Bhimber	Samahni	Bandala	1023	6,856
Poonch	Rawalakot		124	731
Mirpur	Dudyal	Siakh	180	1,207
Muzaffarabad	Muzaffarabad	Machhayara	154	934
Bhimber	Barnala		1182	7,949
TOTAL			326,904	2,160,228

Annex 2: Gender disaggregated information for reporting on RIMS Indicators

1st Level Result (Output)
Natural Resources (land and water)
Groups involved in NRM formed/strengthened (Males/females)
NRM groups with women in leadership positions
People trained in NRM (Males/females)
People in NRM groups (Males/females)
Agricultural technologies and production
Staff of service providers trained (Males/females)
People trained in crop production practices and technologies(Males/females)
People trained in livestock production practices and technologies(Males/females)
People trained in fish production practices and technologies(Males/females)
Crop/livestock production groups formed/ strengthened
People in crop/ livestock production groups (Males/females)
Crop/ livestock production groups with women in leadership position(Males/females)
Rural financial service
Number of people in savings and credit groups formed/ strengthened (Males\female)
Savings and credit groups with women in leadership positions
Active borrowers (individuals) (Males\female)
Value of gross loan portfolio (individuals) (Males\female)
People trained in financial service(Males\female)
Markets
People trained in post-production, processing and marketing (Males\female)
Marketing groups formed and/or strengthened
Marketing groups with women in leadership position
Enterprise development and employment
People trained in Income Generating Activities(Males\female)
People receiving vocational training(Males\female)
People trained in business and entrepreneurship(Males\female)
Policy and community programming
Community groups with women in leadership positions
Social Infrastructure
Drinking water systems constructed/rehabilitated (Males\female)
Groups managing social infrastructure with women in leadership positions
Total Outreach
People/ Individuals/ household members receiving project services(Males\female)
Groups receiving project service(Males\female)

Annex 3: Draft TORs Deputy Director, Gender, Poverty and Nutrition

A position will be created in the CDDU for Gender, Poverty and Nutrition to lead programme strategy on these vital aspects.

Introduction: The Deputy Director will assist the CDDU in ensuring that the gender and poverty targeting criteria are met by the implementing partners of the project and the processes set out in the PIM to ensure the inclusion of the poor in the specified poverty bands and the quota set for women are being followed. She will report to the Director General.

Qualification: Master Degree in Social Sciences with at least 5 years of relevant professional experience in the field of Gender and Rural Development including 3 years of experience in a Management Role in the area of Rural Development, Micro-Finance or in a similar field. Female candidates will be preferred.

Duties and Responsibilities:

- Assist the Director General and partners to develop and deploy appropriate strategies for gender, poverty and nutrition targets and deliver gender-sensitive services.
- Be responsible for monitoring the poverty and gender targeting of the Project through reviewing progress reports provided by implementing partners and undertaking field visits to project districts.
- Ensure that sex-disaggregated data is provided, gender issues identified and strategies for addressing them articulated in reports provided by implementing partners.
- Be responsible for overseeing that the SMP and other implementing partners make adequate arrangements for sensitizing staff on gender, poverty and nutrition issues.
- Build the capacity of the project staff by organizing appropriate training for the staff.
- Supervise the Gender, poverty and nutrition Assessment in Collaboration with Knowledge Management and M&E staff and organize workshop to disseminate the findings to project staff and implementing partners.
- Review and assess the work plans and reports provided by the implementing partners assist CDDU in introducing appropriate policies, strategies and interventions to further strengthen programmes poverty, gender and nutrition focus
- Any other tasks assigned by the Director General.

Annex 4: Key features of gender-sensitive design and implementation

KEY FEATURES	PDR Compliance
<p>1. The project design report contains – and project implementation is based on - gender-disaggregated poverty data and an analysis of gender differences in the activities or sectors concerned, as well as an analysis of each project activity from the gender perspective to address any unintentional barriers to women’s participation.</p>	<p>Availability of Gender-disaggregated data is limited in AJK. The MIS of the programme will have provision for generating gender- disaggregated data.</p>
<p>2.The project design report articulates – or the project implements – actions with aim to:</p> <ul style="list-style-type: none"> • Expand women’s economic empowerment through access to and control over productive and household assets; 	<p>Provision has been made for access to and control over productive and household assets</p>
<ul style="list-style-type: none"> • Strengthen women’s decision-making role in the household and community, and their representation in membership and leadership of local institutions; 	<p>Specific targets and shares have been defined in terms of male and female COs, female representation in VO and LSO and female shares in all programme interventions. Asset distribution and social sector interventions will be specifically targeted at women</p>
<ul style="list-style-type: none"> • Achieve a reduced workload and an equitable workload balance between women and men. 	<p>Interventions in secure water supplies at households level and investments in energy will reduce the load of women for fetching water and wood</p>
<p>3. The project design report includes one paragraph in the targeting section that explains what the project will deliver from a gender perspective.</p>	<p>Complied</p>
<p>4. The project design report describes the key elements for operationalizing the gender strategy, with respect to the relevant project components.</p>	<p>Complied</p>
<p>5. The design document describes - and the project implements - operational measures to ensure gender-equitable participation in, and benefit from, project activities. These will generally include:</p>	
<p>5.1 Allocating adequate human and financial resources to implement the gender strategy</p>	<p>A full time position has been created in CDDU. SMP’s also have dedicated in-house gender related human resource. Provision has been made for staff training and orientation at all levels</p>
<p>5.2 Ensuring and supporting women’s active participation in project-related activities, decision-making bodies and committees, including setting specific targets for participation</p>	<p>Complied and specific targets fixed</p>
<p>5.3 Ensuring that project/programme management arrangements (composition of the project management unit/programme coordination unit, project terms of reference for staff and implementing partners, etc.) reflect attention to gender equality and women’s empowerment</p>	<p>As above</p>

concerns	
5.4 Ensuring direct project/programme outreach to women (for example through appropriate numbers and qualification of field staff), especially where women's mobility is limited	Potential partners SMPs and technical departments have adequate number of female staff for effective outreach to women
5.5 Identifying opportunities to support strategic partnerships with government and others development organizations for networking and policy dialogue	Complied
6. The project's logical framework, M&E, MIS and learning systems specify in design – and project M&E unit collects, analyses and interprets sex- and age-disaggregated performance and impact data, including specific indicators on gender equality and women's empowerment.	Complied

Appendix 3: Country performance and lessons learned

1. Pakistan is one of the founding members of IFAD. Since 1978, IFAD has approved/implemented 27 projects for a total of US\$575 million (US\$2.2 billion including co-financing). 23 projects have been completed so far while four projects are ongoing. The projects till 2010 had a classic multi-sector integrated rural development approach using participatory approaches. While community mobilization was carried out by either an in-house social mobilization unit or a specialized NGO, the sectoral interventions were implemented by government technical departments. A PMU/PCU was used to overall manage the project including financial management and monitoring and evaluation. Since 2010, focus has shifted to both uni-sector interventions as well as a pronounced value chain development approach to small holder production. Two micro-finance programmes (PRISM and MIOP) and a Livestock project (LAMP) are recent examples of uni-sector projects. Two ongoing project, ETI-GB and GLLSP, while retaining focus on small holders and supportive physical infrastructure, have a more pronounced value chain development approach. Another close to completion project, SPPAP, working in some of the poorest areas in Southern Punjab with large incidence of landless and homelessness, has invested in smallholder agriculture development, rural infrastructure and micro-finance. But the most interesting facet of SPPAP is poverty graduation through asset building of the poor and has generated some very promising results. The asset building also includes provision of climate resilient housing for the landless/homeless that has shown immediate signs of economic and political empowerment as well as positive income improvements. Apart from loans, IFAD has also approved several country specific and regional grants to enhance its strategic objectives in the country.

2. The last Country Programme Evaluation (CPE) of IFAD's programme in Pakistan was completed in November 2007.⁶⁴ Though dated, but it still contains number of relevant lessons for IFAD programme designs in Pakistan as many of the underlying factors still remain valid. AJKCDP completion evaluation, carried out by the Independent Office of Evaluation of IFAD (IOE) in Sep 2014, and the independent evaluation of PPAF's Social Safety Net - Targeting Ultra Poor Program (SSN-TUP) are the two other important evaluations generating useful lessons. These lessons include:

- (a) Despite recognizing their importance in generating higher returns for smallholders, the high-value crops like vegetables and fruits had not received sufficient attention.
- (b) Need for a better balance between agricultural and non-farm investments in the rural sector
- (c) Greater attention needed to be given to livestock and high-value crops that will provide higher returns on investments
- (d) Small scale village infrastructure especially roads and water resources has had the most immediate and significant impact on poverty alleviation in rural areas
- (e) Enhancing marketability of rural products was key to increasing rural incomes.

3. The Pakistan COSOP (2016-22) was approved by IFAD executive Board in December 2016. COSOP Incorporates the lessons listed in the preceding paragraph. COSOP (2016-22) therefore commits to:

- (a) Ensure a better balance by targeting non-farm households as well, promote off-farm rural financial products and provide non-farm vocational training;
- (b) Support decentralized development process including its institutionalization in government systems, starting with Azad Jammu and Kashmir
- (c) Continue to work in disadvantaged, remote and conflict-ridden areas and pursue a longer term commitment in targeted regions.

⁶⁴ Office of Evaluations, IFAD. November 2007.

- (d) Promote innovation and scale-up and integrate successful and proven innovations including graduation of ultra-poor, skills and employment for the rural youth including job placement overseas and in country, tailored credit products for smallholders and food security.

4. **Lessons in Rural Poverty reduction.** COSOP also lists several lessons in rural poverty reduction based on previous projects in Pakistan and elsewhere. These include:

- (a) The BISP poverty scorecard, which is currently being updated, allows effective targeting of the most vulnerable people;
- (b) Investments in agricultural development do not necessarily benefit very poor and landless people. Mixed and customized interventions are needed, especially with the huge diversity observed in Pakistan;
- (c) Vocational and entrepreneurship training, combined with start-up capital support activities, are key to boosting self-employment;
- (d) Evidence shows that investments in pro-poor rural infrastructure have improved access to social and economic services and support value chain development;
- (e) Capacity-building of community organizations must be institutionalized as part of the third-tier decentralization process, with formal linkages to government budget systems to ensure the relevance and sustainability of investments;
- (f) Strengthening the resilience of poor rural people to climate change has to be systematically integrated, in collaboration with development partners, to minimize investment risk at the household level;
- (g) Nutrition is a complex issue and requires a mainstreamed approach, undertaken in partnership with specialized institutions (such as the Food and Agriculture Organization of the United Nations [FAO] and World Food Programme [WFP]); and
- (h) Institutional arrangements should be simplified for efficiency. This favours establishing direct implementation arrangements with experienced national non-governmental institutions such as the PPAF or the National Rural Support Programme (NRSP).

5. **IFAD Policy aspects and Other Recent Experiences.** IFAD policy on PPPP underlines that 20 per cent of all new loan programmes or grants from 2013 onward would include the private sector as a partner or recipient. Progress to date indicates that more than 50 per cent of country loans and grants approved by IFAD since 2013 (of a total of 45) are to finance programmes that include the private sector as a partner or recipient. Typically this involves facilitating the engagement of private value chain actors (e.g. processors, traders, input dealers, business and technical service providers, financial service providers) with IFAD target groups.

6. **Social Mobilization and Institutionalization of CDD.** Social mobilization for socio-economic development by RSPs and NGOs has made a huge difference in rural areas in 114 districts. However, this social capital and organization is still not formally recognised in government development framework and remains largely project and programme driven. Time is ripe to find ways for institutionalization of this huge social capital and means of empowerment into regular government development planning and allocation systems.

7. **Value Chains and Private Sector Linkages.** In the on-going IFAD projects in Pakistan, there is discernible shift from classical integrated agriculture and rural development to a more value chain centred approach aimed at productivity enhancement, aggregation of products and linkages to markets and private sector. This shift in focus was first reflected in Gwadar-Lasbela Livelihood Support Programme in the coastal areas of Balochistan. The Livestock and Access to Market Programme also supports smallholder livestock production increase and access to the market including linkages between smallholder producers and a wide range of private entrepreneurs along the dairy and livestock value chains. The recently started ETI-GB, with challenges of small holdings and market access similar to AJK, also emphasises organization into producer groups around

particular products, aggregation and collective contract based marketing and private sector partnerships.

8. **Programme Management.** Almost all IFAD projects in Pakistan over the last ten years have experienced extremely long delays in loan effectiveness and first disbursement due to national administrative and procedural issues. The experience of the Pakistan portfolio shows that the choice of implementing partner has been a key determinant of performance. Programmes with RSPs and NGOs (PPAF) have tended to work well. Programmes housed in Planning and Development Departments and line departments have shown mixed results. However, the key performance driver in all well implemented projects has been a Competent and committed Project Director. Departmental ownership has also been important. Programmes with a clear focus and a limited set of activities have tended to perform better such as PRISM with its clear focus on financial service provision. Programmes with direct implementation arrangements with capable non-governmental organizations have also tended to perform much better. The key is to keep implementation arrangements and disbursement conditions simple and complete recruitment and account opening procedures during or immediately after programme design completion.

9. **Diversification is key for smallholders.** Experience has shown that increased production of traditional crops on small-holdings does not go far in improved incomes. Key is to diversify to high value crops where the beneficiaries have a seasonal or market access advantage. AJK squarely fits that bill.

10. **Climate Change a Pressing Reality.** Pakistan is among the top-ten most affected countries by climate change induced events including flash floods, cyclones, droughts and unseasonal heavy rains. IFAD project areas and beneficiaries in both rain-fed and irrigated areas have firsthand experienced the uncertainties, particularly water security. Water security both for domestic and agriculture is increasingly becoming a key for small holder economy, health/nutrition and livelihoods and need to be mainstreamed in programme approach and interventions.

11. **Nutrition.** Experience has shown that nutrition deficiencies among the rural poor are outcome of both resource constraints as well as lack of knowledge and awareness. So it needs to be tackled on both aspects in an integrated manner.

12. **Gender.** Priority targeting of women and women headed households for asset creation (including housing) and entrepreneurship (including access to credit sources) has paid rich dividends in terms of women empowerment and poverty reduction in SPPAP, AJKCDP-I and GLLSP. That should remain the approach in AJK.

13. **Scaling up Opportunities.** IFAD and the PPAF successfully piloted the Bangladesh Rural Advancement Committee graduation model for 3,000 households under the SSN-TUP in 2007. Targeted households were provided with productive assets, skills enhancement, a subsistence allowance, access to health services and opportunities to build up savings. An evaluation demonstrated that income increased by 178 per cent and assets by 198 per cent over the period 2008-2012, compared with 41 per cent and 90 per cent for a control group (non-beneficiaries). The ongoing Southern Punjab Poverty Alleviation Project and Gwadar-Lasbela Livelihoods Support Project also demonstrate tangible and sustainable results in upgrading extremely, chronically and temporarily poor people in band 0-23. The IFAD-financed AJKCDP, which closed in 2012, has been internalized by the Government of AJK, particularly the model of strengthening the role and capabilities of community organizations as part of an effective and sustainable decentralized approach to local development. More than 60 per cent of the community organizations established or supported were able to achieve a level of maturity likely to guarantee their sustainability over the long term. The poverty graduation and institutionalization of COs offer promising models for scaling-up in next AJK programme.

14. **Compliance with IFAD policies.** The programme is in line with IFAD Strategic Framework 2011-2015. The programme activities, implementation arrangements and M&E system have been designed in compliance with IFAD M&E Guide, Targeting Strategy and in line with the policy on

Gender equality and women's empowerment and approaches outlined in the Framework for Gender Mainstreaming in PMD Operations. The programme is consistent with IFAD Private Sector Strategy and Agricultural value chain finance strategy and design. Finally, the programme is aligned with both IFAD Climate Change Strategy and Environment and Natural Resource Management Policy. The programme is considered Category B as far as its environmental classification is concerned⁶⁵.

15. **Compliance with IFAD procedures.** The design process included 4 CPMT meetings, the first one in Nov 2014 to present and seek comments on the Programme Concept Note, the second in ? (after the design mission) to present and seek comments on the draft Programme Design Report, and the third one in ? (after appraisal) to present the draft final Programme Design Report and assess readiness for submission of the Report to QA. QE Review Meeting was held on 2 May 2017.

⁶⁵ IFAD Environmental and Social Assessment procedures have been reviewed to ensure that the project does not in any way cause any adverse impacts on the environment. The project will contribute to environmental conservation and sustainability because of its emphasis on making the livestock sector more productive and use the existing resources more efficiently and reduce wastage. The project will not support activities that might generate significant irreversible or cumulative environmental impacts. The project will strictly follow the existing environmental laws and regulations applicable in the country and represents an environmentally less stressful approach to using the already degraded natural resource base in the project area.

Appendix 4: Detailed programme description

1. **Programme Area and Targets.** The programme will cover all 10 districts of the Azad State of Jammu & Kashmir (AJK), which covers an area of 13,297 square kilometers (5,134 sq mi) and has an estimated population of about 4.2 million. The territory is administratively divided into three Divisions and 10 districts and has 187 Union councils and 1,771 revenue villages. Around 4,200 Community Organizations, established under previous IFAD projects and other programmes, mainly represent local development interests in the absence of elected local governments. The bureaucratic set-up resembles the set-up of any other province in Pakistan with a chief secretary heading the administration and around 20 departments headed by secretaries. The Planning & Development Department (PDD) is the lead agency for all development planning and development funds allocation and management. Of the 1,771 villages in AJK, around 800 villages have yet to be covered under the CDD approach; these remaining villages in selected priority poorest Union Councils, will be organized into COs, VOs and LSOs under AJKCDP2.

2. **Programme targets.** Some key figures in terms of AJKCDP2 targets and expected results are the following: (i) 250,000 households will be organized into 10,000 COs, VOs and LSOs and supported to prioritize their development needs through CDPs; within the overall 250,000 hhs to be organized, (ii) 100,000 households (40% of the participating households) in PSC band 0-34 increase their incomes to over Rs. 15,000/ month from current less than Rs. 5,000/ month on a sustainable basis⁶⁶; (iii) a sustainable legal, budgetary, regulatory and social mobilization support framework, institutionalizing the CDD approach is established; (iv) 50,000 households (including 20,000 ultra-poor households in PSC band 0-11) will benefit from a flexible menu of tangible and intangible (training) assets for poverty graduation; and (v) 150,000 households will benefit from priority CPIs leading to improved livelihood well-being (living conditions, health, sanitation, access to water (domestic and productive), etc.) and/ or improved incomes.

3. Programme implementation will be led by a PDD-based Community Driven Development Unit (CDDU), headed by a Director General. CDDU is expected to become a permanent focal agency in PDD for community driven development coordination, planning and monitoring. Other implementing partners include Rural Support Programmes (AJKRSP and NRSP), government technical departments (Agriculture Extension, Agriculture Research, Forestry, Local Government and Rural Development, Social Welfare etc.). District level planning and coordination will be carried out by District Planning Officers, heading a District Coordination Committee which will have representation from all line departments, RSPs and LSOs. COs and VOs in a Union Council will be supported in carrying out activities under their approved CDPs by LSOs, RSP and concerned line departments.

4. **Target group.** IFAD's target group will comprise those households falling within the PSC band range of 0-34, of which there are approximately 326,904 households, and representing over 50% of the population. For new COs, the households falling in the band 0-34 range will be actively engaged to become members of CO from the very start. For existing COs, inclusion in the programme would require that any remaining households falling within the poverty band range and who are not yet included, must be integrated, as a condition for participation in programme activities. Poverty graduation/ asset building activities will be specifically targeted to households in poverty band 0-11; other households in band 12-34 will benefit from programme interventions including skill, vocational and entrepreneurial development training, rural infrastructure, social mobilisation and social welfare interventions (leveraged from other programmes) under the CDD approach and vis-à-vis the local institutional entities (COs, VOs and LSOs), and on-farm and off-farm activities and complementary

⁶⁶ Whilst there is no official figures on the household income of the poorest target group in AJK, the design team undertook a rapid assessment in 15 communities, which confirmed average incomes of Rs. 5,000 per household; based on deeper consultations with these households, it was further confirmed that with provision of on-farm assistance (e.g. extension services, etc.) and off-farm interventions (in the form of vocational or skills training), household income could rise to Rs. 15,000 per month as a relatively conservative estimate.

services rendered by public agencies largely using their annual development allocations from government budgets and responding to beneficiary needs identified in community development plans

5. **Targeting strategy.** In order to avoid too thin a spread of programme resources, priority will be given to the poorest Union Councils. UCs/LSOs with over 1,000 hhs in the poverty band of 0-34 will be a priority for programme interventions. Even in these priority poorest UCs, infrastructure investments will be prioritised to those COs that are newly created and those COs which previously did not benefit from any infrastructure/ CPI investments under AJKCDP and regular LGRD interventions. The NPS registry will be used for the initial selection of the poorest UCs. Other agriculture and livelihoods development interventions, will be available to all COs, VOs and LSOs that otherwise meet programme inclusion criteria.

6. **Gender and youth strategy.** AJKCDP2 will develop and employ a well-defined gender and youth strategy in all areas of local planning and needs assessment, equitable access to available opportunities under various components, specific women-centred and youth-centred activities for income-generation and employment creation, etc. At least 50% of the COs will be women-only COs while all VOs will be mixed VOs with 50 per cent representation given to women of which at least 40 per cent will be in decision-making positions. LSOs will have at least 30 per cent women representation. Women-headed households and ultra-poor women will be specifically targeted for graduation and asset creation. Women's role will be strengthened in both community and household decision-making. All social sector interventions in particular, will require specific women-centred dialogue and prioritization. Formation of mixed and women's COs will be particularly encouraged in non-covered villages and membership of existing COs will be expanded to bring all women, in particular those in PSC band 0-34, into the CO fold.

7. Whilst the State-level youth strategy and policy is not yet in force, and a youth diagnostic and an assessment of their priority needs and aspirations are not available, AJKCDP2 will make a particular effort to conduct a youth diagnostic, in particular linked to their employment preferences. Subsequently, interventions in skills, vocational and/ or entrepreneurial training, would be the main entry point for engaging the youth, and ensuring that the training corresponds to realistic economic and employment opportunities. Tourism will be a particular area of focus for youth engagement and enterprise development with the dual objective of developing AJK's huge tourism potential and providing decent income generation opportunities for the youth within their own areas.

8. **Inter-district allocation of resources.** AJKCDP2 will have a dual-track approach in terms of distribution of programme resources among the ten districts. 'Soft' interventions will be implemented in all covered eligible UCs/LSOs in equal measure and a LSO/CO access to funding resources will largely depend on their performance in terms of organization, membership, inclusiveness and adherence to other programme stipulated performance and eligibility criteria. As for the allocations under assets for ultra-poor graduation and Community Physical Infrastructure (CPIs), the distribution of resources among the ten districts will be on the basis of a multi-factor criteria involving weighted average of population (70%), area (10%) and poverty (20%). Table 1 below reflects share of each district in Asset Creation and CPIs.

Table 1: District Share in AJKCDP2

S.No.	District	Share
1	Bagh	9%
2	Bhimber	10%
3	Hattian	7%
4	Haveli	4%
5	Kotli	19%
6	Mirpur	8%
7	Muzaffarabad	16%

8	Neelum	7%
9	Poonch	12%
10	Sudhnoti	7%
	Overall	100%

9. **Allocation amongst LSOs/ UCs within a District.** Equitable allocation within the District, amongst the priority eligible LSOs (with eventual linkage to the UC), and by LSOs amongst COs, will be determined by the District Planning Office/District Coordination Committee for LSOs, and by LSOs for COs respectively. The allocation will be on the basis of performance, relative as well to poverty and need. Each District Planning Office and LSO will notify its resource allocation criteria at the very start of programme activities based on ground realities in their respective areas and consultations with the key stakeholders, including beneficiaries. An upfront criteria for such allocations is not specified at design stage due to considerable geographic, social and access variations within AJK, and considerable information gaps in terms of current status of existing COs and their distribution among districts and UCs, potential for organizing COs in left over areas on the basis of programme's poverty considerations and actual infrastructure needs vis-à-vis each COs development plan and livelihoods development activities identified in that plan. The Baseline report, including 'ground-truthing' by the social mobilisation partner (SMP) on the status of COs/VOs and LSOs will enable the programme to address many of the existing information gaps to arrive at a fair allocation formula. It is also worth noting that as the CO community development plans (CDPs) are elaborated and aggregated to a higher level at LSO-level, there will be an eventual transfer of the consolidated/ aggregated needs to be taken upon by the public sector at the corresponding UC level, for longer-term financing with public sector funds.

10. **Alignment of regular development budgets by Line Agencies/ Departments.** Partner line agencies/ departments including LGRD, Agriculture Extension, Livestock, Forestry and Social Welfare Department will align their regular annual development budgets with the needs identified through community development plans at CO/VO level and consolidated at UC/LSO level. District Planning Offices, with representation from all partner departments, will be the forum to ensure such alignment is undertaken transparently and in a participatory and consultative manner. The budgets thus provisioned from regular government annual development plans will be computed towards government counterpart contribution.

11. **Programme Approach.** The programme implementation approach will be guided by its exit strategy from the very start with a view that programme related CDD planning and implementation approach is fully imbedded in the AJK government planning and local development systems by end of programme. The aim to institutionalize the CDD approach in government system irrespective of shape and structure of community based forums (they may be RSP sponsored COs/VOs/LSOs or LGRD sponsored CBOs). This would be achieved through introduction of required legal, regulatory and budgetary adjustments from the very start and further fine-tuned and adjusted on the basis of experience over the implementation period. The key actions will be: (i) according formal recognition to LSOs as Dehi Councils in terms of Local Government Act 1979 and allocation of 20 per cent specified share of local government development budget along with required rules and flow of funds mechanism; (ii) ensuring independence, autonomy and financial sustainability of social mobilization service provider; (iii) developing and implementing systems and processes for alignment of LGRD and line department's budgets with the needs expressed in CDPs and establishing a permanent coordination mechanism at district level for such alignment, and (iv) supporting LSOs to become capacitated grassroots support organizations for VO and COs and an important link between community organizations and formal government systems including elected local government system (as and when it materialises).

12. It is understood that institutionalisation of CDD would require time for developing required legal and administrative systems and confirmed buy-in and commitment of both the public sector and the rural population. The programme, therefore, will have a clearly defined roadmap and milestones

phased over the programme period with a stock-taking opportunity during mid-term review for further course-correction, if required. The achievement of trigger indicators and targets at mid-term, will inform and signal the extent of adjustments to be made, and which are required to enter into the second-phase of the programme. The programme phasing is indicated below:

	AJKCDP (past)	AJKCDP2 – Pre-MTR	AJKCDP2 – Post-MTR
Status and level of CDD institutionalisation	Introduction of the CDD approach and formation of 3200 COs	Revitalisation and full coverage of COs (10,000 COs in total)	Institutionalisation of COs integrated into decentralised structure of CO-VO-LSOs and linked to regular government development resources
Implementation arrangement	<ul style="list-style-type: none"> • PMU implemented social mobilization • Initiation of AJKRSP 	<ul style="list-style-type: none"> • Reform and strengthening of AJKRSP capacities for implementation • Interim backstopping support of NRSP as/ if required • LGRD coordination for alignment and responsiveness of public sector development and services budget 	<ul style="list-style-type: none"> • AJKRSP in-charge of all social mobilization aspects of CDD in AJK with a credible and autonomous governance structure • LGRD coordination for alignment and responsiveness of public sector development and services budget
Decentralisation and institutionalisation processes	Introduction of CDD – basic foundations and principles – but project specific and not internalized in government systems	<ul style="list-style-type: none"> • Set-up of the decentralisation framework – establish laws, regulations, CO-VO-LSO structure • Share of local government funding for LSO Dev Plans • Alignment of line agencies district and State Budgets with CDPs 	<ul style="list-style-type: none"> • Full alignment of all rural service delivery agencies budgets with the CDPs • AJKCDP2 promoted CDD financing and procedures are fully internalized in decentralized local development systems of AJK

13. Centrality of Participation and Social Mobilization. The programme will follow a very participatory approach and principles whereby the intended target beneficiaries will be organized through effective social mobilization into COs, VO and LSOs. It will be ensured that IFAD priority target groups including women headed households are made part of existing and new COs. Women will be particularly targeted and half of the CO/VO members will be women. Women will be given equal representation in VO and LSOs including in decision-making positions. All social mobilization related tasks will be performed by RSPs, engaged by CDDU under formal output based contracts. All engagements with COs, VO and LSOs will be based on formal agreements between RSP and concerned entities, signed at the very start of formation/engagement. Community Development Plans will be the basis for ascertaining the priority needs, both individual and collective, and CDPs will be formulated in the presence of all the members. In case of old COs, their existing CDPs will be updated after inclusion of all IFAD target group households in formal CO membership is ensured. In case of new COs, the CDP's will be prepared after insuring inclusion of all target households living within the limits of the settlement. All social sector CPIs will be identified with the participation of all women in the village. All CPIs, except metalled roads, will be implemented by COs themselves and they will contribute 20% of the scheme cost as well as assume responsibility for its post completion O&M. Technical design and estimation will be provided by the concerned technical department who will also be responsible for quality assurance and scheme completion certification. LSOs and technical departments will be paid a pre-agreed percentage of scheme cost for their services and to defray their administrative costs.

14. **Planning, Coordination and Implementation.** The Planning & Development Department (PDD) of the Government of AJK will be the lead implementing agency through a dedicated Community Driven Development Unit headed by a Director General. The CDDU will report to a State level Steering Committee, headed by ACS (Development), and will be responsible for overall planning, coordination and supervision/monitoring of AJKCDP2 interventions. All concerned implementing departments will be represented in the Steering Committee through their Secretaries. Other members of Steering Committee will include RSPs/SMP and one representative per district from LSOs, half of which will be women. A Programme Coordination Committee under the DG (CDDU), will be responsible for the operational and planning coordination for programme implementation. Each partner department and RSP will nominate a focal person for programme who will also represent the department in the Programme Coordination Committee.

15. The **CDDU** will be a small unit with necessary complement of finance, M&E and gender/poverty staff. It will be assisted in its tasks by 10 District Planning Offices headed by District Planning Officer. A District Coordination Committee consisting of all partner departments and RSPs and with membership from LSOs will plan, coordinate and implement programme activities in their respective districts. The District Coordination Committee will also be responsible for ensuring alignment of annual development plans of line departments with the needs ascertained through CDPs.

16. **Programme components.** The programme will have three components: (i) Community-driven development (CDD) for Livelihoods Enhancement, primarily focused on capacity development for CDD and investments in private goods for poverty graduation of ultra-poor and poor; (ii) Institutional Strengthening and Public Services Delivery, focused on developing legal and structural underpinning for responsive service delivery and leveraging investments in public goods collectively benefitting rural poor community members and local economy; and (iii) Programme Management.

17. The related **expected programme outcomes** are: (i) Improved livelihoods and/ or income-generative capacities of rural poor households with enhanced access to development resources for poverty graduation; (ii) Improved and coordinated public services delivery (aligned with aggregated CDPs); and (iii) Institutionalised CDD in Government rural development framework.

18. **Programme implementation logic.** Component logic and implementation arrangements follow the two broad intervention streams comprising private goods and public goods. The first stream covered under component 1 involves provision of assets (tangible productive assets and intangible assets in the form of vocational and enterprise training) to support poverty graduation of ultra-poor and poor households, through the proven community-driven development approach. This component will be implemented by the AJKRSP as part of the exit strategy and long-term vision of its independent status and mandate for social mobilisation responsibilities and functions. The second stream is covered by component 2, which builds on the findings and results of the CDD/ social mobilisation process and as articulated by the community development plans (CDP), towards leveraging public funds to finance priority community physical infrastructure (CPIs) and to provide the requisite public services (including extension services) as demanded by rural communities in support of their economic empowerment. To this end, the Local Government and Rural Development Department (LGRD) will be the coordinating and lead implementing body.

Component 1: CDD for Livelihoods Enhancement (US\$ 27.9 million)

19. This component comprises two sub-components – (1.1) Capacity building for CDD; and (1.2) Poverty Graduation.

20. **Sub-Component (1.1) Capacity building for CDD (US\$ 7.5 million).** This sub-component will focus on sensitization, mobilisation, and formation of COs/VOs/LSOs, resulting in the elaboration of the community development plans (CDP); issues and priorities identified through the participatory and consultative process, and key interventions included in the CDPs will be further consolidated at the VO and ultimately, LSO level. Approximately 250,000 rural poor households in PSC band 0-34 will be organized in 10,000 community organizations (COs), with average membership of 25 households per CO. These COs comprise existing and new COs, with the intention that the capacity of the COs will

be strengthened in terms of their organizational, management and governance (including accountability, financial reporting and monitoring and evaluation) functions.

21. Through the participatory mobilisation and sensitization process, the underlying 'product deliverable' of the COs, will be the elaboration of their community development plans (CDPs). The review and 'approval' of the CDP, including the budget, will be subject to well-defined criteria and transparency of the review process and programme specified criteria for investments and cut-off limits.

22. These CDPs will in turn, be reviewed and amalgamated to the VO and LSO levels. At the level of the LSO, the consolidated priorities identified in the CDPs will be transferred to the corresponding local government Union Council (UC) structure for further uptake by the public sector, in terms of financing the public goods and services demand and is the basis on which the government (public) agencies and departments will align their annual development plans and budgets upwards to inform District and State level budget planning (see the complementary Component 2, specifically sub-component 2.1).

23. Some key activities to be financed/ promoted/ supported under Sub-Component 1.1 are the following:

- a) Union Council targeting: the CDDU (PMU) will procure BISP Poverty Data and in consultation with the social mobilisation partner (SMP) and line departments, will select the priority poorest Union Councils in all ten districts; all Union Councils with over 1,000 households in poverty band of 0-34 will be selected in initial phase;
- b) Baseline survey and 'ground-truthing' of existing COs/VOs/LSOs, identification of gaps and establishment of baseline indicators for key programme interventions and outcomes;
- c) Strengthening of existing (approximately 4,000) Community Organizations and their related Village Organizations and Local Support Organizations (LSOs), including expansion of membership to all 0-34 PSC households living in the physical domain of the community; inclusion of over 60 per cent of the ultra-poor and poor households within the CO coverage area will be a condition for CO's access to programme interventions and services;
- d) Establishment of an additional 6,000 Community Organizations, Village Organizations and LSOs in the as-yet uncovered poorest Union Councils, with the condition that a minimum of 60 per cent of poorest and poor households in the community are members of the CO;
- e) Registration of LSOs under relevant laws and regulations and establishment of standardised governance, management and oversight arrangements as well as their formal recognition as "Dehi Councils" under the Local Government Act 1979 to be eligible recipients of specified share of Local Government Annual Development Funds with attendant rules and flow of funds mechanism;
- f) Updating of Community Development Plans (CDPs) in existing COs in the light of programme approach and interventions and preparation of participatory CDPs in newly established COs as vehicles for programme and government service delivery; the initial CDPs will be developed in close collaboration between the SMP and line departments; subsequently, detailed plans for private goods/asset creation will be developed by the SMP;
- g) Training and capacity building of COs, VO and LSOs by the SMP to enable them to perform their assigned tasks effectively;

- h) Technical assistance for capacity building of AJKRSP as the SMP – this includes in areas of management, financial management, M&E and other technical areas⁶⁷; and
- i) Operational costs of social mobilisation (with SMP co-financing from own sources).

24. Indicative phasing of CO/VO/LSO strengthening/new establishment is reflected in Table 2:

Table 2: Phasing of CO/VO/LSO Strengthening and Development

Org/Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	
CO (existing)	1,000	2,000	2,200	--	--	--	5,200
CO (New)	200	1000	2,000	3,600	--	--	6,800
VO (Existing)	100	400	400	--	-	-	900
VO (New)	100	100	300	600	-	-	1,100
LSO (existing)	10	30	30	30	-	-	100
LSO (New)	10	20	40	30	-	-	100

25. The phasing is indicative and actual phasing shall be determined by CDDU and RSP on the basis of baseline results and progress on the ground. The entire CO formation and completion of other two tiers is phased to be completed by year 4 so that there is sufficient time left to address any organizational weaknesses for assured performance and sustainability of the participatory development system.

26. The proposed model envisages that by the time of the completion of AJKCDP2, the ADP of all rural development related departments, both social and economic, will be fully aligned with the needs and demands generated through the annually updated CDPs of COs. Any shortfalls will be addressed by the 20% or more of LGRD development budget assigned to LSOs in their capacity as recognized “Dehi Councils”. Any additional shortfalls will provide the basis for the government to negotiate additional resources from other donor agencies, RSPs and NGOs.

27. **Sub-Component (1.2) Poverty graduation (USD 20.4 million).** With the formation of COs, and verification of the households falling within PSC band 0-11 (the ultra-poor), Sub-Component 1.2 will pursue a poverty graduation approach, in line with an overall national strategy to promote the poverty graduation approach *successfully tested* by IFAD, PPAF and other partners in Pakistan (poverty graduation scaled up at a national level is being promoted under the IFAD-financed National Poverty Graduation Programme). Under the graduation approach, the programme will provide a flexible menu of assets, both tangible and intangible (e.g. productive physical assets or skills/vocational/ technical training) to 20,000 ultra-poor households; among ultra-poor, women and women-headed households will be the primary target group. A further 30,000 very poor and poor households (PSC band 12-34) will also benefit from a package of vocational, technical or enterprise development training for one household member.

28. The identification of appropriate assets matching individual ultra-poor household needs and capabilities, and market demand, procurement and delivery of assets in a participatory and transparent manner, will be the responsibility of social mobilization partner with technical expertise and advice provided by relevant government agencies.

⁶⁷ To ensure programme implementation readiness, a phased approach could be adopted; whilst AJKRSP will be engaged under an MOA to implement this component, there may be provision to leverage the NRSP experience and capacity for an interim period to provide additional back-stopping, mentoring or capacity building support to AJKRSP. The arrangement would be reviewed during the MTR. In terms of AJKRSP, see Appendix 4, Annex 1 for an extract of the AJKRSP capacity building plan.

29. Under the proposed programme, 20,000 households in PSC band 0-11 in the selected Union Councils, and that have demonstrated some potential for employment or entrepreneurial competencies, will be provided with a package (average amount of US\$ 467) that consists of a combination of assets along with the relevant skillset training (asset management training) to utilize the asset transferred. Intangible assets comprising technical, vocational and/ or enterprise development trainings for which job placement or self-employment opportunities (especially targeted at the youth) have already been identified through the market research during the Baseline study, are intended for a further 30,000 households in PSC band 12-34 (represented by one member of the household). In order to further facilitate these individuals and ensure the sustainability of the programme after the project period, systematic handholding will be offered for linking up households and communities to markets, value-chains, and employment opportunities. Trained individuals will also be linked up with sources of micro-finance to employ their training for income generation (e.g. Prime Minister Interest Free Loan, Bank of AJK, NRSP Bank, Khushali Bank, etc.). Over the medium-term, the package is anticipated to enable the ultra-poor and poor to attain the score of 34 and above on sustainable basis, whereby they can become eligible to access formal credit services for further development.

30. The programme will support the delivery of these services through existing institutions, such as TEVTA and its 159 centers in AJK, technical training centres in adjacent areas of Pakistan and in partnership with relevant government departments (e.g. Agriculture, livestock and social welfare). However, the key will be to ensure that i) the supply of training is aligned with market demand; ii) that all training are delivered in appropriately accredited courses and centers; and iii) entrepreneurship is encouraged through support for the creation of business, linked with access to finance.

31. AJKRSP will leverage its existing microfinance funds and partnerships, as well as develop new partnerships with existing and upcoming micro-finance programme (e.g. Akhuwat), to meet the microfinance needs of promoted trainings and enterprises. A cadre of micro-finance outreach agents will be developed/promoted from among LSOs to address the current outreach limitation of existing micro-finance purveyors in AJK.

32. Over the medium to long-term, and as both the community population and social mobilisation partner evolve, the social mobilisation partner (AJKRSP) will increasingly take upon a business facilitation role, providing follow-up support, providing mentoring in developing business plans, and linking/ facilitating households with other microfinance sources for start-up capital or working capital for their productive activities.

Component 2: Institutional Strengthening and Public Services Delivery (US\$ 70.1 million)

33. This component comprises two sub-components – (2.1) Capacity Building and Public Services Delivery; and (2.2) Community Physical Infrastructure.

34. Sub-Component (2.1) Capacity building and Public Services Delivery (US\$ 31.7 million).

This sub-component will support the capacity development and institutional strengthening of the relevant public sector agencies and departments with responsibilities vis-a-vis rural sector development, with the view to ensure long-term sustainable, regular, timely and transparent allocation and utilisation of Government resources (financial and human resources) to respond to the demand and development needs of rural communities, including their evolving economic circumstances, and as articulated in the CDPs – i.e. this will take the form of public goods and services to rural communities. As longer-term economic priorities are identified by the CDPs and aggregated to LSO level by the social mobilisation partner, this will be subsequently transmitted to local government at the corresponding Union Council level for public sector uptake. From UC level, priority public development needs (including goods such as infrastructure and services) will be promoted upwards within the local government framework through Markaz/ Tehsil and District levels, and finally to the State level. LGRD will aggregate the emerging needs, and coordinate the relevant public agencies (e.g. Agriculture Extension, Livestock Directorate, Forest & Fisheries Department, Social Welfare, Women & Youth Departments) to plan their annual development budgets to provide the required

services to rural communities. Whilst the specific needs will emerge from the CDD process, some areas of services that could be pursued may include diversification of production, value addition, off-farm activities, etc.

35. In addition, within the public services delivery structure, a particular focus on climate change awareness and resilience will be addressed through extension messages for awareness and coping strategies, identification of cropping cycles and crops more resilient to change, demonstration of such crops and training and access to inputs for such crops through the relevant line departments/ public agencies.

36. The sub-component, together with sub-component 2.2 and component 3 will also support capacity building of AJK Government and its service delivery departments to mainstream CDD in its development framework. This will include technical assistance for legal and regulatory reform (LGRD Act, PDD Budget Guidelines and Manual, LGRD “Dastoor ul Amal”, etc.). Longer-term technical assistance (TA) will be provisioned to establish effective computerised financial management system including extension of SAP system down to Markaz level and M&E systems within District Planning Offices, LGRD and extension services. Required training in participatory bottom-up planning and participatory implementation as well as new regulations will be arranged for all relevant agencies. Additional support will be provided to LGRD to address its mobility and communication constraints at the field level. All capacity building interventions will be financed through the IFAD grant. An extract of the capacity building plans and provisions are detailed in Appendix 4, Annex 1.

37. The sub-component is designed in a manner to facilitate institutionalization of CDD in extension service budgeting and delivery. The key element is its twin stream of financing. The first source will be IFAD funds, primarily to kick-start activities; the second and more significant source will be funds made available through alignment of public agencies/ line departments Annual Development Plan budgets with CDP identified needs. These funds will be distributed among districts as per programme specified allocation criteria and District Planning Office and District Development Coordination Committees will determine their further allocation to CDPs of each LSO/ UC. Concerned Secretaries of the Departments will administer both IFAD and ADP funds and will be responsible for the performance and outcomes under this sub-component. The mechanism is expected to establish an institutionalized mechanism for bottom-up and responsive planning and implementation for extension services. For programme estimation purposes, the 2016-17 budgets of the four key agencies have been taken as baseline and escalated for programme period as per historic annual growth in ADP allocations. It has been further assumed that a percentage of this annual allocation would be allocated to AJKCDP2 supported CDPs starting with 10% in year one and growing to around 40% by programme end. As per this estimation, the first year combined allocation of all four agencies⁶⁸ to CDP identified needs will be Rs. 160 million growing to around Rs. one billion by programme end. The total ADP-based investments in the sub-component will be treated as Government counterpart contribution.

38. The longer-term perspective, is that as rural communities evolve, their economic empowerment needs too will evolve, and which requires the public sector to be able to mobilise itself to meet these emerging needs, mostly related to on-farm and off-farm activities, including improved commercialisation in the agricultural and/ or livestock sector.

39. **Sub-Component (2.2) Community Physical Infrastructure (US\$ 38.4 million).** This sub-component will specifically, focus on leveraging investment funds to meet the priority public infrastructure for rural communities identified within the CDPs – i.e. community physical infrastructure (CPIs). Through the CPIs, approximately 150,000 households are expected to directly benefit, with LGRD directly coordinating and implementing the Sub-Component. Whilst communities will be expected to contribute to 20 per cent of the infrastructure scheme cost, the ultra-poor (PSC 0-11) will

⁶⁸ 2017-18 Development Budget for key rural extension agencies (in millions) is the following: Agriculture & Livestock (Rs. 490, Forestry & Fisheries (Rs. 550), Social Welfare (Rs. 100), Youth, Women, Tourism etc. (450) ; the LGRD budget is Rs. 2 billion.

be exempt from such contribution. CPIs may take the form of rural access roads, irrigation schemes, or other social infrastructure schemes such as drinking water supply.

40. In close coordination with the SMP, LGRD, through its District and Markaz-level engineering and social mobilization staff, will be the lead agency for implementation. LGRD will make an amendment in the existing Local Government Act and “Dastoor ul Amal” to recognise COs at par with CBOs and will operate through programme sponsored COs. COs will be primarily responsible for the implementation, through elected project committees for specific schemes. Design, cost estimation, technical appraisal and implementation supervision and completion certification will be the responsibility of LGRD on the pattern already successfully trialed under the first phase AJKCDP. The implementing technical department will be paid a lump sum 8 per cent of scheme cost for its overheads and operational expenses. LGRD may engage other specialized departments for specific schemes like irrigation infrastructure on the same terms and conditions.

41. The component will be financed mainly from two sources, apart from the 20 per cent mandatory community contribution in each scheme (with PSC 0-11 households exempted). The first source of financing will from IFAD loan funds, though the more significant share of the resources stems directly from the public sector through the annual development budget. It is expected that 60 per cent of the ADP funds will be allocated for the development schemes of Union Councils. LGRD will allocate around 20 per cent of budget allocated for Union Council development schemes to Union Councils covered by the programme to finance schemes identified through the consolidated/ aggregated CDPs. LGRD and PDD will develop the necessary guidelines and regulations for allocation and utilization of these funds through the CDD process. For project estimation purposes, the 2017-18 LGRD allocation of Rs. 2 billion is taken as a base and escalated as per historic growth norms in ADP allocations (rising to Rs. 3.6 billion by programme end). These are conservative estimates and the actual financing may be more. Based on this projection, total LGRD financing of CPIs will be around Rs. 1.8 billion or US\$ 18 million which will be treated as Government of AJK counterpart contribution. Distribution of this allocation among districts will be as per programme criteria for district shares. Within each district, the District Development Coordination Committee will allocate the available funds, to individual COs/VOs/LSOs.

42. Allocation of infrastructure schemes will be first prioritised to those existing COs/VOs that have not benefitted from such schemes under the first phase AJKCDP and that are located in the 60 per cent poorest Union Councils. To the possible extent, schemes will be preferred that benefit more than one CO in the same village. Flow of funds for scheme implementation will follow the already well-established system of inspection and certification-linked releases to the CO in three tranches. LGRD’s existing Manual developed under the previous WB-funded AJK Community Infrastructure Services Project (CISP) will be updated for AJKCDP2, to guide implementation, including maintenance (O&M) during and post-project, flow of funds and financial management process. A joint Bank account, operated by LGRD and an LSO nominee, shall be used for the transfer and management of funds.

43. The schemes specified in this document, are indicative only, tentatively based on needs identified during the course of the design mission. Actual type and numbers for each type may vary, based on priorities identified in CDPs. However, these priorities shall be examined in the light of project criteria for overall cost limits and per beneficiary costs to ensure equitable allocation of resources to each LSO and CO. The investments will cover both economic/ productive and social infrastructure. Climate change resilience will be ensured in scheme siting and design specifications.

44. *Economic infrastructure* will cover various types of transportation infrastructure (upgrading of fair-weather roads, new metalled roads, culverts and small bridges, concrete inter and intra-village foot-paths etc.) and irrigation infrastructure (irrigation diversion structures, channels, tube-wells, lift-irrigation schemes, rain storage ponds, communal storage for vegetable gardening etc.).

Roads and Rural Access

S. No	Infrastructure Type	Unit	Quantity	O&M responsibility
1.1	Upgrading of fair weather roads	km	100	LGRD
1.2	New roads (metalled)	km	25	LGRD
1.3	Foot bridge / pathway	No.	20	CO
1.4	Concrete / PCC Link Roads	No.	200	CO/VO
1.5	Trail Path/ Foot (bridal) Steps	No.	200	CO
1.6	Culverts / super passage / others etc.	No.	50	CO

Note: Quantities and numbers are indicative only - All CPIs would be identified and prioritized by communities

45. *Irrigation and agriculture water security related infrastructure* will contain schemes reflected in following table:

Irrigation and Water Harvesting

S. No	Irrigation & water Harvesting Schemes	Unit	Quantity	O&M responsibility
2.1	Water Channel (improvement and Rehabilitation)	No.	100	WUA
2.2	Watercourse lining	No.	40	WUA
2.3	Tube well	No.	15	WUA
2.4	Lift irrigation schemes	No.	30	WUA
2.5	Water Tanks	No.	100	WUA/CO
3	Flood Protection works	No.	80	CO
4	Water Storage/Rain Water Harvesting for Women	No.	200	Household

Note: Quantities and numbers are indicative only - All CPIs would be identified and prioritized by communities

46. *Social infrastructure* will include drinking water supplies, household rainwater harvesting, renewable energy solutions (biogas, micro-hydel and solar systems).

Social Infrastructure by Type & Quantities

S. No	Infrastructure Type	Unit	Quantity	O&M responsibility
1	Drinking water Supply	No.	600	CO
2	Rain water harvesting	No.	200	CO
3	Street pavement / drainage	No.	150	CO
4	Renewable Energy Solutions			CO
4.1	Mini / micro hydro	No.	10	CO
4.2	Biogas	No.	20	Household
4.3	Solar home system	No.	100	Household

Note: Quantities and number are indicative only - All CPIs would be identified and prioritized by communities

47. *Cost Estimates and quality standard.* Each infrastructure scheme would adhere to standard engineering norms and would accordingly be designed as per respective departments' (LGRD/ Irrigation Department) standard specifications. Further, each design would be made climate-smart, offering adequate resilience against climatic variability. This would be achieved through adapting

appropriate measures (proper siting, using richer specifications; higher supporting foundation/platforms for critical sections etc.). Cost estimates would be prepared on the basis of most recent published AJK composite schedule of rates (CSR).

48. *Community Contribution.* Communities will be expected to contribute 20 per cent of the scheme cost, as per existing practice and norm in all community driven development project. The ultra-poor and poor (0-18 PSC) shall be exempt from such contribution and will have a priority right on all wage-labour opportunities generated during the construction. Post completion O&M will be the responsibility of beneficiary communities through selection of a maintenance group/ individual, agreement on monthly user fees, system for management and use of collected fees and appropriate training by project for such groups/ individuals.

49. A *phasing* of schemes will follow the phasing/ development and maturity of the COs/VOs and LSOs. All IFAD funded schemes shall in any case be completed by Project Year 3 to allow for consolidation and post-completion O&M arrangements. LGRD funded schemes shall continue to be implemented during PY-6 and beyond as part of an institutionalized arrangement.

50. A *Social Mobilization Audit* will be carried out through an independent consultant twice before the mid-term review (MTR) to ensure that the LGRD process and approach is consistent with programme objectives and remains fair and transparent.

51. **CPI Eligibility Criteria.** All community physical infrastructure (CPI) schemes should meet the following general eligibility criteria⁶⁹;

- Each CPI scheme should benefit at least 20 households.
- Cost per beneficiary household should not exceed PKR 25,000 per CPI.
- Beneficiary households agree to contribute 20% of the scheme cost as an average. The contribution would be in cash, labour or cost of local materials. Ultra-poor HHs (with PSC<=11) would however be exempted.
- The CPI should be within the implementation and management capacity of the beneficiary CO.
- The CO is willing to take the responsibility of O&M for CPI following its completion.
- The CPI scheme shall not have any negative effect on environment, and all projects shall be screened for environmental impact.
- CPI should be of high priority and benefit a large proportion of households in a particular village.
- CPI should have potential to accommodate practical and strategic gender needs of women and girls (like siting of water points, washing and access points in case of water channels etc.)
- CPI should have potential to benefit the poorer and disadvantaged sections of the community.
- CPIs should preferably be labour intensive and have potential to employ local labors/ masons etc.
- There should not be any land and water right disputes as a result of CPI implementation.
- Each water supply and irrigation scheme should have reliable water source with sufficient quantity of water for most part of the year – preferably perennial.
- Each CPI should demonstrate relative cost effectiveness in terms of larger impact (% irrigated area, number of beneficiary population/villages, % increase in agriculture produce, and potential for more value addition etc.).
- Should have good synergies with other components of the project

52. **Intervention Specific Criteria.** In addition to general eligibility criteria, intervention specific criteria, as given in the table below would also be followed in implementing an infrastructure scheme.

⁶⁹ Scheme specific criteria will supersede in case two criteria conflict particularly in terms of minimum Ben-HHs

Intervention Specific Eligibility Criteria

Infrastructure Type	Eligibility Criteria
Economic & Productive Infrastructure	
Rural Access Infrastructure	
Upgrading of fair weather roads	<p>District share (in km/funds) will be assessed giving considerations to weighted percent of (i) population, (ii) area and (iii) poverty – as given at Annex–VIII</p> <p>Within a district; following criteria will be used;</p> <ul style="list-style-type: none"> • At least 2 villages should be the direct beneficiaries • UCs with higher poverty rate (PSC <= 34) would have priority • Preference would be given to the areas of high economic outputs, agriculture produce, and connectivity to other services • Community is willing to give land free of cost for upgrading/widening
New roads (metalled)	<ul style="list-style-type: none"> • At least 5 villages should be the direct beneficiaries • Should be identified and prioritized by respective LSOs
Foot bridge / pathway	<ul style="list-style-type: none"> • Preferably in northern districts with deep valleys streams, • Existing bridge/ pathway should not be less than 1 km from village(s). • Preferably for easy access or connecting village(s) with other economic /social services (market, schools, market etc.) located across stream/river
Concrete / PCC Link Roads	<ul style="list-style-type: none"> • Connecting villages with link main/link roads, markets services • Preferably each scheme should be less than 1 km of length • Benefitting at least 50 HHs • High rainfall intensity areas • Mountainous terrain only (should not be built in plain districts/areas)
Trail Path/ Foot (bridal) Steps	<ul style="list-style-type: none"> • Benefitting at least 20 HHs • Should be built only in hilly areas/districts. • Preferably connecting to link road /path/ other hamlet of households • Existing footsteps should not be located within an average walking distance of 10 minutes. • Priority should be given for max impact (HHs, reduced time, harder terrain/slopes etc.)
Irrigation Schemes	
Water Channel (improvement and Rehabilitation)	<ul style="list-style-type: none"> • Preference on rehabilitation of existing channels (earthquake / landslides/ flood affected) • Min Irrigated area should be 15 acres for hilly areas/districts). • Maximum two-third length of a channel would be lined. • Capacity of channel should range from 1-3 cusecs
Watercourse lining	<ul style="list-style-type: none"> • Would be implemented preferably in plain areas/districts (Bhimber & Mirpur). • Minimum irrigated area should be 15 acres • Maximum two-third length of a watercourse would be lined • At least one-third length of would be realigned/restored by beneficiary farmers • Willingness of farmers to do command area leveling at their own.

Tube well	<ul style="list-style-type: none"> • Would be implemented in plain areas /districts (Bhimber / Miprur) • Minimum irrigated area should be 20 acres • Capacity of tube well should be in the range of 0.1 to 1 cusec.
Lift irrigation schemes	<ul style="list-style-type: none"> • Minimum irrigated area should be 20 acres
Water Tanks	<ul style="list-style-type: none"> • Would be implemented in hilly areas/ districts • Minimum irrigated areas should be 3 acres. • Should be source of kitchen gardening as well.
Flood Protection works	<ul style="list-style-type: none"> • At critical locations only (for protecting human settlements, large agriculture areas (min. 10 acres), etc.)
Kitchen Gardening (storage tanks etc.)	<ul style="list-style-type: none"> • For poor HHs (PSC <= 34) only; giving preference to ultra-poor HHs (PSC <=11)
Social Infrastructure	
Drinking water Supply	<ul style="list-style-type: none"> • Unreached villages (739) would have priority • Adequate, reliable and perennial water source should be available. • Preference should be given to gravity schemes • Pumping schemes would be considered only if direly needed and community is highly motivated (taking into account post completion recurring cost)
Renewable Energy Solutions	
Mini / micro hydro	<ul style="list-style-type: none"> • For Northern areas /districts • For off-grid villages only • Minimum 30 households should be beneficiaries
Biogas digesters	<ul style="list-style-type: none"> • For HH level only • Pilot with poor households only (PSC <=34)
Solar home system	<ul style="list-style-type: none"> • For off-grid villages only • Solar Home Systems for ultra-poor households only (PSC <-11) • Will be piloted on water supply schemes for solar pumping

Programme management (US\$ 9.8 million)

53. Overall programme management will be delegated to a programme management unit to be set up to become a permanent feature/ unit within the structure of the Planning and Development Department (PDD) of AJK, and named the CDD Unit (CDDU). The rationale behind this, is to have in place a champion tasked to establish over the long-term, a conducive and facilitating space, institutional framework and policy environment for integrating CDD in local government development planning and processes. Legal, regulatory, budgetary and inter/ intra-agency coordination aspects will be covered.

54. Under the programme, technical assistance is provisioned across a broad spectrum, to ensure that AJKRSP, LGRD and the CDDU have the capacity to deliver on the institutional development aspects, including preparing and follow-up on legal and regulatory reforms required. Amongst others, the technical assistance may relate to the following: (i) framing of rules and regulations for allocation and disbursement of Local Government Development funds to COs/VOs/LSOs development plans; (ii) framing of revised PDD guidelines for bottom-up preparation of line department budgets on the basis

of CDPs consolidated at LSO/ UC levels and received by District Planning Officers, including constitution of District Development Coordination Committees and their SOPs; (iii) strategy and actions to substitute programme financing with government financing by the end of programme period; (iv) legal and regulatory framework for decentralisation, integrating the local institutions (COs, VO, and LSOs) within the local government structure; mechanisms and tools required to *operationalize* decentralisation.

55. The technical assistance for capacity building will be provisioned for two aspects; legal and regulatory revisions and development to support CDD and capacity building of AJKRSP and government agencies, in particular LGRD, to effectively operationalize the CDD approach. Project activities and interventions during the start-up phase are designed in a manner that their implementation is not linked in any manner to progress on capacity building aspects. Both will continue in parallel and the TA and capacity building will contribute to programme's sustainability and exit strategy aspects. While TA/capacity building aspects are budgeted under individual components, CDDU will be the lead agency to guide the activities in this regard including finalizing of TORs for TA, engagement of competent entities and oversight of progress. The main recipients, interventions and process will be as follows:

- a) *LGRD*. TA and capacity building will focus on the legal and regulatory framework, human resource capacity building and physical capacity building. Main activities and phasing will be:
 - (i) Legal & regulatory framework. Short term TA will be engaged in the first year through a competitive process by LGRD, against the TOR approved by CDDU, to assist in revision and updating of Local Government Act 1990 to provide for legal recognition of three tier CO/VO/LSO structure. Following this, TA will be engaged to update the LGRD Operational Manual to guide the process and procedure for CO/VO/LSO engagement and implementation. Other TA will be engaged to establish IT-based financial management and reporting system down to lowest spending unit and establish standards and quality checks for rural infrastructure.
 - (ii) Support will be provided to LGRD for establishment of a dedicated CDD Unit within department at state level as head of social mobilization establishment of LGRD at district and Markaz level and effectively coordinate community related development aspects with AJKRSP and other line departments.
 - (iii) Capacity building support will also be provisioned for procurement of computing and networking equipment for districts and field level, survey equipment and vehicles and motorcycles for the field units for effective management and monitoring of CPI identification and implementation.
 - (iv) Training for LGRD staff at all levels for CDD approach, programme orientation and implementation, IT-based financial management and M&E.
- b) *AJKRSP*. AJKRSP will be supported through appropriate TA to assist in its governance and institutional development as well establishment of IT based financial management system for effective management of financial resources and monitoring of field activities. AJKRSP will be encouraged to engage this TA with P&D support prior to programme start-up and the expenditure will be eligible for retroactive financing through IFAD Grant. AJKRSP will also be assisted in strengthening of its physical capacities through provision of IT equipment, furniture and fixtures for its district offices and vehicles and motorcycles for field level mobility. Incremental staff will be recruited for district and field levels against regular programme costs provisioned for CO/VO formation
- c) *Line Departments*. Some essential capacity building support will be provided to Agriculture Extension & Research (in shape of equipment) and Livestock Directorate (strengthening of cold chain for artificial insemination) to enable them to deliver the

potential extension services identified during design in an effective manner. Staff of two departments and others will be provided training in community based extension approaches as well as small-holder based production and value chain development.

- d) *PDD*. Technical Assistance will be provided to P&D to update its budget manual and budget preparation guidelines so as to enable the line departments and LGRD to align their annual development plans with the needs identified at CO level through Community Development Plans. The TA will also assist P&D in effective tracking and monitoring of allocations made against CDPs and their utilization. The TOR for such assistance will be prepared by PDD with assistance from CDDU and CDDU will monitor the progress of such TA and report to the ACS (D) ⁷⁰.

56. In complement, the programme will also support the establishment of permanent District Planning Offices to coordinate and integrate priority CDP-identified needs with the annual district development plans of government line departments – especially those departments/ agencies dealing with social, rural development and production sectors.

57. In terms of day-to-day programme management responsibilities, the CDDU, headed by a Director General, will be responsible for overall planning, coordination, M&E, knowledge management financial management and reporting functions, and will have in place the capacity to carry out these responsibilities. A Programme Coordination Committee, headed by Director General CDDU, will plan, coordinate and oversee Programme Implementation. All partner agencies will nominate a focal person who will represent the department in the coordination committee.

58. Regarding consultations and steering committees, a State-level Steering Committee will be established, headed by the Additional Chief Secretary of Development, with the Director General of the CDDU acting as the Secretary to the Steering Committee.

59. **District Development Coordination Committee.** At the district level and linked to the District Planning Office, a District Development Coordination Committee will be established (notified) for implementation coordination and monitoring, with membership from all implementing agencies and social mobilisation staff. The main task of the district development coordination committee will be to coordinate and align all AJKCDP2 activities with those of regular government development budgets and activities. The committee's detailed functions are the following:

- a. Prepare an overall development vision for the district including macro level needs and development priorities and resource requirements
- b. Prepare annual consolidated Annual Development Plan for the district based on AJKCDP2 mandate and targets and regular government ADP allocations for various sectors.
- c. Examine and consolidate needs expressed through CDPs, consolidated at LSO level and recommend for inclusion in AJKCDP2 financing if found feasible
- d. Ensure that there is no duplication in terms of resource deployment under AJKCDP2, government agency plans and any other ongoing projects
- e. Assign activities to concerned line departments and their ADPs for which resources are already available for the district
- f. Assist line departments in aligning their ADP proposals with the needs expressed through CDPs.
- g. Clearly demarcate, reflect and report the CDP activities that are being financed through AJKCDP2 funds and others covered under regular ADP budget of the line departments and report line department's financed activities under CDPs as counterpart financing.
- h. Meet quarterly, and more frequently if needed, to review progress on annual consolidated development plans of the district including AKCDP-II activities.
- i. Resolve any inter-agency coordination issues.

⁷⁰ See Appendix 4, Annex 1 for TA and Capacity Building detail

Annex 1: Institutional capacity of key partners and extract from the (draft) capacity building plan

1. AJKCDP2 consists of three components. The first component deals with targeting and social mobilization of communities, development of their community development plans and delivery of household targeted interventions aimed at poverty graduation (private goods). This component is to be implemented by social mobilization partner i.e. AJKRSP. The second component deals with delivery of extension and production support services and implementation of rural infrastructure schemes identified through community Development plans (public goods). This component is to be coordinated and implemented by Local Government and Rural Development Department (LGRD). Third component is Project Management which is to be implemented by an entity created by the project and called Community Driven Development Unit which is supposed to become a permanent presence in P&D Department to be the focal agency for CDD approach in AJK.

2. The ability, capacity and readiness for implementation of AJKRSP and LGRD is critical for the timely take off and implementation of AJKCDP. It is important that any capacity gaps and limitation are identified at this stage to ensure that required capacity building support is provided in time to enable them to implement their part of mandate effectively and efficiently.

3. **AJKRSP.** AJKRSP is a state level Rural Support Programme (RSP), registered under the Companies Ordinance act 1984. The organization was registered on October 27, 2007 to foster participatory community development in the region. It was one of agreed outcomes of IFAD-funded AJKCDP aimed at institutionalizing the community-driven development (CDD) approach in the region. GoAJK provided the initial endowment Rs. 250 million to sustain the organization's core establishment and routine functions. However, AJKRSP's institutional growth did not follow the designated path and encountered governance and institutional issues over the last two years. Despite the governance and institutional difficulties at the top management level, AJKRSP did continue field level activities through district and field staff under various donor and government funded rural development projects, mostly in social sectors and an AJK Bank supported on-lending programme.

4. The present government in AJK has shown firm resolve to address AJKRSP's governance and institutional issues to convert it into a truly independent and capacitated organization with an independent Board of Directors, a Chairman of good standing, a competitively selected CEO and a strengthened endowment base. Several actions have already been taken including establishment of an independent Board, appointment of an interim competent CEO, rationalization of staff, preparation of service rules and manuals etc. At present, AJKRSP has almost full complement of field staff including 7 Managers at HQ, 10 Sr. Social Organisers in districts, 20 male and female social organisers for core programme and 72 UC level organisers for the WFP funded nutrition programme. It is also operating a micro-finance programme worth Rs. 233 million through community credit pools and NRSP transferred funds and a Rs. 500 million on-lending programme financed by AJK Bank. AJK Government has provided additional financing of Rs. 30 million to AJKRSP to meet some of its immediate capacity needs. AJKRSP is anticipated to be at full strength in terms of governance, management and outreach by the time of AJKRSP2 start-up.

5. However given the scope and range of AJKCDP2 coverage, and in order to further strengthen AJKRSP's management and governance systems as well as outreach, further capacity building support will be provided to AJKRSP in number of areas. This will be financed through an IFAD grant (for trainings and TA/ TA-related consultancies) and Government own-funds and will include:

- a) **Technical Assistance:** A long-term (30 p/months) Institutional Development Expert will be placed in AJKRSP Head-Office to support AJKRSP Board and Management in further development of governance and management systems for efficient working. In addition, a Financial Management Expert will be deployed for 3 months to assist in development of computerised financial management and reporting systems. Flexible short-term TA will also be made available (10 p/months) to assist in development of manuals, reporting/recording systems and guideline for head quarter and field operations

- b) Equipment and Vehicles: Given the programme's expanded scope and outreach, AJKRSP will be assisted in procuring a reasonable number of vehicles and motorcycles for headquarter and field staff. In addition, office equipment and furniture and fixture procurement will also be assisted for efficient working of the organization.
- c) Civil Works: AJKRSP Head Quarter is currently housed in a rented building which is not only expensive but also not very well suited to organization's needs. GoAJK allotted a piece of land to AJKRSP located piece of land in Muzaffarabad few years back but lack of financial resources has not allowed the organization to build its own premises. Programme will support construction of a suitable building with 15,000 square feet covered area. Half the funding will be provided by programme grant while rest will be contributed by government counterpart funding.
- d) Incremental Staff: AJKRSP would need incremental staff for its expanded workload under the programme both at district as well as field level. AJKCDP2 will not make any separate provision for the cost of this incremental staff and AJKRSP would recruit this staff against the budget paid to it as lumpsum for the formation and support of COs/VOs/LSOs. The budget will be for four years from the programme and for remaining programme period and beyond, AJKRSP would sustain it from own sources. Detail of incremental staff is as per attachment A.

6. The details of the Capacity Building Support to AJKRSP are found in Attachment A.

7. **LGRD.** AJK LG & RD Department: Local Government and Rural Development Department was established in AJK in 1979 by merging People's Works Program and Integrated Rural Development Program. In terms of rules of business, LGRD department is the most pertinent rural development entity in AJK which is 88% rural even to-date. In addition to implementing ADP interventions for rural development, LGRD department also acts as executing agency for rural development initiatives by elected representatives (MLA development funds against 29 AJK-based constituencies), donor agencies and NGOs. With an outreach across all Union Councils through 182 Union Council Secretaries, LGRD department has comprehensive coverage as its presence covers all tiers of government (Division, district, tehsil and Markaz). LGRD is one of the largest departments in AJK. It's twin role includes elections and oversight of local government institutions both in rural and urban areas and development of rural infrastructure. It is headed by a Secretary at State level who is responsible for the policy and overall management aspects of the department. He is supported by one Director General, LGRD who heads all the establishment for rural development consisting of 3 Divisional Offices, 10 District offices, 31 Markaz offices and 182 Union Council offices. The other arm is Local Government Board which looks after the affairs of 10 District Councils, and all urban councils consisting of 5 Municipal Corporations, 13 municipal committees and 8 town committees. The third Arm is AJK Election Commission which conducts local bodies elections.

8. In terms of current staffing, LGRD has a total of 237 gazetted officers and 2463 non-gazetted officials. LGRD has 118 officers and 919 non-gazetted staff. LGRD is quite well-endowed in terms of numbers, quality and experience of staff. It generally is one of the largest recipient of development funds and therefore has developed considerable implementation and management capacity. It has also implemented a number of donor funded projects including a large WB-funded Community Infrastructure development project which has enabled it to develop planning, management, reporting and financial management systems and manuals. LGRD is also the only government agency which has an additional management and implementation tier at Markaz level (a cluster of 4-7 Union Councils) which gives considerable additional outreach and management capacity in a mountainous rural setting. Each Markaz office is headed by a Manager and includes an engineer, sub-engineers, accountant and male and female social mobilization staff.

9. The LGRD established a full-fledged social mobilization structure in 1990 under the aegis of a World Bank funded Community Infrastructure Project. Its exists till day and consists of 208 staff including District Community Development Officers (8), Markaz level male and female social organizers (60). This together with Markaz Engineering and Accounts Staff, plus addition of missing

capacities at District and State level, will allow quick imbedding of CDD in local government department's regular planning, budgeting and implementation structures.

10. The elected local governments in AJK have been non-functional for a long time for want of elections and all rural development schemes are identified now by State legislators and local notables/influential. The schemes are implemented through the concerned community who elect a CBO consisting of male and female members. Community also contributes 20 per cent of scheme cost. The scheme quality and transparency of process is found to be generally quite good. LGRD development budget in 2016-17 was Rs. 500 million which has increased four times during the current year to Rs. 2 billion.

11. At present, local government resource allocation in AJK is governed by Dastoor-UI-Aml which forms the basis of decentralized development mechanism in the state. Under this arrangement, 65% of development resources provided to LGRD are to be utilized through Union Councils, leaving aside 20% and 15% development resources at the disposal of District and State Councils. Dastoor ul Aml will be amended with the help of project provisioned TA to ensure that 25% of the 65% share provided to Union council is assigned for undertaking development proposals submitted by eligible COs/VOs through their CDPs.

12. Certain institutional, legal and capacity gaps were identified within LGRD which would be addressed with Grant TA assistance from the project to enable LGRD to perform its assigned functions effectively not only during the project duration but also beyond in support of CDD institutionalization. The main areas of support to LGRD, financed by both the Grant (for trainings and TA/ TA-related consultancies) and Government own-funds, include:

- a) TA for Legal and regulatory reform (amendment of Local Government Act to recognize CO/VO/LSO as legitimate recipients of development funds and supporting amendments in Dastoor ul Aml)
- b) TA for development of IT based financial management, reporting and M&E systems right down to markaz and Union Council level
- c) TA for development of rural infrastructure specifications and quality standards
- d) Staff training in project approach and participatory development
- e) Establishment of a Directorate of CDD at State level to lead the social mobilization staff at district and markaz level
- f) Provision of computers and peripherals and vehicles at District and Markaz level

13. The summary of TA support and capacity building activities and budgets for LGRD are found in Attachment B.

Attachment A - Strengthening and Capacity Building of the AJK Rural Support Programme (AJKRSP)

(Rs. in Thousand)

	Activities	Unit	Quantities					Unit Cost	Total Cost
			HO	HID	Dist Prog Offices	Field Units (FU)	Total		
Investment Cost									
A.1	Equipment								
1.1	Laptop	Set	5	5	10	0	20	100	2000
1.2	Desktop	Set	0	0	10	22	32	50	1600
1.3	Computer with accessories (External HDD, Computer Software)	Set	5	5	10	22	42	30	1260
1.4	Leaser HP Jet Printer	Set	3	2	10	22	37	50	1850
1.5	Telephone/Fax	Set	1	1	10	22	34	3	102
1.6	Photocopier	Set	1	1	10	0	12	30	360
1.7	Telephone exchange	Set	1	1	0	0	2	50	100
1.8	Audio/Video equipment (LED, Multi Media Projector)	Set	1	1	10	0	12	300	3600
1.9	Digital Still Camera DSLR	Set	2	2	10	0	14	75	1050
1.10	Video Conferencing/ Biometric Attendance	Set	1	1	10	0	12	70	840
1.11	Office equipment (Generator/UPS)	Set	2	2	10	0	14	100	1400
1.12	CCTV Camera	Set	3	3	10	0	16	70	1120
1.13	Networking (All Inclusive)	Set	1	1	10	0	12	40	480
A.2	Furniture	Set	2	3	0	22	27	100	2700
	Subtotal								18,462
B.2	Vehicles								
2.1	Double Cabin 4x4 Pickups	No.	1	1	0	0	2	5000	10,000
2.2	1000 cc Petrol Jeep	No.	0	0	0	22	22	2300	50,600
2.3	Toyota Coaster	No.	0	2	0	0	2	8400	16,800
2.4	Motor Bike 125	No.	0	0	10	22	32	110	3,520
	Subtotal								80,920
C.3	Construction of Head Office & HID Centre	No.	15000 Sft		0		Rs. 4,000/ sq feet	60,000	
	G-Total								159,382

Note: These are indicative quantities to guide planning and budgeting during implementation. Actuals will be as per PDR Budgets

Attachment A (1)

Existing Staff at Head Office:

S.#	Position	Unit	NO	Remarks
1	Chief Executive Officer	Person	1	
2	General Manager	Person	1	
3	Institutional Development Specialist	Person	1	
4	Program Manager Admin/HR	Person	1	
5	Programme Officer Admin/ HR	Person	1	
6	Admin Assistant	Person	1	
7	Program Manager Finance	Person	1	
8	Program Officer Finance	Person	1	
9	Finance Assistant	Person	1	
10	Program Officer M&E	Person	1	
11	Programme Officer IT	Person	1	
12	Program Manager MEFD	Person	1	
13	Program Officer MEFD	Person	1	
14	Senior Credit Officer	Person	2	
15	Data Entry Operator	Person	2	
16	Programme Officer (GAD)	Person	1	
17	Program Officer Social Mobilization	Person	1	
18	Program Officer Social Sector Services	Person	1	
19	Watch man/Peon	Person	4	
20	Cleaners	Person	2	
21	Drivers	Person	5	

Staff Required During Project

S.#	Position	Unit	NO	Remarks
1	Human Resource Development Specialist	Person	1	
2	Training Coordinator	Person	2	
3	Livelihood Specialist	Person	1	
4	ENRM Specialist	Person	1	
5	ENRM Coordinator	Person	2	
6	Credit & Ent. Dev. Assistant	Person	2	
7	Program Manager M&E	Person	1	
8	Senior Program Officer M&E	Person	2	
9	Program Manager PITD	Person	1	
10	Program Officer PITD	Person	3	
11	Program Officer Value Chain & Marketing	Person	1	
12	MIS/IT Manager	Person	1	
13	Gender & development Specialist	Person	1	

Short Term Consultants:

S.#	Position	Unit	NO	Remarks
1	Hydro Engineer	Person	1	
2	Media Communication & Advocacy Specialist	Person	1	
3	Value Chain & Marketing Specialist	Person	1	
4	Program Manager Marketing	Person	1	

Existing Staff at District CUM FU of 10 Districts:

S.#	Position	Unit	NO	Remarks
1	Senior Social Organizer (District In-charge)	Person	10	

2	Social Organizer (Male)	Person	10	
3	Social Organizer (Female)	Person	10	
4	Admin & Account Assistant	Person	10	
5	Field Assistant (MFED)	Person	20	
6	Watch man/Peon	Person	10	
7	Drivers	Person	10	

Staff Required For District Programme Offices During Project:

S.#	Position	Unit	NO	Remarks
1	District Program Manager	Person	10	
2	Senior Social Organizer	Person	10	
3	Monitoring Officer	Person	10	
4	Account Officer (F&A)	Person	10	
5	Admin Assistant	Person	10	
6	Credit & Ent. Dev. Assistant	Person	10	
7	Data Entry Operator	Person	10	
8	Drivers	Person	10	

Staff Required For Field Unit Offices during Project

S.#	Position	Unit	NO	Remarks
1	Social Organizer (Male)	Person	22	
2	Social Organizer (Female)	Person	22	
3	Field Coordinators	Person	22	
4	Watch man/Peon	Person	22	
5	Drivers	Person	22	

Attachment B

Detail of Incremental Staff Required for LGRD

S.No	Position	No.	Cost (Million Rs.)								Remarks
			2018	2019	2020	2021	2022	2023	Total		
									PKR	US\$	
1	Director CDD/ Coordinator CDP	1	2.000	2.000	2.000	2.000	2.000	-	10.000	0.094	Department shall create these positions either by new creation/ re-designation or upgradation of existing posts by ending 5th year (2023) of project
2	Assistant Director CDD	1	1.500	1.500	1.500	1.500	1.500	-	7.500	0.071	
3	Director M&E/IT	1	2.000	2.000	2.000	2.000	2.000	-	10.000	0.094	
4	System Analyst	1	1.800	1.800	1.800	1.800	1.800	-	9.000	0.085	
5	Web Developer	1	1.500	1.500	1.500	1.500	1.500	-	7.500	0.071	
6	Assistants/Clerks	4	2.500	2.500	2.500	2.500	2.500	2.500	15.000	0.142	
7	Support Staff (Peon/Driver)	6	2.880	2.880	2.880	2.880	2.880	2.880	17.280	0.163	
Total		15	14.180	14.180	14.180	14.180	14.180	5.380	76.280	0.720	

Detail of Trainings/ Capacity Building Activities for LGRD

S.No	Trainings/Events	Total Participants	No of Days/ event	Per Person Cost	Total Cost (Millions)		Remarks
					PKR	USD	
1	Project Orientation Workshop	90	2	0.015	1.350	0.013	
2	Training of Staff on IT Based Financial Management System (SAP)	55	5	0.035	1.925	0.018	
3	Training on use of Engineering Software Applications	25	30	0.070	1.750	0.017	To be organized in some training institute
4	Rural Development Approaches	45	2	0.015	0.675	0.006	
5	Use of ICT for management	45	5	0.035	1.575	0.015	
6	Office Management/Project Management	50	4	0.030	1.500	0.014	
7	Social Mobilisation Techniques/PRA Tools	60	5	0.035	2.100	0.020	To be organized in some training institute
8	In Country/Overseas visits to successful rural development models	15	10	1.200	18.000	0.170	
9	Regular Trainings of Field Staff on	250	5	0.035	8.750	0.083	To be organized in some training institute

	Social/Engineering Norms, Approaches, Best Practices & Latest Developments						
10	Accounts/Audit Systems, Latest Developments, Approaches, Practices & Management	50	10	0.070	3.500	0.033	To be organized in some training institute
Total					37.625	0.355	

Detail of Technical Support/Consultancy for LGRD

S.No	Sector/Area	Man Months	Total Cost (Millions)		Remarks
			PKR	USD	
1	Development of Rural Development Policy/Strategy	6	4,200,000.000	39,622.642	Cost Calculated @ Rs. 700,000 per man month
2	Revision/Updating of Operational Manual	3	2,100,000.000	19,811.321	
3	Standardization of Processes/Procedures and Development of Formats/Forms for various standard procedures/reporting formats and Development of JDs	3	2,100,000.000	19,811.321	
4	Revision/Updating of Local Govt. Act 1990	4	2,800,000.000	26,415.094	
5	Development of Engineering Standards for Community Infrastructure	3	2,100,000.000	19,811.321	
6	Upgradation/Revision of IT Based Planning, Monitoring & Reporting System	9	6,300,000.000	59,433.962	
Total			19,600,000.000	184,905.660	

Detail of Equipment/Material Required for LGRD

S.No	Item	Qty	Unit Cost	Total Cost		Remarks
				PKR	USD	
1	Computers/Laptops	50	0.100	5.000	0.047	One for each Rural Development Center-RDC (31 No.), one for each district office (10 Nos.) and 09 for Directorate LGRD)
2	Printers	41	0.040	1.640	0.015	01 for each RDC (31) and 01 for each District office (10 Nos)
3	Fax Machines	10	0.035	0.350	0.003	One for each District Office (10 No.)
4	Network Equipment	11	0.050	0.550	0.005	One for each District Office and one for Directorate General Office
5	Photocopiers	14	0.250	3.500	0.033	One for each District Office and one for each Divisional/Directorate General Office
6	Survey Equipment (Total Station, Complete Set)	4	1.300	5.200	0.049	One for each Division (03 Nos.) One at State Level
7	Alternate Power Backups (Solar/UPS)	42	0.150	6.300	0.059	One for each office (RDC, District, Directorate)
8	Furniture /Fixture	Lump sum		1.500	0.014	As per requirement
Total				24.040	0.227	

Detail of Vehicles/Transportation Required for LGRD

S.No	Item	Qty	Unit Cost	Total Cost		Remarks
				PKR	USD	
1	Toyota Hilux (4x4)	5	3.700	18.500	0.175	03 Divisions + 02 Directorate LGRD
2	Suzuki (4x4) Jeep 3 Door	15	2.500	37.500	0.354	One in each district office (Assistant Engineers), one in each division, two in directorate
3	Motorcycles (Honda 125/150)	41	0.125	5.125	0.048	one in each Rural Development Center (Sub Engineers), one in each District
Total				61.125	0.577	

Appendix 5: Institutional aspects and implementation arrangements

A. Institutional Analysis

1. AJK enjoys a special status within Pakistan, being part of a disputed territory. Its semi-autonomous governance structure consists of a President, Prime Minister, a Cabinet, a legislature and its own high-court and sub-ordinate courts. The AJK territory is administratively divided into three Divisions, 10 Districts, 193 Union Councils and 1771 revenue villages. The administration in AJK is similar to what exists in other provinces in Pakistan. At the apex is an AJK Secretariat in Muzaffarabad headed by a Chief Secretary. The Secretariat consists of around 20 departments responsible for various sectors. Each department is headed by a Secretary except Planning & Development Department which is headed by an Additional Chief Secretary Development. Some of the key positions, including Chief Secretary and Inspector General Police, are reserved for officers from Federal Services who are locally known as "lent officers". Rest of the top and district level bureaucracy belongs to various cadres of Azad Kashmir Civil Service. AJK has its own Accountant General and District Treasury/Accounts Offices and flow of funds, financial management and audit follows the same rules and procedures as prevalent in rest of Pakistan. The Auditor General of Pakistan performs the audit of all public funds in AJK.

2. **Federal and State Level.** Economic Affairs Division is the focal agency at the Federal level for all foreign loan and grant funded assistance and is a counterpart Ministry for IFAD at the Federal Level. At the provincial level, Planning and Development Department (PDD) AJK is the focal government agency for all development planning, coordination and monitoring of local Annual Development Plans and donor funded development activity. The previous two IFAD funded projects in AJK, being multi-sectoral in nature, were executed by PDD. AJKCDP2 proposes to continue with PDD as lead implementing agency in view of programme's thrust on institutionalization, multi-sector orientation and comparatively better capacity available in PDD. And like all projects of this nature, a dedicated Community Driven Development Unit is proposed to be established in PDD which, however, would have a more longer term perspective and is expected to continue beyond the project to assist government in continuation of community driven development approach in its annual development planning and implementation.

3. **Social Mobilization Agencies.** Experience of engagement of NGOs/Rural Support Programme (RSPs) for social mobilisation, technical and managerial capacity building of beneficiaries/farmers institutions and linkages with public and private service providers for IFAD and other donors financed programmes has proven to be effective and successful experience and in most cases ensured post programme sustainability. Most of the RSPs have permanent and long-term presence in the areas of their operations and their engagement therefore ensures sustainability.

4. Two RSPs are currently operating in AJK – the National Rural Support Programme and the AJK Rural Support Programme. Both were extensively consulted during the design process. NRSP is present in nine out of ten districts. Out of nine districts, it is implementing a donor funded WISE Programme (Water, Immunization, Sanitation and Environment) in four districts. It completed a previous phase of WISE in four other districts. The core activity of NRSP however is its micro-finance programme which is being run through two streams. One is the formal micro-finance programme through NRSP Microfinance Bank while other is through LSO managed Community Investment Funds which lends to poor and very poor either on very soft terms of totally interest free.

5. AJKRSP. Under AJKCDP, the process to institutionalize the community-driven development (CDD) approach was initiated, and this included the establishment of the AJKRSP (including a Rs. 250 million government endowment) to be the permanent and sustainable AJK-based RSP for continuous social mobilization support. However, AJKRSP's institutional growth did not follow the designated path and encountered some governance and institutional issues over the last two years.

Despite the governance and institutional difficulties at the top management level, AJKRSP did continue field level activities through district and field staff under various donor and government funded rural development projects, mostly in social sectors and an AJK Bank supported on-lending programme.

6. The present government in AJK has shown firm resolve to address AJKRSP's governance and institutional issues to convert it into a truly independent and capacitated organization with an independent Board of Directors, a Chairman of good standing, a competitively selected CEO and a strengthened endowment base. Several actions have already been taken including establishment of an independent Board, appointment of an interim competent CEO, rationalization of staff, preparation of service rules and manuals etc. At present, AJKRSP has almost a full complement of field staff including 7 Managers at HQ, 10 Sr. Social Organisers in districts, 20 male and female social organisers for the core programme and 72 UC level organisers for the WFP-funded nutrition programme. It is also operating a micro-finance programme worth Rs. 233 million through community credit pools and NRSP transferred funds and a Rs. 500 million on-lending programme financed by AJK Bank. Furthermore, the Government of AJK has provided additional financing of Rs. 30 million to AJKRSP to meet some of its immediate capacity needs. AJKRSP is anticipated to be at full strength in terms of governance, management and outreach by the time of AJKCDP2 start-up. Certain capacity gaps in terms of an automated financial management system, longer-term institutional development technical assistance and equipment and vehicle shortfalls are proposed to be met through programme grant funds which would allow AJKRSP to further strengthen its management capacities and function at full capacity.

7. AJKCDP also helped establish a dedicated Community Development (CD) Section within PDD to be the focal unit for promotion of CDD in AJK and its linkage with government development sources. However, it also never attained full capacity or ability to be an effective advocate for CDD in annual resource allocations. One of the key reasons for this was that the resource allocation guidelines were never amended to create space for, nor recognized, the local institutional entities (COs/VOs/LSOs) as legitimate recipients of government development resources. With the limitations in terms of guidance, services and lack of access to development (financial) resources, these local institutional entities were themselves unable to effectively function and operate as envisaged under the RSP model.

8. **Private Sector.** Except for wholesale and petty commerce, private sector presence, particularly with regard to agriculture and rural services, is quite limited. Very little processing and value addition is currently taking place in the area. Due to small land holdings, there are limited surpluses for private sector to pick and limited demand for the agriculture inputs. Whatever surplus of dry and fresh fruits is generated is usually picked by middlemen who do the aggregation and marketing. Unless farmers are organized into joint production (for generation of volumes) and marketing groups, the full production and income potential of the available agriculture land would be difficult to attain.

9. **Local Government and Rural Development Department.** Within the Government system, the Local Government and Rural Development Department (LGRD) is the lead agency for elected local government system and delivery of rural infrastructure. 60 per cent of its annual development budget is allocated to implement rural infrastructure schemes identified at village and Union Council level. In the absence of elected Union Councils, these schemes are identified by members of legislative assembly and local notables. The identified schemes are implemented through community elected CBOs (7-9 members with 33% female representation), who also assume responsibility for scheme O&M, and communities are expected to contribute 20 per cent of the scheme cost. Currently there are 427 registered CBOs.

10. Among all GoAJK departments, LGRD has the most extensive grassroots level presence at divisional, district, tehsil, markaz and Union Council level comprising of 119 officers (managers, engineers, accountants and social organizers) and 900 support staff. LGRD has three Divisional Directors, 10 District level Deputy Directors, an Assistant Director at each Tehsil level and 60 Markaz offices each headed by a Project Manager and supported by engineering, social mobilization and

accounts staff. LGRD is also the only government department with full time social mobilization staff at Markaz level consisting of both male and female social organizers. LGRD has considerable past experience in implementing donor-funded projects and has fairly well-developed planning, reporting and financial management systems and manuals largely thanks to WB-funded Community Infrastructure Development Project (CIDP)⁷¹. Markaz is an additional tier covering 4/5 Union Councils which no other department has. However, the process and structure of LGRD social mobilization and community institutions is different from that of RSP sponsored COs/VOs. LGRD sponsors CBOs at village level (33% female representation) who elect project committees for each individual scheme. However, both AJKRSP and LGRD, have indicated that there is significant potential to marry the two processes, for improved synergy and coordination.

11. **Extension and Service Delivery Agencies.** A number of departments provide extension and social services in rural areas through regular annual development budgets. The main agencies include Agriculture Extension & Research, Directorate of Livestock & Dairy Development, Forest and Wildlife Department, Social Welfare Department, Technical & Vocational Training Agency, and the Irrigation Department. Social sector and infrastructure services are provided by Education, Health, and Communication & Works Departments. Whilst Agriculture, Livestock and Forest Department have presence right down to Union Council level, the others have presence down to the Tehsil level. The annual budget allocation of extension service agencies has averaged around Rs. 600 to 700 million each over the last three years. The beneficiary level activities are largely top-down, though coordinated through a District Planning Office as an instrument introduced through AJKCDP for better synergies and responsiveness to needs identified through CDPs. However, during AJKCDP, it was largely project budgets (funds) that were leveraged for CDP needs, and departments own budgets largely remained top-down, an issue that would need to be addressed in AJKCDP2.

12. **Rural Microfinance.** Indebtedness is not an issue in AJK rural areas and microfinance is a rapidly growing and dynamic sector with a number of existing and emerging sources. The Bank of AJK, a state-owned bank established in 2005 through its 65 branches in AJK and a partnership with AJKRSP, has emerged as a major source of micro-finance for individuals and small enterprises. It has a loan portfolio of Rs. 2.7 billion and 400 staff. It provides loans up to Rs. 100,000 with no collateral. NRSP Bank is also operating its microfinance programme in seven districts directly as well as in partnership with LSOs (it handed over its portfolio in 3 districts to AJKRSP). Its 2016 disbursement was Rs. 4 billion, representing 70 per cent of the market and 65 per cent of borrowers⁷². AJKRSP is also operating a microfinance programme using funds inherited from NRSP in three districts and community credit revolving funds established under AJKCDP through an open-ended outreach partnership with Bank of AJK. In addition, GoAJK has received a grant of Rs. 750 million from the Punjab Government to initiate an interest-free microfinance programme in partnership with AKHUWAT⁷³. The programme will be launched in next two months across the State and will primarily target households in poverty band 0-34.

B. Overall Capacity Assessment

13. AJK is part of an unfinished agenda of partition of India and Pakistan. After 1948, the Pakistan administered part of Kashmir was divided into Azad State of Jammu and Kashmir (AJK) and Northern Areas (NAs). While AJK was politically given all trappings of a state with its own legislature, a Prime Minister, a President and own courts, it remains completely dependent on Pakistan for its financial resources. Ministry of Azad Jammu & Kashmir and Gilgit-Baltistan in Islamabad represents AJK interests in Federal Government including its budget. The budget is provided as a one line item and AJK Legislature and Administration is then free to spend it as per their local development priorities.

⁷¹ A well-developed Project Operational Manual exists, which can be readily adapted for AJKCDP2 and covers participatory planning, flow of funds, financial management, reporting, M&E etc.

⁷² NRSP Credit Programme Brief for AJKCDP2 design mission and Annual NRSP Report

⁷³ Akhuwat is the largest interest-free microfinance provider, targeting the ultra-poor and poor with total disbursements of Rs. 43 billion and with a current loan portfolio of over Rs. 13 billion with 820,000 active borrowers.

14. The State Administration consists of a AJK Secretariat under a Chief Secretary and around 20 Departments under Secretaries. There are three divisions headed by Commissioners and 10 districts headed by Deputy Commissioners. Most departments have their attached Directorates and all departments have presence at district level. Under Local Government Department, the lowest tier is Markaz which consist of 4 to 5 Union Councils and also have regular government paid Secretary in each Union Council. Agriculture, Livestock and Health Departments have presence down to Union Council Level. The technical staff in infrastructure and extension/research and other service delivery departments are almost entirely from within the region and enjoy decent tenures. Quality and capacity of officers from technical departments is generally very good and given the right resources they can acquit themselves quite well. AJK is not a very large area and access to administrative organs is quite good at all levels for common people. This has resulted in decent level of services and accountability compared to many areas of Pakistan.

15. The previous year development budget for AJK was Rs. 12 billion which is quite inadequate given the comparative development level of the State and its development needs. The development budget has stagnated over the last five years. By historical progression curve, it should now have been Rs. 18 billion. The main reason is resource constraints at Federal level after the passage of 18th amendment whereby larger share of federal pool was allocated to provinces leaving the Federal Government and its dependent entities like AJK and GB with less resources. Absence of local industry and large scale commerce various tax exemptions due to the political status of the State leaves little local capacity for own revenue generation.

16. PDD will be the lead agency for AJKCDP2 implementation. Other implementing entities include RSPs (for all social mobilization, CDP generation, asset building for poor and CPI implementation). In CPI implementation, communities will lead the implementation however technical design, drawing, cost estimation and quality assurance will be provided by the Engineering Wing of Local Government Department. Another agency involved in CPIs will be Irrigation Department for the construction/rehabilitation of irrigation schemes and water storage ponds. For sub-component 2.2, Rural Economy Transformation, the main implementing agencies will be Agriculture Extension, Agriculture Research, Forestry, Livestock and Seri-culture.

- (a) **PDD Department.** Headed by a ACS (D), PDD Department is responsible for the overall development planning, donor coordination, approval of provincial development schemes and release of development funds. An AJK Development Working Party is housed in PDD which examines and approves development schemes falling within its purview. It has specified sections dealing with different sectors of provincial economy including infrastructure, social sectors, agriculture, foreign aid etc. Each section is headed by a Senior Chief or Chief with 8/10 junior professionals and support staff. Department's current capacity is adequate to deal with the level of development funding that the region currently receives though better staff stability at the Secretary level would be required to enable the department to develop a longer term vision and understanding for holistic development of the region.
- (b) **NRM Department.** NRM Departments include Agriculture Extension and Research, Forestry, Livestock and Seri-Culture. Each Department is headed by a Secretary at State level for policy and overall planning whereas implementation is carried out by District offices and staff deployed at sub-district and Union Council level. All the departments are quite well versed with community driven development being part of previous two IFAD-funded projects in AJK and have adequate capacity for the activities envisaged in this project.
- (c) **Agriculture Department.** This department has two Directorates – Extension and Research. Main mandate of Extension is to assist farmers in improving production and productivity through adoption of modern inputs, improved seeds and agriculture practices. Main instrument for farmer training is demonstrations of improved crops and practices, field days and farmer Field Schools. District offices are the main implementation level and department's lowest presence is at Union Council level through field assistants. Department's 2015-16 Annual Development Budget was

541 million which translates into an average of Rs. 5.4 million per district which is not enough to run an effective extension programme.

- (d) **Livestock and Animal Husbandry Department.** Livestock Department also two directorates – one dealing with Animal Health through a network of Veterinary Hospitals and Dispensaries and other dealing with animal husbandry. Department's main focus is on curative side and livestock as business and management has yet to receive due attention. The department has, with help from various previous projects including IFAD-funded ones, successfully introduced improved breeds of cattle and small ruminants in AJK and there is now considerable demand for this. Department's annual development budget for 2015-16 was Rs. 533 million.
- (e) **Forestry Department.** Due to relatively better forest cover in AJK, Forestry Department is quite well resourced in terms of staffing and facilities. While main focus of department is on forest protection, it also carries out activities for reforestation both at private and public lands and also manages a large network of forest plant nurseries. Its 2015-16 annual development budget was Rs. 724 million.
- (f) **Local Government Department.** Local Government and Rural Development Department was established in AJK in 1979 by merging People's Works Program and Integrated Rural Development Program. In terms of rules of business, LGRD department is the most pertinent rural development entity in AJK. In addition to implementing ADP interventions for rural development, LGRD department also acts as executing agency for rural development initiatives by elected representatives (MLA development funds against 29 AJK-based constituencies), donor agencies and NGOs. With an outreach across all Union Councils through 196 Union Council Secretaries, LGRD department has comprehensive coverage as its presence covers all tiers of government (Division, district, tehsil and Markaz).

C. Implementation Arrangements and Role and Responsibilities

17. **Implementation arrangements, rationale and approach.** Given the multi sectoral nature of the programme it is proposed to be placed in the Planning and Development Department under the policy level guidance and oversight of the Programme Steering Committee. The implementation of programme activities will however be spear-headed by a fully empowered and autonomous Community Driven Development Unit in Muzaffarabad with adequate capacity for effective programme planning, financial management, coordination and monitoring. CDDU will also be the lead agency for institutionalization of CDD approach in AJK Government's development framework and decentralized development delivery.

18. **Federal Level.** Economic Affairs Division (EAD) is the designated coordinating and executing agency at Federal level for all foreign development assistance. IFAD loan will be negotiated by EAD, together with the Ministry of Finance and Government of AJK representative. Joint Secretary WB/IFAD will be the designated focal person for all programme related loan signing and approval processes, coordination and periodic progress reviews at the federal level.

19. Being a multi-sector programme, and based on the past experience of similar multi-sector programmes financed by IFAD and other donor agencies, Planning & Development Department would be the implementing department for the programme. Planning and Development Department will perform this task through two key institutions; a Programme Steering Committee (PSC) at the state level and a CDDU at the implementation level.

20. **Programme Steering Committee.** A Programme Steering Committee (PSC) will be established for State level coordination, policy direction, and regulatory activities, approval of AWP&Bs, progress review and overall programme oversight and accountability. GoAJK will notify Programme Steering Committee (PSC) immediately after the loan approval by the IFAD Executive Board. PSC will be headed by the Additional Chief Secretary (Dev) and will consist of the following members:

- Secretary, Finance Department

- Secretary, Agriculture Department
- Secretary Local Government Department
- Secretary Forest Department
- CEO, RSP/SMP
- Representatives of Microfinance Partners
- Representatives of LSOs

21. The Director General, CDDU will act as Secretary to the PSC. PSC will meet at least twice a year, once for annual review of the preceding year and approval of next year annual workplan and budget and once for the mid-year review. More meetings of PSC may be convened if situation so warrants.

22. **Programme Coordination Committee.** This committee is headed by the Director General CDDU and other members consisting of one focal person nominated by each partner for programme activities; this committee serves as the main planning, coordination and review forum for the day to day implementation of programme's approved AWP/Bs and strategies. The Committee will meet once every quarter to review progress of the previous quarter and approve plans for the next quarter and inter-alia decide on any emergent issues and challenges. The Committee may also have emergent ad-hoc meetings to decide on matters of immediate importance.

23. **Community Driven Development Unit (CDDU).** An autonomous and fully empowered CDDU will be established in Muzaffarabad with its own dedicated office and full-time staff. While technically and for administrative reasons under Planning & Development Department, the CDDU will be totally independent in its day to day decision-making and answerable for its performance and realization of programme targets to the Programme Steering Committee. CDDU will be responsible for formulating programme's implementation strategy, development of strategic guidelines, preparation of annual work plan and budget, procurement of goods and services, financial management and disbursements and overall implementation coordination of the Programme. Once the annual work plan and budget of AJKCDP2 is approved by the PSC, the Programme Coordinator will have full financial and administrative authority to take all necessary actions to give effect to the plan without any further need for references to Finance or PDD Departments. In doing so, the Programme Coordinator will be guided by the key principles of economy, transparency and efficiency and IFAD Financing Agreement. A programme organogram is attached as Annex 1, and TOR for the key staff is attached as Annex 2.

24. **District Planning Offices** will be established in all districts on the pattern of previous AJKCDP-I with similar staff configuration. Headed by a District Planning Officer (BS-18 equivalent), the DPOs will be responsible for district level planning, implementation coordination and monitoring through a District Development Coordination Committee with membership from all implementing agencies and social mobilization staff. LSOs at Union Council level will, with help of Social Mobilization Staff, be responsible for consolidation of all CO generated development plans and oversight of implementation of approved activities. The consolidated LSO plans will be reviewed and consolidated at district level by DPO. DPO will be the forum to align line departments ADPs with the needs expressed through CDPs. DPOs will have an Accounts Officer seconded from Accountant General office to help manage programme funds in each district. Funds for approved CDPs will be routed through concerned DPO which will further disburse funds for each scheme through a joint account of the CO and implementing agency. This arrangement will continue till MTR at which stage the financial management system readiness of LGRD and other implementing partners will be assessed for management of programme funds directly.

25. **Programme supervision.** The Programme will be directly supervised by IFAD through fielding of Implementation Support and Supervision Missions led by the IFAD and composed of various experts, consultants or other IFAD HQ staff whose profile will be determined on a case-by-case basis upon analysis of Programme specific needs at the time of each mission. At least two supervision missions will be organized each year to assess overall progress and performance, gaps and constraints, with particular attention on fiduciary aspects, private sector linkages, and identify the necessary implementation support requirements. Ideally, at least one Supervision Mission per year

should be organized at the same time as the PSC meetings, so as to allow the IFAD to attend these meetings as an observer.

D. Key Implementing Partners

26. The key implementing partners in the Programme are described below.

27. **Social Mobilization Partners.** They will be responsible for all social mobilization and organization aspects for full development of a inclusive and truly representative three tier community organization structure in all 1771 revenue villages of AJK. The main outputs under their responsibility will include: strengthening of existing and creation of new Community Organizations, Village Organizations and LSOs ensuring priority inclusion of IFAD target groups; updating/formulation of Community Development Plans and their annual review and updating; assistance to VOs and LSO in consolidation of CDPs and their conveyance to District Planning Offices; assistance to DPOs and line departments in consolidation of plans into a district plan and alignment of line departments budgets and activities with the needs outlines in CDPs; selection of ultra-poor and poor households for asset distribution and technical and vocational training; linkage with micro-finance sources to provide access to beneficiaries of programme activities.

28. **Department of Agriculture (DoA).** The Department of Agriculture consists two main directorates:

- (a) **Directorate of Extension** will be responsible for provision of extension support services as per needs identified in CDPs; in addition, it will undertake all training and implementation aspects related to crop diversification, access to production technology for high value crop production and products like bee-keeping/honey, identification and introduction of climate resilient crops.
- (b) **Directorate of Research** will provide back up for any identified trials or research related to crop-diversification activities.

29. **Directorate of Livestock.** Directorate of Livestock will be responsible for implementation of all livestock related activities identified in the CDPs including cattle, small ruminants and poultry and all identified training for beneficiaries related to these activities. The department will also assist communities in purchase of cattle, small ruminants and right breeds of poultry for backyard or commercial production.

30. **Local Government Department. LGRD** will be the lead coordinating and implementing agency for Component 2 including planning and delivery of community physical infrastructure as well as coordination of NRM related intervention identification and delivery. Local Government department will assist PDD in development of required policy and regulatory parameters for provision of 20% share of local government development budget to LSOs as “Dehi Councils” under Article 12 of LGA 1979. In addition, its engineering wing will provide technical services for the design of CPIs, quality check during construction and final certification of scheme completion. The department will be paid for this service on the precedent of AJKCDP-I i.e. a fixed percentage of scheme cost. Its technical staff will provide any required training to the communities in scheme implementation and post completion O&M.

31. **Irrigation Department.** Will be responsible for design and implementation of all irrigation linked infrastructure development including new irrigation channels, rehabilitation of old dysfunctional channels, rain harvesting for storage ponds and construction of storage ponds, training of farmers on water management and scheme operations and training and demonstrations on efficient irrigation systems.

32. **Forestry Department.** will be responsible for all forestry development related activities including provision of plants for the community forestry initiatives, assistance in development of community/farmer operated plant nurseries, training and development of seri-culture as income generation activity, bee-keeping/honey production, range management training and range management plans for participating COs.

33. **Social Welfare Department & Directorate of Women Development.** The two institutions will align their pro-poor and pro-women development activities with the CDP generated needs and priorities through the District Development Coordination Committee.

34. **Local Support Organizations (LSOs).** One Local Support Organization will be established at each Union Council level that will act as representative community driven development body for all the COs and VOs operating in the Union Council. LSO executive body will be elected by the Presidents and General Secretaries of the VOs. LSO will be responsible for coordinating and consolidating community development plan process and will interface with line departments and DPO for the inclusion of consolidated CDP in district annual plans. It will also be responsible for the supervision, quality control and timely completion of all CPIs and other activities initiated at CO level in pursuance of approved CDPs. LSO will be eligible for 2% of the investment costs on interventions implemented in its area. This 2% will be used to meet the operational expenses of LSO.

E. Assessment of Implementation Readiness

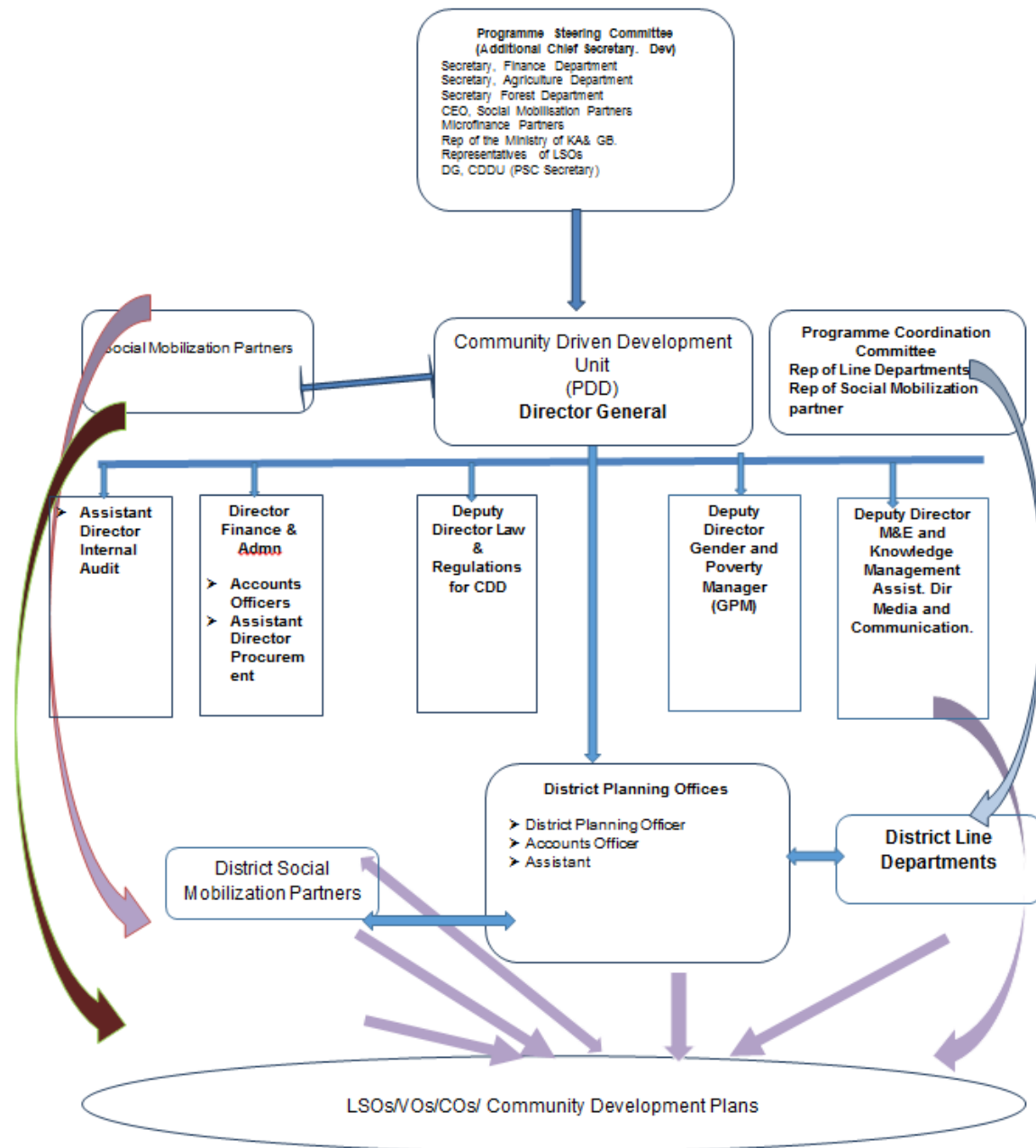
35. AJK Government maintained a PMU and ten District Planning Offices ever since the close of AJKCDP-I to continue community driven development under a bridging project. Presence of this infrastructure offer a good starting point to quickly complete the pre and post start-up activities of the programme including PC-I preparation and approval and deployment of required staff and other capacities. AJK government's familiarity with donor procedures as well as community driven approaches is another advantage that can be exploited for a quick start. And most importantly, a strong start-up base of over 4,000 COs and 126 LSOs can be quickly transformed into on-ground activities. The programme will adopt a phased approach to institutionalization which will allow concurrent implementation of programme activities along with the development of necessary legal, regulatory and budgetary systems for institutionalization of CDD.

36. The programme will have the option to engage any of the two available social mobilization partners or both depending on the development on AJKRSP's on-going restructuring and reform process. Both RSP's have existing presence in all districts and network of COs and VOs and either of two or both will be in a good position to ensure a quick start to programme's social mobilization activities and preparation of CDPs to identify community level priorities and interventions. Availability of BISP Poverty Scorecard adequately addresses the challenge of identifying and targeting of ultra-poor for asset transfer and very poor and poor (12-34) for other income generation activities.

37. All other implementing agencies have sufficient capacity for implementation of programme activities. They have a long history of working together with RSPs and through District Planning Offices on the basis of community centred approaches. Therefore not much of effort would be required in their training and orientation for the assigned tasks.

38. The Programme design and approach requires establishment of a number of Programme specific institutions and forums to enable the Programme to start implementation. These include PSC, CDDU, DPOs, and RSP Partnership agreement. Many of these activities are process based and consume considerable time. In order to ensure timely start for the Programme, it is necessary that PSC and CDDU and DPOs are establishment (including recruitments, opening of accounts etc.) and preparatory work for procurement of goods and services and agreements with social mobilization service provider is initiated immediately after the Design Completion/Appraisal stage. Retroactive financing can be considered for these activities to enable the government to complete them in time, as an exception to IFAD rules, to reimburse costs incurred on activities carried out prior to signing of financing agreement.

Annex 1: Programme Management Structure



Annex 2: CDDU Structure

A small adequately staffed programme management unit, entitled the Community Driven Development Unit (**CDDU**), will be established within the Planning and Development Department of the Government of AJK. The PMU will be based in Muzaffarabad and supported by 10 District Planning Offices. The CDDU will be responsible for overall management, implementation coordination, financing, procurements, monitoring, knowledge management and evaluation.

The PMU Staff will consist of the following:

- **Director General**
 - Deputy Director M&E and KM
 - Assistant Director Communication And Media
 - Assistant Director, Internal Audit
- **Director Finance and Admin/Deputy DG**
 - Sr. Accounts Officer (1)
 - Office Superintendent
- **Deputy Director Gender, Poverty and Nutrition**
- **Assistant Director (Procurement)**
 - Procurement Assistant

Support staff for CDDU will include:

Office Assistants	3
Clerks	3
Computer Operators	3
Record Keeper	1
Drivers	5
Nab Qasid/Chowkidars	4
Security	(Outsourced)

DISTRICT PLANNING OFFICES

The Staff for 10 offices will Include:

- District Planning Officer (10)
- Accounts Officer (10)
- Office Assistant (10)

Support Staff for DPOs

- Drivers (10)
- Naib Qasid (10)

Annex 3: Terms of Reference of Key CDDU and DPO Staff

1. Director General CDDU

The DG will be responsible for the overall management and coordination of the programme activities. These include the provision of strategic guidance for programme implementation, principle accounting officer for the programme and overall coordination and team-building. S/he will also be Secretary to the Programme Steering Committee (PSC), which is chaired by the Additional Chief Secretary (Dev) of AJK.

Responsibilities

- I. Timely establishment of CDDU including completion of recruitments, account opening and operation and management of CDDU in an effective and efficient manner;
- II. Establishment of sound management systems within the programme for planning, coordination, reporting, financial management, M&E and trouble-shooting in line with IFAD financing agreement and programme documents
- III. Develop an effective media management and communication strategy for the programme and efficient dissemination of all programme purposes and activities within and outside programme area.
- IV. Be responsible for the overall management of the programme and of the CDDU and DPO staff
- V. Lead the preparation of the annual work plan and budget (AWPB) and associated Procurement Plan and ensure timely submission to relevant forums and approvals;
- VI. Ensure the effective and efficient utilization of programme funds and other resources according to the AWPB and Procurement Plan through supervision and monitoring;
- VII. Ensure that progress, audit and other reports are produced and submitted to the appropriate parties on a timely basis;
- VIII. Ensure effective targeting of the poor and the vulnerable in target villages/valleys and mainstreaming of gender in the programme, achievement of gender impacts as planned, and identifying and managing any gender-related risks;
- IX. Ensure the timely dissemination of programme experience and results to relevant stakeholders within the learning community;
- X. Ensure effective linkages, liaison and networking with other implementation partners and service providers either working in the programme area or potentially concerned with programme activities and with other relevant interventions;
- XI. Establish effective fora for public-private sector interaction and promotion of private sector linkages with the provincial, district and valley level levels farmers or any other beneficiary groups.
- XII. Represent the programme at relevant functions and meetings;
- XIII. Implement the decisions of the PSC; and
- XIV. Perform any other duty relevant to the programme as may be assigned by the PS.

Qualifications

- I. A BS-20 officer or equivalent from Pakistan Administrative Service, AJK Management Service or private/corporate sector with reasonable experience of implementing foreign/loan funded programmes/prorgammes and multi-sector coordination – to be selected on competitive basis
- II. Master's degree or higher qualification in Agriculture, Economics, public administration, Business Studies, or other relevant field;
- III. At least 15 years' experience at senior management level preferably relating to programmes/programmes with focus in agricultural production, marketing or business development;
- IV. Demonstrated recent experience in planning and implementing a large rural development programme/ programme aiming at reducing rural poverty;

- V. Demonstrated experience and ability to liaise with a wide range and levels of organizations Government, Donors, private sector, NGOs, and community institutions.
- VI. Demonstrated creativity, willingness to innovate, think systemically and design catalytic approaches to programme activities;
- VII. Commitment to serve in challenging areas
- VIII. Strong communications skills (oral, written, presentation); and
- IX. Any other task assigned by the PSC.

2. Director Finance & Admn.

Reporting to the Director General, the Director F&A shall be head of finance and CDDU administration and Deputy Director General who will officiate as and when Director General is away.

Responsibilities

- I. Develop and put into operation the programme financial management system in accordance with the IFAD Guidelines;
- II. Manage programme funds effectively and efficiently, ensuring that programme accounts, disbursements and replenishment procedures are executed in accordance with the provisions of the Financing Agreement and the relevant financial guidelines of Government.
- III. Conduct training of implementation partners' and service providers' staff to ensure that they carry out financial reporting and procurement in accordance with multilateral donor guidelines;
- IV. Ensure accurate costing for the AWPB;
- V. Prepare regular financial progress reports;
- VI. Prepare annual financial reports for internal and external auditing in compliance with the provisions of the Financing Agreement. and any specific IFAD reporting requirements;
- VII. Assist the PC in preparing the Completion Report and in conducting programme completion and financing closing activities as per the Financing Agreement;
- VIII. Undertake any other duty assigned by the PC.

Qualifications:

- I. Finance Manager will be a BS-19 or equivalent officer selected from among public and private sector candidates on competitive basis.
- II. Degree in Commerce, Finance or Business Administration;
- III. At least 10 years' experience at management level in financial management of government-donors funded development programmes;
- IV. Experience in financial management/accounting in a government ministry/department and donor-funded programmes.
- V. Computer literate, especially in specialized accounting packages;
- VI. Good working knowledge of accounting, policies and procedures;
- VII. Good working knowledge on financial control;
- VIII. Strong management and communication skills.

3. Deputy Director, M&E and Knowledge Management Manager (MKM)

Reporting to the DG and working very closely with other units in CDDU, implementation partners and DPOs, the DD, M&D will coordinate the establishment and operation of M&E system and an integrated programme Learning and Communication and Strategy System. The system will link five functions: output and outcome M&E, IFAD Results and Impact management System (RIMS) M&E, learning and adaptation for continuous improvement of performance; internal (CDDU) and external (stakeholders) communication; innovation and experimentation; and information management.

Deputy Director will be assisted in his tasks by DPOs at District level, an Assistant director M&E and a Communication and Media officer and two assistants.

Responsibilities

- i. Development and implementation of the programme M&E and Learning and Communication System and Strategy;
- ii. Develop associated Management Information System for managing data and information for overall monitoring, and for the collection and analysis of data on programme achievements and impact, based on a set of gender disaggregated indicators in line with the programme logical framework and stakeholders' information needs;
- iii. Organization and supervision of focused baseline surveys at the beginning of the programme;
- iv. Coordinating the preparation and monitoring the implementation of the AWPB;
- v. Ensuring that all participating institutions keep records on their activities and feed this information into the Programme Learning System;
- vi. Developing a simple reporting system for the monitoring of programme activities and preparing regular reports on implementation progress, performance and impact of operations;
- vii. Set up term of reference and conduct studies to assess the impact of the programme
- viii. Organization of training on M&E for members of the PCU, implementing partners and counties, and providing technical backstopping to implementing agencies for preparing the AWPBs and for compliance with reporting requirements;
- ix. Develop and implement processes and guidelines for systematic capture of knowledge, good practices and innovation, and the sharing and use of same to improve programme implementation, including in the development of the AWPB;
- x. Support advocacy efforts through providing evidence of programme impact gathered through the M&E system;
- xi. Provide assistance/guidance in implementing the Programme Learning System;
- xii. Coordinate surveys and case studies to assess achievements and outcomes of KCEP activities;
- xiii. Develop a multi-stakeholder communication strategy along the seasonal performance of the programme including a portal for web-based feedback of beneficiaries, private sector partners and county administrations
- xiv. Coordinate the dissemination of the findings from the impact assessment studies.
- xv. Foster partnerships for broader knowledge-sharing and learning;
- xvi. Oversee communication support to awareness raising and sensitisation of programme participants;
- xvii. Contribute to the preparation of the AWPB and progress reports;
- xviii. Undertake any other duty assigned by the DG.

Qualifications

Deputy Director M&E position will be open to both Public and private sector candidates and will be filled on competitive basis.

- i. Master's degree in Agricultural Economics, Rural Development, Communications or other relevant field.
- ii. At least 5 years relevant work experience, in M&E, knowledge management and communication;
- iii. Demonstrated professional experience in Developing and implementing comprehensive M&E and communication and visibility plans, Developing website whose purpose is to document the programme profile and the periodic reporting to results and to provide a forum for stakeholders feedback during the implementation period, Writing reports, articles and or pamphlets depicting programme interventions and results;
- iv. Proficiency in the use of databases, modern information and communication technology (ICT) in development, and other computer applications;
- v. Demonstrated skills in quantitative and qualitative analysis and data management;
- vi. Demonstrated experience in designing and implementing successful communication and knowledge management strategies for sustainable development, or in planning and implementing strategies at management level;
- vii. Experience in analysing complex programmes or policies;

- viii. Strong computer and communications skills (oral, written, presentation);

4. Deputy Director, Gender, Poverty and Nutrition

Reporting to DG, CDDU, Deputy Director Gender, Poverty and Nutrition will preferably be a female.

Responsibilities:

- i. Develop a gender, poverty and nutrition strategy for the programme in the light of programme target groups, geographical coverage, participatory approach and indicative programme interventions
- ii. Guide programme approaches in effective gender and poverty targeting
- iii. Main stream nutrition improvement aspects into programme activities, capacity building initiatives and interventions
- iv. Monitor and assess programme outputs and outcomes in terms of gender, poverty and nutrition
- v. In particular monitor the appropriateness and impact of programme activities focused on graduation of ultra poor and poor.
- vi. Contribute to programme M&E system development and actual roll-out to ensure that gender, poverty and nutrition aspects are adequately covered in terms of monitoring, reporting and assessments
- vii. Protect and promote gender and poverty aspects within programme planning and implementation as well as on wider advocacy in government policy and planning

Qualifications

Candidate for Deputy Director, Gender, Poverty and Nutrition will ideally have a strong background in RSP/NGO environment and at least 7 year experience in gender and poverty centred participatory development approaches. Must have a Master's degree in social sciences/social work. Experience in donor funded projects will be a bonus. Strong communication, oral and written, skills and willingness to travel extensively in programme area are must.

5. Assistant Director, Procurement

Reporting to the DG, AD, Procurement will be assisted by One Procurement Assistant

Responsibilities

- I. Develop and put into operation the programme procurement system and procedures;
- II. Ensure that all procurement of goods and services are in compliance with the provisions of the Financing Agreement and IFAD procurement guidelines;
- III. Ensure administrative management of service provider and other procurement contracts;
- IV. Ensure proper use and conservation of programme assets;
- V. Preparation of annual programme procurement plans in collaboration with other members of the CDDU and implementing partners, and submitting same for approval by the IFAD and PSC along with the AWPB;
- VI. Prepare regular procurement progress reports;
- VII. Coordination of procurement of programme works, goods and services at the central level and assist/supervise decentralised procurement as appropriate;
- VIII. Ensuring the preparation and advertisement of TORs and tender and contract documents for specific procurements according to GOAJK and IFAD procedures;
- IX. Participation in relevant tender committee meetings at the Lead Agency and assisting with the preparation of committee reports;
- X. Review and advise on tender evaluation reports prepared by the Counties and other implementing agencies and making necessary follow-up;
- XI. Maintaining high quality procurement files and contract registers for review by supervision missions and auditors;
- XII. Preparation of regular financial and procurement progress reports;
- XIII. Undertake any other duty assigned by the DG.

Qualification

- I. AD, Procurement will be a BS-17 equivalent officer recruited from public or private sector on competitive basis with appropriate Master's degree and experience in administration and procurements of goods and services
- II. At least 4 years' experience at mid-level administration with at least three years' experience with procurement of civil works, goods and services for GoP/donor funded programmes;
- III. Comprehensive knowledge of Public Procurement Regulations/PPRA rules is a must
- IV. Strong computer and communications skills (oral, written, presentational);

6. District Planning Officers

District Planning Officer position is for government officers from PAS/AJKMS with BS-18 equivalent seniority who are willing to serve on deputation for at least two years. Selection will be on competitive basis for each of the ten posts and selection will be done by a Committee consisting of ACS (D), DG, CDDU and Secretary S&GAD.

Responsibilities

- I. Establishment of systems for planning, coordination, reporting, financial management, M&E and trouble-shooting at the district level
- II. Develop selection criteria for poorest UCs in the district and distribution of programme resources among LSOs and among COs within each target LSO
- III. Chair the meetings of District Coordination Committee for planning and review of programme and ADP activities for effective alignment,
- IV. Review and consolidate CDPs received from LSOs in DCC meeting together with SMPs and line departments
- V. Preparation of consolidated District Development Plan on the basis of CDPs and line departments regular ADP allocations
- VI. Ensure the effective utilization of programme funds and other resources according to the AWPB through supervision and monitoring;
- VII. Be responsible for the overall management and coordination of the programme activities in the district covering SMPs and line departments
- VIII. Ensure mainstreaming of gender, poverty targeting and nutrition concerns in overall district level implementation approach, achievement of gender and poverty impacts as planned, and identifying and managing any gender-related risks;
- IX. Ensure the timely dissemination of programme experience and results to relevant stakeholders within the learning community;
- X. Ensure adequate linkages, liaison and networking with other implementation partners and service providers either working in the district or potentially concerned with programme activities and with other relevant interventions;
- XI. Represent the programme at relevant functions and meetings in the district;
- XII. Perform any other duty relevant to the programme as may be assigned by the DG.

Qualifications

- I. A BS-18 officer or equivalent from Management Services with five year experience
- II. Master's degree or higher qualification in Agriculture, Economics, Business Studies, or other relevant field;
- III. Demonstrated recent experience in planning and implementing of rural development programme/programme aiming at reducing rural poverty with particular focus on increasing the competitiveness and inclusiveness of value chains, including agricultural value chains;
- IV. Demonstrated Experience in ability to liaise with a wide range and levels of organizations (Government, Donors, private sector, NGOs, and community institutions).

- V. Demonstrated creativity, willingness to innovate, think systemically and design catalytic approaches to programme activities;
- VI. Strong communications skills (oral, written, presentation).

Appendix 6: Planning, M&E and learning and knowledge management

A. Planning Process

1. The Programme would follow the planning cycle and process of the Federal Government/ Ministry of Kashmir Affairs and Gilgit Baltistan (MoKA&GB) to ensure that it remains aligned with the Federal Government and GoAJK planning and annual budget formulation process. All Ministries, including MoKA&GB, in response to the budget call from Ministry of Finance (MOF), furnish their demands for next year during the third quarter of ongoing financial year. The demand for AJKCDP2 will form part of MoKA&GB demand for next year budget and this demand will be based on AWPB drawn out by the CDDU in collaboration with all implementing partners and DPOs.

2. While the phasing of components/activities reflected in Programme documents/PC-I will generally guide the levels of budget each year, actual demand will be based on Programme progress during the ongoing year and the proposals received from Programme partners including line departments, LSOs and SMPs. This exercise would also focus on procurement planning. Each agency would prepare their respective procurement plans corresponding to their AWP targets. The CDDU will consolidate the AWP and the procurement plans and submits it to the Steering Committee for approval in the month of April and, after approval of PSC, submit it to P&D for GoAJK budget demand. The approved AWPB is then prepared in the IFAD AWPB format and sent to IFAD along with the procurement plans for approval. The approved AWPB would be used for reviewing performance and progress during the supervision missions and will also be the basis for the operation of programme' M&E system.

3. For the community organization based activities of the programme, the AWP/B will only provide the enabling financial provisions and tentative targets and detailed implementation planning, approvals and allocations will be based on CDP generated priorities and activities. After the first year, the annual planning will become more realistic and actual in view of CDP pipeline having been established, CDP schemes approved and phasing known. SMPs will take the lead in developing the CDP based implementation plans and these plans will be consolidated at DPO level along with alignment with the line departments own ADP funded activities.

4. CPI schemes including irrigation, roads and social/community infrastructure, would be planned and designed as per standard engineering norms and AJK infrastructure design and cost guidelines. The schemes will be initiated with the dialogue with beneficiary communities. COs will be facilitated in the process of developing and formulating CDPs. COs would be engaged from the initial stage of conception to identification, prioritization, with consensus or by large majority, presenting the scheme to respective line department for technical feasibility and estimation/designs, and implementation. Their capacity will be enhanced through imparting necessary training (financial, project implementation, management and record keeping). A Scheme Management Committee (SMC) will be constituted from within CO to collect the community share and oversee the implementation activities, participate in all procurement and maintain the record of project implementation including; detail of material, labor and payments made, etc. LSO's will have a monitoring, supervision and quality control role, further backed by concerned technical department. Scheme finalization as per design and standards will be certified by concerned technical department. A specified share of scheme cost will be paid to the technical department (normally around 5%) and LSO (2%) to meet their administrative costs.

5. **Flow of funds** from CDDU to Communities will be via SMPs and SMPs will make payments to communities through an initial 20% advance and subsequent payments in three tranches based on rendering of progress and utilization reports. For line department implemented activities, the funds for approved Quarterly Plans will be transferred by CCDU to concerned Administrative Secretary from where they will be onward transferred to concerned District Officer through Treasury arrangement. The Secretary of concerned Department will be responsible for accountability and audit of such funds as Principal Accounting Officer.

B. Monitoring and Evaluation System

6. Monitoring and Evaluation system of the Programme will collect reliable data and information for measuring performance and progress towards achievement of results; and to provide information about success and failures, so that corrective measures can be taken for successful implementation of Programme activities. M&E would also be used as a learning tool to provide information for critical reflection on Programme strategies and operations to support decision-making. The system will consist of:

- a. **Programme Logframe** will guide the design of the M&E System of AJKCDP2 along with the performance indicators included in logframe. The M&E system will be multi-layered consisting of internal and external monitoring. The internal monitoring will be by the implementing partners themselves and it should form the basis for their regular progress reporting to the PMU. The external monitoring will be carried out by CDDU M&E staff and supervision missions to independently assess the progress against results, outcomes and outputs.
- b. **Annual M&E plan**, as part of Programme's overall AWP/B, will be prepared by M&E wing of CDDU, with inputs from all implementing partners on targets, formats, processes and reporting responsibilities and then each agency, including CDDU, will draw their individual plans to respond to the requirements of annual M&E Plan. CDDU, SMP and DPO monitoring staff, including infrastructure related staff, will pay particular attention to output and activity monitoring as well as outcome and impact monitoring, and shall produce consolidated reports on Programme progress and results, coordinating overall learning and knowledge management.

C. Programme M&E Framework

- a) **Output monitoring** will measure the progress of activities and achievement of outputs against annual targets in the AWP for each component. The output indicators in the programme logical framework will form the basis for monitoring. Monthly (brief), quarterly (detailed) and annual (analytical) Physical and financial progress reports will be fundamental outputs of the Programme MIS. Data will be collected by SMPs, implementing partners and CDDU/DPO staff from Community organisations, service providers and from COs and contractors building rural infrastructure. Data will be collected disaggregated by gender, particularly those related to beneficiaries' training, transfer of assets and services, beneficiaries of rural finance etc.
- b) **Participatory Monitoring and Evaluation (PME)** at the community level would involve the M&E managers and field staff and SMP staff. PME forums will be set up in villages, with simple activity sequencing charts and other tools to help the communities monitor their progress, evaluate performance, and identify implementation issues. The PME process will be established with support from a national Consultant.
- c) **Process monitoring** involves monitoring the processes leading to outputs and outcomes. Specific areas where progress monitoring will be useful in Programme include: provision of technical services and the functioning of community organisations. The other areas of particular focus will be rural finance, selection and training of youth groups, identification of needs of poor and women and selection of appropriate asset building packages and quality and procurement process of assets distributed. Information on these may be gathered via PME, as well as from the records of community organisations. In addition, the Programme will undertake specific studies related to food security, women's empowerment, market access and outreach of producers, value chain development, and functionality of infrastructure and benefit assessment of Programme services for the target group. The Deputy Director M&E in the CDDU will jointly plan process monitoring with DPOs, SMPs and concerned government and private sector partners.
- d) **Information on the effectiveness** of training will be assessed via KAP (Knowledge, Attitude and Practice) surveys carried out each year. The Deputy Director M&E at the CDDU will coordinate with SMP and Line Departments to complete the surveys.
- e) **Outcome monitoring** measures the changes coming about as a result of programme interventions. In AJKCDP2, this would entail annually measuring and assessing through specific surveys on whether the Programme is moving towards achieving the Programme

objective of establishing a robust and capacitated network of three tier community organizations, whether the community development planning process was producing desired results, whether the ultra-poor, poor and very poor households were moving up the wellbeing ladder successfully, whether crop diversification and market linkages were successfully being achieved and incomes being increased etc., whether climate change and nutrition and gender dimensions were being effectively managed etc. The surveys will also collect data for 2nd level RIMS indicators. The surveys would be conducted by SMPs individually with two separate random samples of 900 households, and will monitor the changes in the phased cohorts of beneficiaries, with xx new cohorts receiving Programme services (xx group each in area of each SMP) each year up to the third year. The first rounds of the surveys will act as a rolling baseline.

- f) **Impact evaluation** is the process which will assess the contribution of AJKCDP2 in achieving the overall goal of the Programme i.e reduction in poverty and vulnerability and increase in incomes. It will consist of baseline, mid-term and end-of-Programme surveys. This survey will be coordinated by the Deputy Director M&E of the CDDU, and contracted to an external agency. Information to be collected will include the impact level indicators of IFAD's Results and Impact Monitoring System (RIMS). These include mandatory 'anchor indicators' relating to household assets, food security and child malnutrition (anthropometric data of children under five years of age), as well as dietary diversity scores.

D. RIMS indicators

7. The Results and Impact Monitoring System of IFAD reports annually on a number of first and second level results indicators that correspond to the output and outcome indicators. IFAD has produced a standard list of these indicators, but only some of these will apply to the Programme. The indicators applicable to AJKCDP2 are specified in main report. Prior to mid-term review, the Programme will report on only the first level results, but after the mid-term report it reports on second level indicators. These second level indicators are used as evidence to support ratings of the effectiveness and likely sustainability of each component. The third level RIMS results are the anchor indicators used for impact assessment (see impact assessment paragraph above).

E. Special Studies

8. Special Studies will be undertaken during the programme lifetime (such as the youth diagnostic study to inform the youth strategy) and before mid-term review related to the following: (i) Legal and regulatory reform for CDD and process for establishment of three tier network of community organizations and its sustainable linkage to development resources; (ii) Progress on and impacts of project's poverty graduation investments including youth and gender related outcomes (iii) Access to credit for poverty graduation and crop diversification (iv) Progress and outcomes on and off farm diversification and successes and failures; (v) environment and NRM (impact of soil and water conservation measures, precipitation, soil erosion, stream flow monitoring and flood discharge in micro-watersheds); and (vi) Progress and impact of infrastructure development. Cost effectiveness studies will be also undertaken to assess delivery systems and implementation methodology/approaches adopted by government and non-government partner agencies.

F. Implementation of M&E

9. Staffing: the M&E unit will form part of the central CDDU and DPOs. It will consist of the following staff:

CDDU:

- Deputy Director M&E (1)
- Communication and Media Officer (1)
- Computer Operator (1)
- Data Entry Operator (1)

DPO:

- DPO (1)
- Assistant (1)

10. It is envisaged that AJKCDP2 will adopt mobile phone based software for much field data collection which will eliminate the need to data entry as data will be entered directly into mobile phones rather than using a paper questionnaire and uploaded directly from the phone into a survey database. Enumerators for surveys will be recruited on need-basis through short-term or retained contracts. These will be responsible for most field data collection, and will be based in the field offices of SMPs/Social Mobilizers, and equipped with motorcycles and data-enabled mobile phones. It has been calculated that a team of 20 enumerators will be able to carry out the annual outcome surveys and KAP surveys (KAP surveys will also involve Programme staff responsible for training implementation).

11. The DPO staff includes one DPO who will also double as Programme M&E Officer and one M&E Assistant. These staff will be responsible for managing and coordinating monitoring of activities and outputs, and for working with field staff of SMPs for participatory M&E, process monitoring and KM. Capacity building of Programme staff will be undertaken through structured orientation training programme, refresher training, and information sharing. Orientation training will be done during induction of new staff, and the refresher training on an annual basis. In addition, the Programme will also facilitate the establishment of partnerships with universities (AJK University), technical experts (e.g. for KAP survey and PME technical assistance), and other development Programmes, to enhance exchange of information and mutual learning. It will facilitate the use of the IFAD M&E tool kit.

12. Technical assistance for: a) KAP surveys, b) participatory M&E, and c) anthropometric and dietary diversity surveys would also form part of the capacity building strategy. The Deputy Director M&E will be responsible for procuring these services in consultation with the Director General and IFAD Country Office. The aim of technical assistance is to bring in expert and specialist knowledge into the Programme to improve the adoption of M&E practices and knowledge that would imparted through training, and to improve the process of review by FOs, partner organisations along with Programme Staff, as well as to enhance the quality of surveys.

G. Management Information System (MIS)

13. MIS systems would be established in the first year of programme implementation by the CDDU in collaboration with the SMPs. They will include information on physical and financial progress, impact evaluation analysis and reports, RIMS first and second level indicator tracking, and other pertinent information. These will be automated computer based programmes to generate, monthly, quarterly and annual progress reports on physical and financial progress and outcome progress. Once the automated version of the MIS is tested for 6 months, the other half of the year would be spent in making the MIS operate, as far as possible, via online service. IFAD already has an established MIS that could be adapted for AJKCDP2.

H. Reporting and Communication

14. Timely reporting and communication is important to take timely corrective actions and to learn from implementation experience to further improve Programme management effectiveness and efficiency. Monthly, quarterly and annual reports including reports from studies would be produced by the Programme. For IFAD corporate reporting, Half-yearly, Annual Progress report and annual RIMS Progress Reports are required.

- a. **Monthly Progress Reports** will be prepared from the Programme MIS developed to generate information at the CO, Village, LSO and District level on simple formats, and compiled at the CDDU for State level. Information in the report will contain component-wise physical and financial progress against annual targets. This report will form the basis for monthly progress review at all levels.
- b. **Quarterly Progress Reports.** Besides reporting physical and financial progress this will be a more analytical report and contain information on difficulties encountered in implementation and corrective actions and solutions to address constraints as well as communities response to Programme initiated activities.
- c. **Half yearly and Annual Progress Reports** will be prepared from information compiled by the CDDU on component-wise physical and financial progress, and loan category wise

progress from the Programme MIS. It will contain summarised information from COs/VOs/LSOs visited by M&E staff, findings from PME and annual outcome surveys. They will show progress towards development objectives, and also problems that are not adequately addressed degree of responsiveness of the staff of different support agencies, and usefulness of training (information from KAP surveys), benefits from rural infrastructure, performance of rural finance component, successes and failures, gender and knowledge management. These reports will be prepared based on the reporting format to be included in the draft PIM (Programme Implementation Manual). The CDDU will prepare the half-yearly progress report by the end of October and the annual progress report by the end of May.

- d. **RIMS Annual Report.** The key RIMS indicators corresponding to the Programme components are included in the programme's Logical Framework and will be reported annually by the end of December. In the first year the programme information on RIMS first level indicators (list of indicators included in RIMS Handbook) associated with outputs would be reported. After mid-term review the report will include ratings of effectiveness and sustainability of 2nd level indicators, validated from the results of annual outcome surveys. A standard table will be included in the PIM for this report.

I. Learning System

15. The Programme learning system comprises of monthly, quarterly and annual review meetings, capturing information on progress, lessons and finding solutions for implementation constraints.

J. Progress Review

- a. **Monthly Progress Review** will be convened by the DPOs at the district level on the basis of monthly progress reports from all implementing partners. It would include reviewing physical and financial progress with SMPs and implementing partners, and the performance of delivery in terms of adequacy and timely utilisation of Programme resources.
- b. **Quarterly Review Meetings (QRMs).** The quarterly progress report will be used during the QRMs at the District and State level. Over and above reviewing physical and financial progress for the quarter against annual targets, the programme will also review the performance of SMPs and service providers, implementation constraints, document lessons, emerging best practices and decide on actions to improve implementation.
- c. **Annual Programme Review** will be carried out towards the end of the fiscal year around first week of April, in addition to the four quarterly reviews at Division level. It shall assess performance in the achievement of physical and financial progress against annual targets. Furthermore, review of progress towards development objectives as reflected in the Outcome Surveys will be done assessing success and failures and reasons thereof and lessons learned. Annual reviews will be institutionalised by SMPs at the District level.
- d. **Mid-Term Review (MTR).** The Government and IFAD would undertake a mid-term review by the third year of the Programme lifecycle to review Programme achievements and implementation constraints. In particular it would review the following: (i) progress and impacts under poverty graduation, achievement and improvements in the production systems, improvement in food security, and increase in income; (ii) the performance of rural finance component; (iii) performance of community institutions and supportive legal and regulatory framework; (iv) performance and impact of other programme activities under CPIs.; (v) financial and procurement management; (vi) and human resources management. A mutually agreed action plan will be prepared based on the MTR findings. IFAD may appoint, in consultation with the Government, an external agency to evaluate the impact of the Programme, if necessary.
- e. **Programme Completion Review.** As the programme reaches completion point, the CDDU would prepare a draft Programme Completion Report. IFAD and the Government will then carry out a joint validation of Programme Completion Review based on the information in the Programme Completion Report and other data.

K. Knowledge Management

16. In the first year the CDDU will prepare a programme level KM strategy in line with IFAD policy on KM. The strategy will focus on the processes that will be involved in building a robust KM system in the Programme. The KM system will enable the Programme to generate, capture, share and disseminate relevant information and knowledge to various stakeholders in a timely manner. The Programme website will be completed within the first year of implementation and used as a knowledge sharing tool, and also linked to IFAD Asia website. The KM team will extensively document and share knowledge generated in the Programme. The QRM forums will be used as potential KS venues for capturing lessons learned and best practices leading to development of related knowledge products. Key information from M&E studies, reviews and exposure visits, lessons and best practices will be disseminated through knowledge products such as newsletters, publications, case studies and reports, etc. The KM team will strive to build a culture of knowledge documentation and sharing within the Programme.

17. More details on the M&E system will be incorporated in the draft PIM.

Annex 1

Preparation of the Annual Work Plan and Budget (AWPB)

Based on approved PC-I and PDR, the Annual Work Plan and Budget, prepared by CDDU and approved by PSC and IFAD, will be the basis for implementation of programme activities. It will also form the basis for both provision of IFAD and Government Counterpart budget to finance programme activities. The AWP/B will be a detailed document outlining results, objectives (outputs), physical and financial inputs required, implementation modalities, responsible agencies/offices and procurement method for each activity. The AWP/B will be disaggregated into indicative quarterly segments for quarterly planning and progress review purposes.

Since the programme will follow a decentralized implementation approach and the exact nature and quantum of activities under each budget line related to village and community level activities will only be known after the village level need identification and planning exercises, AWP/B related to all village based activities like irrigation & land development, value chain development activities, related training etc. will be an umbrella enabling forecast to ensure sufficient liquidity in the programme account to meet the needs and activities expressed through the village and district plans. Actual utilization of these forecasted budget-lines will take place upon the receipt and approval of village plans by CDDU/DPO.

Formulation of AWP/B will follow the State Public Sector Development Plan (PSDP) formulation schedules to align it with federal and provincial budget making exercise and ensure adequate cover of counterpart funding. CDDU will prepare the draft plan at the programme level on the basis of inputs received from DPOs, social mobilization partners and implementing agencies. The draft plan will be finalized in an Annual Planning Workshop and agreed plan will be furnished to PSC through P&D Department. The draft plan will be finalized in the light of decisions made during the PSC meeting and suggestions received from the members. Approved plan will be printed and circulated under the signatures of Director General CDDU. It will be submitted to the Ministry of KA & GB by mid-April each year for integration into AJK and Ministry Budgets. This will ensure that appropriate provision is made for the required counterpart funding in the Government budget for the next fiscal year. PSC will conduct a mid-year review of the project progress and CDDU will submit detailed working papers for such reviews. The working papers will present progress against main annual targets, the main implementation issues and recommended solutions for the decision of PSC.

Quarterly and Monthly Work Plans

Based on approved Annual Work Plan, CDDU will coordinate development of Quarterly Work Plans with inputs from all DPOs, implementing agencies and social mobilization partner. These plans will provide detailed guidelines for field level coordination and steps to be followed by each agency keeping in view the field and community requirements and programme approach. Quarterly plan will be circulated among all agencies and Field Units and will form the basis for the monthly plans and schedules at all levels as well as the monthly progress reporting and review at DPO and CDDU level. Field Units of social mobilization agency will furnish monthly progress reports to DPO and CDDU on the basis of these monthly plans.

Programme Communication Strategy and Plans

AJKCDP2 will develop a comprehensive communication strategy to proactively inform and engage the target beneficiaries and interested stakeholders in terms of programme objectives, targeting mechanism, poverty and gender targeting aspects, apportionment of resources among districts and valleys, irrigation development principles and approach, grievance redressal mechanisms etc. Programme will use appropriate media channels in print, telephony and audio-video to communicate. Adequate budget will be made available in AWP/B for this purpose.

Monitoring, Coordination and Reporting

CDDU will be the main coordinating agency for all programme related planning, coordination, monitoring and reporting. At policy and plan approval level, PSC and P&D Department will have an oversight, facilitation/support and monitoring roles but no direct implementation role. At the District level, planning, coordination and implementation of all village level activities will be the responsibility of the District Programme Officer who will be answerable to the CDDU DG in this regard. Close coordination with the implementing agencies and social mobilization agency will be the key to programme success and DPOs will ensure effective team-work and coordination with all partners. All programme related communication by participating agencies and institutions at programme level, with outside offices and agencies, will be through CDDU. This is necessary to ensure consistency and coherence. CDDU will be authorised to communicate directly with other partners at project level and with IFAD. All correspondence with federal Government will be through P&D Department.

CDDU will report to Programme Steering Committee in all matters related to project implementation including plans, progress, human resource, procurements and accounts/audits. All implementing agencies including social mobilization agency will report to the CDDU on all matters related to project implementation. Main reporting channels and formats in the programme will be:

- (a) Monthly, quarterly and annual progress reports of the project;
- (b) Procurement plans and technical approvals;
- (c) Progress reports from DPOs and other implementing agencies;
- (d) Working Papers for mid-year and annual review and work plan approval;
- (e) Supervision Mission reports;
- (f) Mid-term review report
- (g) Project Completion report
- (h) Baseline report, Monitoring reports, ad-hoc project studies and impact assessments.

Monitoring and Evaluation

CDDU will design a comprehensive monitoring and evaluation system, based on IFAD guidelines for Results based Management. Deputy Director M&E will be responsible for the operation and management of M&E system, supported by dedicated staff at the district level. An M&E plan will be prepared every year to guide the M&E activities and required resources for the plan will be listed and approved as part of programme's AWP/B. Appropriate electronic reporting formats will be developed for all levels of implementation and the requisite training will be imparted to the concerned staff at the start of the programme. The reporting formats will report progress on inputs, outputs and outcomes. Gender segregated reporting will be adopted to the maximum possible extent for all levels. Impacts will be assessed through ad-hoc and regular evaluation exercises for key programme interventions.

Objectives and Indicators

Main objective of the M&E system would be to inform in comprehensive and timely manner all the key stakeholders about programme progress, outcomes and impacts so as make appropriate decisions in terms of approach, resource allocation, implementation strategies and corrective actions. Main indicators for the M&E system progress would be: Programme M&E strategy and staffing; annual M&E plans and resource allocation; gender sensitive reporting formats covering inputs, outputs and outcomes; monthly, quarterly and annual progress reports; baseline survey report; Midterm review report; programme completion report, and ad-hoc surveys and studies for impact assessment.

Progress Reports

Monthly, quarterly and annual physical and financial progress reports from all implementation partners and implementation levels will be the main input for programme reporting. Reports will be submitted on prescribed formats, with necessary degree of detail, to CDDU where they will be consolidated to prepare a Programme Progress Report for the information of financing partners and other stakeholders. Maximum use of electronic means will be ensured in report preparation and transmission.

Baseline Survey

A baseline survey will be conducted at the start of the programme, in collaboration with the social mobilization partner, to establish measurable baselines for all key programme results and impacts indicators. The baseline will also establish exact numbers for existing COs, VOs and LSOs and identify geographical gaps for establishment of three tier community mobilization system. The baseline indicators will provide the basis to assess the changes in areas of programme interventions and beneficiaries over the life of the programme. Baseline will also identify an appropriate number of representative “control communities” in different agro-ecological zones to serve as a counterpoint for comparison of programme impacts.

Mid-Term Review

A mid-term review of the programme will be jointly conducted by IFAD and Government of AJK at about half-way point of programme implementation to carry out a comprehensive assessment of appropriateness of programmes’ approach, progress and initial results/impacts. The exercise will include qualitative and quantitative assessment. MTR will identify issues and challenges in existing approach and progress and recommend corrective measures in terms of approach, coverage, activities, and revised resource allocation for various components in view of their progress and needs. If need be, the programme financing agreement and PC-I would be amended in the light of MTR findings and recommendations to ensure enhanced programme impacts.

Programme Completion Report

CDDU/Government of AJK will prepare a Programme Completion Report in the last six months of programme implementation. PCR will comprehensively assess the overall programme progress and effectiveness against targets, progress against results indicators, initial programme impacts against baseline indicators and lessons learnt.

Evaluation Surveys and Studies

CDDU will organize interim evaluations and assessments for key areas of programme activities, approaches and methodologies so as to inform the management about the suitability or otherwise of the same. These surveys and studies would be conducted either in-house (if capacity allows) or outsourced to other competent agencies. Such studies will be identified by M&E Wing and/or Supervision Missions.

Annex 2

Terms of Reference – Deputy Director M&E

Reporting to the PD and working very closely with the other managers the Deputy Director M&E will coordinate the establishment and operation of M&E system and an integrated programme Learning and Communication and Strategy System. The system will link five functions: output and outcome M&E, IFAD Results and Impact management System (RIMS), M&E, learning and adaptation for continuous improvement of performance; internal (PMU) and external (stakeholders) communication; innovation and experimentation; and information management.

MKM will be assisted by DPOs, and One Communication Officer, an Assistant and one computer operator/data entry operato.

Responsibilities

- i. Development and implementation of the programme M&E and Learning and Communication System and Strategy;
- ii. Develop associated Management Information System for managing data and information for overall monitoring, and for the collection and analysis of data on programme achievements and impact, based on a set of gender disaggregated indicators in line with the programme logical framework and stakeholders' information needs;
- iii. Organization and supervision of focused baseline surveys at the beginning of the programme;
- iv. Coordinating the preparation and monitoring the implementation of the AWPB;
- v. Ensuring that all participating institutions keep records on their activities and feed this information into the Programme Learning System;
- vi. Developing a simple reporting system for the monitoring of programme activities and preparing regular reports on implementation progress, performance and impact of operations;
- vii. Set up term of reference and conduct studies to assess the impact of the programme
- viii. Organization of training on M&E for members of the CDDU, implementing partners and counties, and providing technical backstopping to implementing agencies for preparing the AWPBs and for compliance with reporting requirements;
- ix. Develop and implement processes and guidelines for systematic capture of knowledge, good practices and innovation, and the sharing and use of same to improve programme implementation, including in the development of the AWPB;
- x. Support advocacy efforts through providing evidence of programme impact gathered through the M&E system;
- xi. Provide assistance/guidance in implementing the Programme Learning System;
- xii. Coordinate surveys and case studies to assess achievements and outcomes of KCEP activities;
- xiii. Develop a multi-stakeholder communication strategy along the seasonal performance of the programme including a portal for web-based feedback of beneficiaries, private sector partners and county administrations
- xiv. Coordinate the dissemination of the findings from the impact assessment studies.
- xv. Foster partnerships for broader knowledge-sharing and learning;
- xvi. Oversee communication support to awareness raising and sensitisation of programme participants;

- xvii. Contribute to the preparation of the AWPB and progress reports;
- xviii. Undertake any other duty assigned by the PD.

Qualifications

Deputy Director M&E will be hired from Government /private sector

- i. Master's degree in Agricultural Economics, Rural Development, Communications or other relevant field.
- ii. At least 8 years relevant work experience, in M&E, knowledge management and communication;
- iii. Demonstrated professional experience in Developing and implementing comprehensive M&E and communication and visibility plans, Developing website whose purpose is to document the programme profile and the periodic reporting to results and to provide a forum for stakeholders feedback during the implementation period, Writing reports, articles and or pamphlets depicting programme interventions and results;
- iv. Proficiency in the use of databases, modern information and communication technology (ICT) in development, and other computer applications;
- v. Demonstrated skills in quantitative and qualitative analysis and data management;
- vi. Demonstrated experience in designing and implementing successful communication and knowledge management strategies for sustainable development, or in planning and implementing strategies at management level;
- vii. Experience in analysing complex programmes or policies;
- viii. Strong computer and communications skills (oral, written, presentation).

Appendix 7: Financial management and disbursement arrangements

1. **Country fiduciary risk assessment**⁷⁴. The last Public Expenditure and Financial Accountability (PEFA) report for Pakistan was published in 2012. PFM in Pakistan has achieved some key milestones over the years, including the development of a centralized and advanced financial reporting system through the Pakistan Improving Financial Reporting and Audit Programme (PIFRA) supported by the World Bank. The 2012 PEFA reported significant efforts *inter alia* to establish an effective system for financial management, reporting and audit, and to strengthen the country's public procurement system. Under the framework of PIFRA, the Auditor General of Pakistan (AGP) embarked upon an important reform program to establish an effective accounting, reporting and auditing system complying with accepted standards, to strengthen financial management and tighten internal controls, to improve decision support system by generating information for management decision making, and to enhance organizational and staff capacity.

2. Obstacles in the implementation of reforms have included the ongoing upgrade of the Government Financial Management Information software (GFMIS) and the volatile law and order situation in Baluchistan and FATA, which has an impact on progress of development in some areas. The **decentralization** of the operational components of PIFRA to relevant offices like Controller General of Accounts (CGA), AGP and Finance has been one of the major challenges. In addition, problems remain with budget execution (especially the tax system), procurement, and internal audit and controls function. External audit practices are improving, however legislative scrutiny is still lagging. Reforms introduced in the Auditor General of Pakistan (AGP) have improved the timeliness of submission of audit reports.

3. In terms of 'inherent' fiduciary risk, Pakistan is in the Medium bracket. In 2016, Transparency International (TI) ranked Pakistan 116th out of 176 countries, although this was actually a significant improvement on its position at 143rd in 2010. Pakistan's TI score of 32 has been improving steadily over the last four years, starting from 27 in 2012 and consequently moved from High bracket to Medium bracket. However, corruption remains a serious problem in Pakistan and, although strengthened in recent years, oversight mechanisms remain under-resourced.

4. **Programme fiduciary risk assessment.** Following the programme fiduciary risk assessment, the overall fiduciary risk is rated as *High*, for the following reasons: (i) per GoAJK policy, accounts staff are not recruited competitively but instead are deputed from the Accountant General's (AG) Office; (ii) accounts staff assigned to the programme are not likely to be familiar with donor-funded programme accounting and financial management guidelines and procedures; (iii) there is no programme-specific procedures manual available; (iv) programme accounting and financial reporting are entirely manual; (v) financial reporting is incomplete and untimely; and (vi) there are no internal audit arrangements. The residual financial management risk may be reduced to *Medium*, provided that the programme implements the following risk mitigation measures:

- Full training of accounts staff in IFAD financial management and procurement procedures, and continued support during the first years of programme implementation;
- Assurance from the AG Office that deputed staff will remain in place until programme completion;
- Drafting of a complete financial, procurement and administrative procedures manual specifically designed for the programme;
- Installation of an adequate accounting software meeting IFAD requirements;
- Production of reliable and meaningful financial reports on a timely basis (generated from the computerized system);
- Recruitment of an internal auditor reporting to the Programme Steering Committee.

5. **Implementation arrangements.** The CDDU will be responsible for (i) the overall planning, coordination and monitoring of all programme activities, (ii) the programme financial management and (iii) implementation of Component 3 (programme management). The actual implementation of Component 1 will be carried out by the AJKRSP (the social mobilization partner), whilst Component 2

⁷⁴ The country risk assessment was prepared by Aziz Al-Athwari, IFAD Finance Officer in charge of Pakistan

will be coordinated by LGRD (in collaboration with other GoAJK line departments), all with direct participation of the concerned COs and LSOs.

6. *AJKRSP*. An agreement will be signed between the programme and AJKRSP to define the activities, targets, timing and cost of the SMP's interventions. AJKRSP will submit an AWPB to the CDDU before 28 February each year, to allow for timely integration into the programme AWPB. During the year, as activities are implemented, AJKRSP will submit to the CDDU monthly invoices with relevant supporting documentation, which will be certified by the DPO and verified by the programme Internal Auditor prior to payment. In addition, AJKRSP will provide the CDDU with a monthly financial report including current month and cumulative expenditure statements, budget vs. actual statement and variance analysis. AJKRSP will be required to maintain a separate ledger for AJKCDP2 operations, a dedicated bank account, as well as a separate fixed assets register. Lastly, AJKRSP will request its external auditor to provide a specific certification (as part of their annual audit report) that all expenditure, assets and staff financed from AJKCDP2 funds have been utilized exclusively for the programme activities.

7. However, the assessment of AJKRSP's fiduciary capacity (carried out as part of the design mission) has revealed significant weaknesses in its financial management as well as legal and governance issues. Prior to programme start, and as a prerequisite for putting in place the arrangements described above, the AJKRSP must therefore be supported and strengthened through a technical assistance program covering its institutional and governance structure, oversight mechanisms (including internal and external audit), internal controls, and accounting and financial reporting systems. It is also mandatory that an appropriate accounting/financial management software be implemented, and that staff be adequately trained in financial analysis/reporting and procurement.

8. *LGRD*. In addition to being the main implementing partner for community infrastructure, the LGRD is GoAJK's main executing agency for decentralization and rural development. As such, it would constitute the ideal conduit for the institutionalization and mainstreaming of AJKCDP2 interventions into the GoAJK structure and systems. However, in spite of its past experience managing donor-funded programmes, the department does not today fully meet the necessary conditions to enable it to manage programme funds in compliance with IFAD requirements⁷⁵. Improvements needed in its financial and accounting systems would include the implementation of a compliant computerized accounting system, fully trained staff, drafting of a complete financial & administrative procedures manual, implementation of reliable and timely budget monitoring and financial reporting systems, and introduction of an internal audit function.

9. Consequently, a two-phase approach will be adopted. Initially, a performance-based agreement will be signed between CDDU and LGRD and the LGRD will be paid a service fee (for the design, cost estimation, technical support and monitoring) calculated based on the cost of the infrastructure – similar to the arrangement in place under AJKCDP-I. Once the LGRD has met all required conditions, it would progressively assume the role of budget holder and expenditure/payment authorization entity for activities implemented by GoAJK line departments. This 2nd phase is expected to be reached by programme mid-term.

10. *Other implementing partners*. LGRD will be the need identification, planning and delivery coordinator for all sub-component 2.2 activities implemented by NRM agencies. These other GoAJK line departments (irrigation and various NRM departments) will sign performance-based agreements with the programme and LGRD to define activities to be carried out, implementation modalities and financial arrangements, and will be paid service fee as percentage of investments costs to cover their interventions – modality already successfully adopted in AJKCDP-I.

11. **Financial management organization and staffing**. The programme financial and administrative management will be handled by the CDDU at two levels⁷⁶:

- *At the central office in Muzaffarabad*, the team will include (i) a Director Administration & Finance responsible for supervision of all fiduciary aspects and for financial reporting to IFAD and GoAJK; (ii) two Accounts Officers: one focusing on the accounting and budgeting/reporting functions (for central and district levels as well as IPs) and the other focusing on treasury management, payments and withdrawal applications; (iii) one Accounts Assistant in charge of inputting

⁷⁵ In particular, a single entry, entirely manual system is currently used to maintain accounts. However, the LGRD officials have indicated that the department envisages the implementation of the government SAP system in the near future.

⁷⁶ See Appendix 8 for organization and staffing related to procurement.

transactions in the accounting system and maintaining accounting files; and (iv) one Administrative & Human Resources Officer responsible for fixed assets management, office management, staff travel, workshops & meetings, staff training, HR management and payroll preparation.

- *At the district level*, ten district accounts officers (one DAO in each district, deputed from the Accountant General's – AG – Office) responsible for operating the district bank accounts, processing payments and financial reporting to the CDDU, working in close collaboration with the District Planning Officers (who are the programme Drawing & Disbursement Officers at district level) and assisted by accounts assistants. Initially, these DAOs will be fully dedicated to the programme and based within the programme district offices. Once they are fully conversant with the IFAD guidelines and applicable procedures for programme financial management, they would be transferred back to the AG district offices from which they would continue to carry out their duties in relation to the programme. This transfer is expected to take place at or before programme mid-term.

12. **Budgeting.** Before programme start, it is imperative that the PC-1 be aligned with the detailed costs and financing as per the approved PDR, to avoid distortions in the annual budgeting process. A consultant will be recruited by IFAD for this purpose.

13. All programme activities for each component and subcomponent will be included in an Annual Work Plan and Budget (AWPB). The AWPB will detail the activities, quantities, unit costs, implementing entity, target date, and will allocate the budget for each activity by funding source (IFAD loan, counterpart funds, AJKRSP, microfinance institutions and beneficiaries contributions, as applicable). The AWPB will also include (i) full documentation of all unit costs assumptions and hypotheses and (ii) summary tables showing forecasted disbursement rates against allocations (by category and by component).

14. Following the bottom-up, participatory approach to work planning and budgeting, the programme annual budget will take into account the approved Community Development Plans (CDPs), as will the GoAJK line department Annual Development Plan (ADP) budgets of the partner participating departments. The programme AWPB will therefore be fully in line with the GoAJK ADP, with counterpart contribution in the AWPB matching the ADP allocation.

15. The AWPB process will start in February each year so that the AWPB and PP may be approved by the PSC and submitted to the GoAJK by the end of March each year as required for ADP purposes. It will then be submitted to IFAD for no objection by the end of April each year. The approved budget will be input into the programme's computerized financial management system, which will allow the CDDU to monitor the financial execution of the AWPB and to produce budget vs. actual statements on a monthly basis. These will serve as a basis for discussion during the monthly budget review meetings to be organized by the Director General for the review of physical and financial performance and the adoption of corrective actions. The analysis of budget vs. actual variances will be included in the monthly financial report produced by the Director Admin & Finance.

16. **Disbursement arrangements and Flow of funds.** A chart of the flow of funds arrangements is shown as Attachment 1. Using the imprest account methodology, *IFAD loan funds* will be channelled through the State bank of Pakistan to a designated account (labeled in USD and PKR⁷⁷) held at the National Bank of Pakistan (NBP) and operated jointly by the CDDU Director General and the Director Administration & Finance. An initial advance equivalent to approximately 6 months of programme expenditure will be authorized⁷⁸ so as to ensure a smooth flow of funds and to avoid delays in programme implementation. Subaccounts in PKR will be opened in each district (at the local NBP branch or any other bank subject to prior consent of IFAD) to cover DPO expenditures as well as transfers of funds to the CO accounts (for payment of materials and labor related to community infrastructure and for procurement of private goods). These subaccounts will be operated jointly by the District Planning Officers (as DDOs) and the District Accounts Officers. Transfers from the designated account to the district subaccounts will be made quarterly by the CDDU, based on DPO

⁷⁷ Although retention of funds in the designated account is in USD, all payments are made in PKR using the exchange rate on transaction date. The NBP bank statements will show amounts in both USD and PKR. Exchange gains/losses are borne by the government and not charged to IFAD.

⁷⁸ Maximum initial advance is expected to be USD 5 million, and will be defined in the Letter to the Borrower.

requests supported by expenditure and cash forecasts. DPOs will be required to submit monthly financial reports and SOEs to the CDDU.

17. *Counterpart funding* will be managed through the standard government mechanism of ADP allocations, with quarterly transfers to the dedicated Assignment Account at provincial level, opened specifically for AJKCDP2's counterpart funding allocations, under sanction of P&D and Finance departments. The counterpart assignment account is operated jointly by the DDO and one of the Accounts Officers at CDDU level. In order to avoid shortages of counterpart funds in case government releases are delayed, the same mechanism of 'revolving development funds' in place during AJKCDP-I will be adopted for AJKCDP2. The amount of this revolving fund would be increased to PKR 170 million (representing a quarter of the average annual counterpart contribution) to allow for payment of programme activities (and not just operating expenses).

18. *LGRD*. As mentioned in the 'Implementation Arrangements' section above, it is envisaged that funding related to the programme activities implemented by LGRD CPI activities and GoAJK line departments activities coordinated by LGRD would be progressively managed by the LGRD, provided that required improvements to its financial and accounting systems have been implemented. Under this arrangement (expected to start by mid-term), the CDDU would periodically transfer funds to the LGRD, based on the approved AWPBs. The LGRD would also receive funds allocations from the GoAJK for the counterpart contribution as well as share of COs in ADP as *Dehi Councils*. The LGRD would be responsible for monitoring implementation of programme activities, approving payments and transferring funds to the COs. The LGRD would be required to submit monthly financial reports and SOEs to the CDDU for review/approval and integration in the WAs.

19. *Microfinance institutions* are expected to contribute 19% of total programme costs through parallel financing in the form of microfinance loans aimed at providing programme beneficiaries with capital for production inputs, micro-enterprise development, and other programme-supported activities. CDDU and SMP will enter into necessary MOAs with the micro-finance entities for this purpose including SMPs now operated revolving credit funds. The CDDU will develop procedures for monitoring contributions from microfinance partners and recording them in the programme accounts.

20. *Beneficiary contributions* will be for community infrastructure, and are expected to be both in cash and in kind. Cash contributions will be made directly into the CO bank accounts, while for in kind contributions (labor and materials essentially), the CDDU will develop specific procedures for their valuation, monitoring and recording in programme accounts.

21. **First disbursement conditions.** The following will be designated as precedent to disbursement of funds to AFKCDP-II: (i) appointment of key programme personnel (including Director General, Director Administration and Finance); (ii) opening of the designated account; and (iii) IFAD no objection on a draft Programme Implementation Manual (including the financial, procurement and administrative procedures manual). In addition, the installation of an acceptable computerized accounting system within six (6) months of programme effectiveness, will be designated as an additional ground for suspension of the right of the Borrower to request withdrawals

22. **Internal controls and procedures manual.** The programme's system of internal controls will be designed so as to ensure, inter alia (i) proper segregation of duties⁷⁹; (ii) clear procedures for financial commitments, expenditure authorization and budget monitoring; (iii) appropriate asset safeguarding measures; (iv) compliance with applicable IFAD and national rules and procedures; (v) timely and relevant financial reporting; and (vi) automated controls built into the computerized accounting system, along with adequate backup procedures. All internal control mechanisms will be detailed in the financial, procurement and administrative procedures manual, which will be submitted to IFAD for approval. The manual will also provide very detailed workflows and procedures, so that it can be used as an effective guide for the financial and administrative management of the programme.

23. **Accounting systems, policies and procedures.** Under Phase 1, the accounting for AJKCDP was entirely manual, with financial reports and withdrawal applications produced using Word/Excel. Under Phase 2, the programme will be required to automate its accounting system. This may be done

⁷⁹ Authorization of transactions, procurement, custody of assets, recording of transactions and reconciliations will be performed by different individuals within the programme team.

by using the government SAP accounting system⁸⁰, provided that (i) the required user licenses can be obtained for the programme, and the CDDU can be provided with full utilization rights; (ii) a chart of accounts meeting IFAD requirements can be adopted; (iii) transactions can be recorded by component, category, source of fund, AWPB activity and district, and financial reports issued accordingly; (iv) the system is customized for automated production of SOE and withdrawal applications; (v) the system is customized for multicurrency use; (vi) the system is customized to produce the required financial reports and statements.

24. Should the adoption of the SAP system not be workable, the other option would be for the programme to acquire and install an accounting software designed (or customizable) for programme accounting that will allow for (i) double-entry accounting, (ii) recording and reporting of transactions by component, category, source of fund, AWPB activity and district, (iii) budget monitoring, (iv) automated production of SOE and withdrawal applications, (v) automated bank reconciliations, (vi) contract management and monitoring of financial commitments, and (vii) production of the required financial reports and statements.

25. The CDDU will record eligible expenditures following international accounting standards (IPSAS cash basis), and all accounting policies and procedures related to the programme will be clearly documented in the financial and administrative procedures manual.

26. **Financial reporting.** Unaudited annual financial statements will be produced by the CDDU and submitted to both IFAD and the external auditors within 2 months following each year-end (by 31 August). Interim unaudited financial reports (IFR) will be submitted to IFAD within 45 days of the end of each quarter. The IFR will summarize the programme's financial situation for each funding source and will include analytical comments on budget variances, as well as any constraints faced in the fiduciary area. In addition, the CDDU will be required to produce monthly financial reports that will include analyses of disbursement rates by expense category, AWPB financial execution by subcomponent (budget vs. actual for the month and cumulatively), cash position and forecast, implementing partners' financial situation, procurement plan execution and any salient administrative issues.

27. **External audit.** The annual external audit of the programme will be carried out by the Auditor General of Pakistan as agreed by IFAD, and in accordance with the International Standards of Supreme Audit Institutions (ISSAI). In order to avoid misunderstandings or inappropriate audit observations, IFAD and AGP representatives will meet at programme start to discuss each entity's requirements in relation to the audit of the programme and to reach a general agreement on the audit TOR. In addition, AGP auditors assigned to AJKCDP2 will be invited to participate in the programme start-up workshop to get a better understanding of the specificities of IFAD-funded programmes, and to be sensitized on the prevalence of the financing agreement over national regulations.

28. Audit TOR will be prepared by the CDDU each year as per IFAD Guidelines for Programme Audits and will be agreed with the AGP prior to submission to IFAD for no objection. The audit TOR will have to include a review of operations at district level, as well as a verification of the use of programme funds by implementing partners, as applicable. In accordance with IFAD requirements, the auditor will be required to issue separate opinions on the programme financial statements, statements of expenditure and the designated account. The final audit report and management letter are required to be submitted to IFAD by the GoAJK at the latest six months after the end of each fiscal year.

29. **Internal audit.** Since there is currently no internal audit function within the GoAJK, the programme will recruit an Internal Auditor to review/evaluate the effectiveness of internal controls, risk management and governance, the economical and efficient use of programme resources, the reliability and integrity of financial information, the achievement of operational/physical targets, and the programme's compliance with the financing agreement and applicable rules and regulations. The Internal Auditor will also assist in the preparation of the annual external audit and the implementation of auditor's recommendations. S/he will report administratively to the CDDU Director General but will be under the direct authority of (and will submit audit reports directly to) the Programme Steering Committee.

⁸⁰ However, the evaluation of SAP concluded that the system does not allow for contract management and monitoring of financial commitments, automated bank reconciliation statements, and calculation of foreign exchange differences.

30. **Taxation.** IFAD loan proceeds cannot be utilized for the payment of taxes. Consequently, the payment of taxes and duties will be made from GoAJK counterpart funds.

31. **Anticorruption and governance framework.** The primary responsibility for enforcing good governance (including the detection of fraud and corruption) lies with the Government. Nevertheless, all programme stakeholders should be aware that IFAD applies a zero tolerance policy towards fraudulent, corrupt, collusive or coercive actions in programmes financed through its loans and grants. “Zero tolerance” means that IFAD will pursue all allegations falling under the scope of this policy and that appropriate sanctions will be applied where the allegations are substantiated. IFAD shall take all possible actions to protect from reprisals individuals who help reveal corrupt practices in its programme or grant activities and individuals or entities subject to unfair or malicious allegations. Given IFAD’s zero tolerance policy described above, it is important that the staff and all stakeholders of the programme are familiar with IFAD’s as well as federal/provincial anticorruption policies and whistleblowing procedures. The IFAD anticorruption policy is available on the IFAD website at www.ifad.org/governance/anticorruption/index.htm. The IFAD website also provides instructions on how to report any alleged wrongdoing to the Office of Audit and Oversight (<http://www.ifad.org/governance/anticorruption/how.htm>).

32. Additionally, in accordance with IFAD guidelines, procurement for goods, works and services financed from resources funded or administered by IFAD will require bidding documents and contracts to include a provision requiring suppliers, contractors and consultants to (i) ensure compliance with IFAD’s anticorruption policy and (ii) allow IFAD to inspect their accounts, records and other documents relating to the bid submission and contract performance, and to have them audited, if deemed necessary. Lastly, the programme will promote good governance through the involvement of communities and beneficiaries in (i) the preparation of the annual work plans and budgets; (ii) the procurement process (at community level); and (iii) the monitoring and evaluation of programme activities.

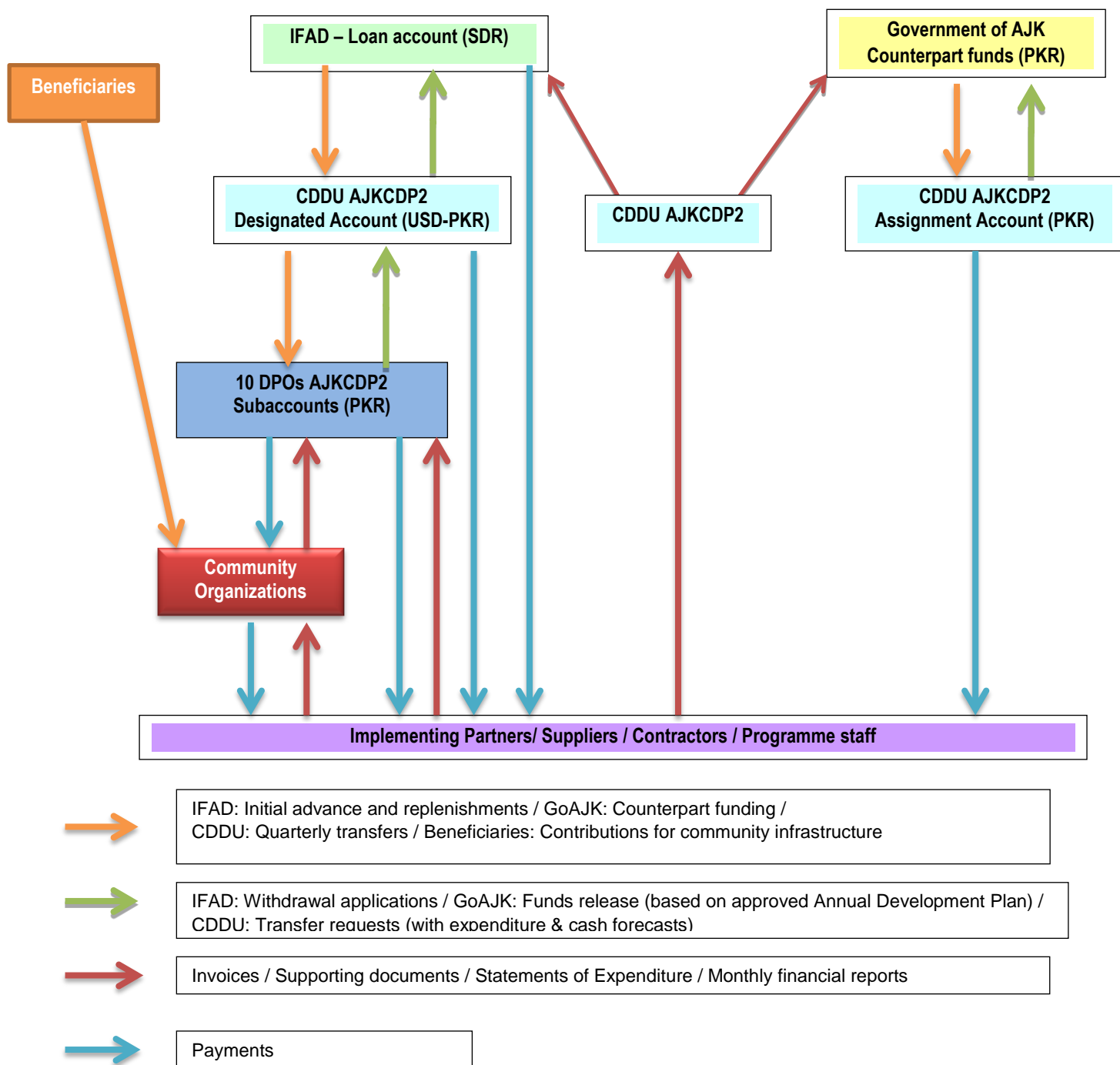
33. **Financial management supervision and implementation support.** Based on the risk assessment, the supervision and implementation support plan for AJKCDP2 will include:

- Full training of Finance unit staff as part of the programme start-up workshop
- Participation of Finance unit staff in workshops or training sessions organized by IFAD
- Detailed review of the FM and procurement staffing as well as FM/procurement arrangements in the procedures manual, including relevant guidelines and procedures with regard to all activities
- One full fiduciary review (as part of a supervision mission) and at least one follow-up/implementation support mission each year, including updating of the financial management risk assessment
- Refresher training to finance staff as required, as part of the supervision or implementation support missions
- Desk reviews of periodic progress reports, interim financial reports and annual financial statements prepared by the CDDU
- Desk reviews of internal audit reports and annual (external) audit reports and management letters
- Follow-up on work performed and recommendations issued by the Internal Auditor and the external auditors.

34. **Implementation readiness.** The table below summarizes the actions to be taken in the area of financial management to mitigate FM risks and meet disbursement conditions:

	Action	Responsible Party	Target Date / Covenants
1	Recruitment of key programme personnel	GoAJK	Disbursement condition
2	Drafting of financial procedures manual	CDDU	Disbursement condition
3	Opening of designated account	GoAJK	Disbursement condition
4	Installation of adequate accounting software	CDDU	Within 6 months of effectiveness
5	Training of accounts staff in IFAD procedures	IFAD	Start-up workshop and 1 st year
6	Assurance of permanence of accounts team	AG Office	Throughout implementation period
7	Implementation of reliable financial reporting system	CDDU	First programme year
8	Recruitment of internal auditor	CDDU	First programme year

Attachment 1 – Flow of Funds chart



Attachment 2 – Financial management risk assessment summary and mitigation measures

	Initial Risk Assessment	Proposed mitigation	Final Risk Assessment
Inherent Risk			
1. TI Index 32 (rank 116/176)	-	-	M
2. Financial/accounting systems only partially automated; corruption still a serious problem; issues remain in procurement and budget execution; no internal audit at provincial level	-	-	M
Control Risks			
1. Organization and Staffing Per GoAJK policy, accounts staff not recruited competitively but deputed from Accountant General's Office, with 3-year rotation policy; staff not likely to have IFAD or donor experience	H	Full training of accounts staff in IFAD financial management and procurement procedures, with continued support during the first year of programme implementation. Assurance from the AG Office that deputed staff will remain in place until programme completion	M
2. Budgeting Distortions noted in past between PC-1 and COSTAB/PDR Absence of budget monitoring system in a manual system environment	H	Alignment of PC1 with approved PDR Involvement of Finance unit in AWPB preparation. Recording of budget in accounting software and production of monthly budget vs. actual statements with variance analyses	M
3. Funds flow and Disbursement Arrangements Lack of familiarity with IFAD procedures; Significant weaknesses noted in IPs financial management systems (manual accounting systems, lack of reliable financial reporting, lack of procedures manuals)	M	Retain current Accounts Officer who is experienced in managing designated account and preparing withdrawal applications. Centralize funds flows at programme level until implementing partners have implemented strong financial management systems. Reconcile bank and cash on a monthly basis. Joint signature on all bank accounts. Develop procedures to value and record in kind contributions.	L
4. Internal Controls Lack of procedures manual at programme level	H	Ensure sufficient staff and adequate allocation of tasks both at central and district level to ensure proper segregation of duties Drafting of a complete financial, procurement and administrative procedures manual.	M
5. Accounting Systems, Policies & Procedures Accounting system entirely manual (risk of errors and omissions)	H	Installation of an adequate accounting software meeting IFAD requirements. Documentation of policies and procedures in the programme manual	M
6. Reporting and Monitoring Absence of reliable and timely financial reporting	H	Production of reliable and meaningful financial reports (generated from the computerized system) on a timely basis	M
7. Internal Audit Absence of internal audit function in GoAJK	H	Recruitment of an Internal Auditor reporting to the Programme Steering Committee	M
8. External Audit No audit TOR prepared in the past	M	Agreement of audit TOR with Auditor General of Pakistan, and submission of agreed TOR to IFAD for no objection	M
Programme Fiduciary Risk @ Design	High		Medium

Appendix 8: Procurement

I. Government Procurement Procedures

1. Pakistan underwent a comprehensive assessment of its procurement system in order to upgrade it to international standards and to help it assess the level and type of changes required for achieving this objective. As a result, there have been significant improvements and assistance provided to the country by its development partners. The Pakistan Public Procurement Regulatory Authority (PPRA) was created in 2002, with the task of developing the procurement framework for the federal public sector, covering goods, works, and services. Specifically, PPRA was given the powers to recommend to the Federal Government revisions in or formulation of new laws, rules and policies with respect to public procurement, and the making of regulations, codes of ethics and procedures for public procurement. In 2004, the PPRA drafted, and the government promulgated, new procurement rules, conforming to international best practice, that apply to all procurement of goods carried out by the federal government line departments, as well as those of state-owned enterprises and semi-autonomous organizations. Later the PPRA has been issuing various regulations over the years including Public Procurement Regulations, 2008, Public Procurement Regulations, 2009, Consultancy Service Regulations, 2010, Public Procurement Regulations, 2011 and Eligible Bidders (Tax Compliance) Regulations, 2015.

2. The government of AJK recently (March 2017) promulgated the AJK Public Procurement Regulatory Authority Act, 2017 and thereafter (April 2017) issued AJK Public Procurement Rules, 2017 (similar to Federal Government's procurement rules), which immediately entered into force. Prior to the promulgation of these laws, various documents (Purchase Manual, GFR of Federal Government, Delegation of Financial Powers and West Pakistan B&R Code) were used by the GoAJK for procurement, while Federal PPRA rules were also used. It is expected that in the coming months, the AJK Public Procurement Regulatory Authority will be established, standard bidding documents will be developed, the GoAJK public procurement web portal will be launched, and training will be delivered to the concerned procurement agencies as well as contractors in AJK.

3. Public sector procurement is carried out in accordance with the newly promulgated PPRA rules, using different methods of procurement depending on the cost and nature of procurement. Evaluation and approvals are also accorded by different levels depending on the complexity and cost of procurement. Despite the number of measures taken over the last few years, public sector procurement most often remains a subject of controversy, particularly in larger transactions. Systemic weaknesses include the lack of a standardized procurement regime (sets of clear, transparent rules and legislation) as well as the absence of procurement expertise in the government. Most large government entities that carry out billions of rupees worth of procurement of goods, works and services have no specialized personnel or wings for procurement and mostly the executive officers also act as procurement and approval officers.

II. AJKCDP2 procurement arrangements

4. *Applicable procurement rules.* The procurement under AJKCDP2 will be made in accordance with GoAJK newly promulgated procurement rules to the extent that they are not in conflict with IFAD Procurement Guidelines (2010), in which case the IFAD Procurement Guidelines will prevail. The same would apply to implementing partners. The only exception relates to procurement undertaken by Community Organizations, referred to as 'community procurement', which will not be subject to PPRA rules but will instead follow specifically designed procurement procedures (see details below).

5. The CDDU will be responsible for ensuring that the applicable procurement rules for the programme (and in particular those applicable to community procurement) are clearly set out in the PC-1, so as to avoid any misunderstanding during programme implementation.

6. The applicable rules and procedures related to AJKCDP2 procurement will be detailed in the financial, procurement and administrative manual. All bidding documents will mention the applicability of IFAD's anti-corruption policy. In addition, bidding documents will contain a provision allowing IFAD to inspect the contractors' accounts, records and other documents related to their bid submission and

contract performance or to have them audited by an auditor appointed by IFAD, in accordance with IFAD's Project Procurement guidelines. With regard to the bid opening and bid evaluation committees, the procedures manual will detail the provisions related to conflicts of interest, in particular the obligation for committee members to declare any real or apparent conflict of interest, and to withdraw from the committee if deemed necessary.

7. *Procurement planning.* The CDDU will be required to prepare and submit to IFAD for no objection, an annual procurement plan⁸¹ (PP) organized by type of procurement (goods, works and services) and by component. The PP will be derived from the AWPB and will show for each procurement: the reference to the AWPB, the estimated cost, the procurement method, the detailed timeline (from preparation of TOR/specifications to signature of contract) and the need for IFAD prior review. Each item in the PP will show a "planned" line and an "actual" line to facilitate the monitoring of PP execution. No procurement will be allowed unless it is included in the approved PP (or specific no objection has been obtained from IFAD). The PP will be updated as procurement actions are completed and PP execution (planned vs. actual) will be analyzed as part of the monthly financial report.

8. The implementing partners (essentially AJKRSP and LGRD once it matures into the "budget holder" status) will also be required to prepare PPs on the basis of their AWPBs. COs, with assistance from the CDDU and DPOs, will be encouraged to prepare simplified PPs reflecting their approved CDPs.

9. *Procurement methods.* Thresholds for the applicable procurement methods will be the following:

Method	International Competitive Bidding	National Competitive Bidding	Shopping
Goods	> USD 200,000	> USD 10,000 ≤ USD 200,000	≤ USD 10,000
Works			
Department executed larger metalled roads and irrigation works		All department executed works using contractors	
Community procurement		All community execute works whether through contractor or self	
Non-consulting services	> USD 100,000	> USD 5,000 ≤ USD 100,000	≤ USD 5,000
Consulting services	> USD 100,000 'International' shortlists	≤ USD 5,000 'National' shortlists	N/A

10. The acceptable selection methods for consulting services will include (i) Quality- and Cost-based Selection; (ii) Quality-based Selection; (iii) Selection under a Fixed Budget; (iv) Least Cost Selection; (v) Selection based on Consultants' Qualifications; (vi) Single-source Selection of consulting firms; (vii) Procedures for competitive selection of Individual Consultants; and (viii) Single-source procedures for the Selection of Individual Consultants.

11. *Community procurement.* The procurement of goods, works and services under subcomponents 1.2 (community infrastructure), 2.1 (asset creation) and 2.2 (for certain activities) will be conducted with the full participation of the communities so as to increase ownership and promote good governance and transparency. Community infrastructure will be executed by the beneficiaries themselves, and the COs will be entrusted with the procurement of construction materials under the oversight of the concerned line department. As well, the procurement of assets and production inputs will be assigned to the communities. However, larger works like metalled roads and large irrigation schemes shared by more than one communities, and executed through contractors, will be carried out by concerned departments using national competitive bidding process.

⁸¹ As required by IFAD, the first programme procurement plan will cover a period of 18 months.

12. Under community procurement, a procurement committee comprising representatives of the CO, concerned LSO, the concerned line department, and the SMP will be constituted to conduct market surveys (or obtain quotations), select the most suitable supplier after price negotiations (or evaluate the quotations obtained), proceed with the purchase (if practical, the CO will issue a purchase order), and ensure proper delivery. The CO will be responsible for making the payment from its own account, operated jointly by the CO President and SMP Social Organisor. All documentation related to community procurement will be kept by the CO. Detailed procedures relating to community procurement will be included in the procedures manual.

13. *Prior review by IFAD.* IFAD's prior review procedures will be on terms of reference, bidding documents, evaluation reports and contracts, and will apply to the procurement of goods and non-consulting services valued at USD 20,000 or more, and consulting services valued at USD 10,000 or more⁸². Furthermore, IFAD's prior no objection will be required for all procurement under direct contracting, regardless of the contract value.

14. *Contract register and contract monitoring.* The CDDU shall maintain a contract register using IFAD form C10, which shall be submitted to IFAD on a monthly basis. All contracts awarded and related amendments, whether requiring IFAD prior approval or not, shall be listed in the register with the dates of approval. All contracts for which payments are made in instalments will be monitored using IFAD contract monitoring form C11 in order to keep track of payments and guarantees. The implementing partners dealing with procurement under AJKCDP2 will also be requested to maintain a contract register and contract monitoring forms.

III. Organization of the procurement function

15. A Procurement Officer (or Assistant Director Procurement) based in the CDDU, will be responsible for (i) the preparation and updating of the annual procurement plans on a real-time basis; (ii) the conduct of the procurement process for Component 3 in accordance with applicable rules and procedures; (iii) the monitoring of the procurement plan execution, and the related reporting on a monthly basis; and (iv) the management of contracts. The Procurement Officer will establish mechanisms to ensure that all procurements (including those conducted by implementing partners and COs) are carried out in accordance with the approved AWPBs and applicable procurement rules and guidelines.

16. A capacity building program will be put in place by IFAD in the area of procurement, as needed, via (i) implementation support throughout programme life, and in particular at programme start; (ii) technical assistance, particularly during the first year of the programme; and (iii) workshops or training sessions. The Procurement Officer will in turn provide training to all relevant programme stakeholders in the area of procurement.

17. In line with procurement best practices and applicable regulations, the programme will set up procurement committees for the opening and evaluation of bids, both at CDDU and DPO levels. The Procurement Officer will be the convener and secretary of all procurement committees constituted in the programme for various procurements. The detailed composition and terms of reference of the committees will be specified in the AJKCDP2 financial, procurement and administrative manual.

IV. Oversight

18. Contracts below the prior review thresholds will be subject to post review as part of the IFAD supervision missions. Additionally, the AJKCDP2 auditors will be requested to ensure that procurement for goods, non-consulting services, works and consulting services funded from the IFAD loan was conducted in compliance with the provisions of the financing agreement, the letter to the borrower as well as the guidelines and procedures applicable to the programme. Any exception noted will have to be mentioned in the audit report and/or the management letter issued by the auditors.

⁸² These thresholds will be defined in the Letter to the Borrower and may be revised by IFAD at any time during programme implementation.

Appendix 9: Programme cost and financing

A. Programme costs

1. The total investment and recurrent costs over the 6-year period, including physical and price contingences, is estimated at US\$ 107.8 million (PKR 12.4 billion). The tables below present the programme costs by components, and by components and by year.

Table 1: Programme Costs by Component

Pakistan AJK Community Development Project-II Components Project Cost Summary		(Pak Rs '000)					(US\$ Million)				
		Local	Foreign	Total	% Foreign Exchange	% Total Base Costs	Local	Foreign	Total	% Foreign Exchange	% Total Base Costs
A. CDD for Livelihoods Enhancement											
1. Capacity Building for CDD		690 719	69 795	760 514	9	7	6.40	0.65	7.04	9	7
2. Poverty Graduation		2 032 527	-	2 032 527	-	19	18.82	-	18.82	-	19
Subtotal CDD for Livelihoods Enhancement		2 723 246	69 795	2 793 041	2	26	25.22	0.65	25.86	2	26
B. Institutional Strengthening and Public Services Delivery											
1. Capacity Building and Public Services Delivery		3 119 295	-	3 119 295	-	29	28.88	-	28.88	-	29
2. Community Physical Infrastructure		3 757 644	35 592	3 793 237	1	36	34.79	0.33	35.12	1	36
Subtotal Instit. Strength. and Public Services Delivery		6 876 939	35 592	6 912 531	1	65	63.68	0.33	64.00	1	65
C. Programme Management		942 663	29 511	972 174	3	9	8.73	0.27	9.00	3	9
Total BASELINE COSTS		10 542 848	134 898	10 677 746	1	100	97.62	1.25	98.87	1	100
Physical Contingencies		-	-	-	-	-	-	-	-	-	-
Price Contingencies		1 711 983	10 997	1 722 980	1	16	8.94	0.02	8.96	-	9
Total PROJECT COSTS		12 254 831	145 895	12 400 726	1	116	106.56	1.27	107.83	1	109

Table 2: Programme Components by Year – base costs

Pakistan AJK Community Development Project-II Project Components by Year -- Base Costs (US\$ Million)		Base Cost						
		2018	2019	2020	2021	2022	2023	Total
A. CDD for Livelihoods Enhancement								
1. Capacity Building for CDD		1.39	1.40	1.77	1.24	0.62	0.62	7.04
2. Poverty Graduation		2.38	3.67	3.89	4.11	2.80	1.95	18.82
Subtotal CDD for Livelihoods Enhancement		3.77	5.07	5.66	5.36	3.42	2.57	25.86
B. Institutional Strengthening and Public Services Delivery								
1. Capacity Building and Public Services Delivery		3.01	4.06	4.48	6.44	9.81	1.08	28.88
2. Community Physical Infrastructure		5.37	6.00	6.00	6.01	6.05	5.71	35.12
Subtotal Instit. Strengthening and Public Services Delivery		8.38	10.06	10.48	12.44	15.86	6.79	64.00
C. Programme Management		2.11	1.40	1.37	1.37	1.35	1.40	9.00
Total BASELINE COSTS		14.26	16.53	17.51	19.17	20.64	10.76	98.87
Physical Contingencies		-	-	-	-	-	-	-
Price Contingencies								
Inflation								
Local		0.32	1.24	2.25	3.58	5.07	3.32	15.78
Foreign		0.01	0.00	0.01	-	-	-	0.02
Subtotal Inflation		0.33	1.25	2.26	3.58	5.07	3.32	15.80
Devaluation		-0.78	-1.07	-1.19	-1.38	-1.57	-0.86	-6.84
Subtotal Price Contingencies		-0.45	0.18	1.07	2.19	3.51	2.46	8.96
Total PROJECT COSTS		13.81	16.71	18.58	21.37	24.15	13.22	107.83

B. Programme financing

39. The programme is financed through: (i) an IFAD highly concessionary loan in the amount of approximately US\$ 36.4 million; (ii) an IFAD grant in the amount of US\$ 2.9 million; (iii) Government contribution in the amount of US\$ 62.4 million; (iv) beneficiary contribution of approximately US\$ 3.6 million; and (v) RSP contribution in the amount of US\$ 2.5 million.

40. The share of Government contribution will finance the associated costs of taxes and duties, share of salaries and operational budget, and more especially, will finance the bulk of the investments under Component 2 through leveraging of the allocations under the regular Annual Development Plan budget.

41. The table below presents the programme costs by component and financiers.

Table 3: Programme Components by Financiers

Pakistan
 AJK Community Development Project-II
Components by Financiers
 (US\$ Million)

	IFAD_Loan		IFAD_Grant		AJK Govt		Community		RSP		Total		For. Exch.	Local (Excl. Taxes)	Duties & Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
A. CDD for Livelihoods Enhancement															
1. Capacity Building for CDD	3.21	42.6	0.54	7.1	1.29	17.2	-	-	2.49	33.1	7.54	7.0	0.66	6.32	0.56
2. Poverty Graduation	16.29	79.8	-	-	4.11	20.2	-	-	-	-	20.40	18.9	-	20.40	-
Subtotal CDD for Livelihoods Enhancement	19.50	69.8	0.54	1.9	5.41	19.3	-	-	2.49	8.9	27.94	25.9	0.66	26.72	0.56
B. Institutional Strengthening and Public Services Delivery															
1. Capacity Building and Public Services Delivery	1.46	4.6	1.62	5.1	28.66	90.3	-	-	-	-	31.74	29.4	-	31.74	-
2. Community Physical Infrastructure	10.84	28.2	0.20	0.5	23.77	61.9	3.60	9.4	-	-	38.40	35.6	0.33	37.80	0.27
Subtotal Instit. Strengthening and Public Services Delivery	12.30	17.5	1.82	2.6	52.42	74.7	3.60	5.1	-	-	70.14	65.0	0.33	69.54	0.27
C. Programme Management	4.63	47.4	0.55	5.7	4.57	46.9	-	-	-	-	9.75	9.0	0.28	9.11	0.37
Total PROJECT COSTS	36.43	33.8	2.91	2.7	62.40	57.9	3.60	3.3	2.49	2.3	107.83	100.0	1.27	105.37	1.20

C. Detailed cost tables

Component 1, Sub-Component 1.1

Unit	Quantities							Unit Cost (Pak Rs)	Unit Cost (US\$)	Base Cost (US\$ Million)						Totals Including Contingencies (US\$ Million)									
	2018	2019	2020	2021	2022	2023	Total			2018	2019	2020	2021	2022	2023	Total	2018	2019	2020	2021	2022	2023	Total		
I. Investment Costs																									
A. Surveys & Investigation																									
Baseline & Ground verification of COs	Lumpsum	1	-	-	-	-	-	1	2,140,000	20,000	0.02	-	-	-	-	-	0.02	0.02	-	-	-	-	-	-	0.02
B. Civil Work																									
Construction of AJKRSP Headoffice	sq.ft	3 000	6 000	6 000	-	-	-	15 000	4,280	40	0.12	0.24	0.24	-	-	-	0.60	0.12	0.25	0.25	-	-	-	-	0.62
C. Vehicles																									
Double Cabin /a	district	2	-	-	-	-	-	2	3,745,000	35,000	0.07	-	-	-	-	-	0.07	0.07	-	-	-	-	-	-	0.07
Jeep 4x4 Petrol 1000 cc/b	unit	15	-	-	-	-	-	15	2,675,000	25,000	0.38	-	-	-	-	-	0.38	0.38	-	-	-	-	-	-	0.38
Motorcycles	unit	20	-	-	-	-	-	20	133,750	1,250	0.03	-	-	-	-	-	0.03	0.02	-	-	-	-	-	-	0.02
Office equipment for HQ, District & field Offices	lumpsum	1	-	-	-	-	-	1	16,050,000	150,000	0.15	-	-	-	-	-	0.15	0.15	-	-	-	-	-	-	0.15
Furniture & Fixtures for HQ, Dist and Field Offices	lumpsum	1	-	-	-	-	-	1	5,350,000	50,000	0.05	-	-	-	-	-	0.05	0.05	-	-	-	-	-	-	0.05
Subtotal Vehicles																									
											0.67	-	-	-	-	-	0.67	0.67	-	-	-	-	-	0.67	
D. Training																									
Training of LSOs	district	10	10	10	10	-	-	40	107,000	1,000	0.01	0.01	0.01	0.01	-	-	0.04	0.01	0.01	0.01	0.01	-	-	-	0.04
Orientation training for Line Agencies /b	district	10	-	10	-	-	-	20	214,000	2,000	0.02	-	0.02	-	-	-	0.04	0.02	-	0.02	-	-	-	-	0.04
Manager's Annual Conferences	LS	10	10	10	10	10	10	60	214,000	2,000	0.02	0.02	0.02	0.02	0.02	0.02	0.12	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.13
Subtotal Training																									
											0.05	0.03	0.05	0.03	0.02	0.02	0.20	0.05	0.03	0.05	0.03	0.02	0.02	0.21	
E. Technical Assistance																									
Institutions Development Specialist	p/months	12	12	6	-	-	-	30	749,000	7,000	0.08	0.08	0.04	-	-	-	0.21	0.08	0.08	0.04	-	-	-	-	0.21
Financial Management Specialist	p/month	2	2	-	-	-	-	4	749,000	7,000	0.01	0.01	-	-	-	-	0.03	0.01	0.01	-	-	-	-	-	0.03
Short-Term TA for Manuals and Process Development	p/month	4	3	3	-	-	-	10	749,000	7,000	0.03	0.02	0.02	-	-	-	0.07	0.03	0.02	0.02	-	-	-	-	0.07
Subtotal Technical Assistance																									
											0.13	0.12	0.06	-	-	-	0.31	0.12	0.12	0.07	-	-	-	0.31	
Total Investment Costs																									
											0.99	0.39	0.35	0.03	0.02	0.02	1.80	0.98	0.40	0.37	0.03	0.02	0.02	1.83	
II. Recurrent Costs																									
A. CO Mobilization, Planning etc.																									
COs Mobilization, Planning & Implementation	No	1 200	3 000	4 200	3 600	-	-	12 000	32,100	300	0.36	0.90	1.26	1.08	-	-	3.60	0.35	0.91	1.34	1.20	-	-	-	3.80
VO formation /c	No	200	500	700	600	-	-	2 000	21,400	200	0.04	0.10	0.14	0.12	-	-	0.40	0.04	0.10	0.15	0.13	-	-	-	0.42
LSO formation & strengthening /d	No	20	50	70	60	-	-	200	21,400	200	0.00	0.01	0.01	0.01	-	-	0.04	0.00	0.01	0.01	0.01	-	-	-	0.04
Sustainability of COs/ VO/s/ LSOs /e	No	-	-	-	-	12 000	12 000	24 000	5,350	50	-	-	-	-	0.60	0.60	1.20	-	-	-	-	0.70	0.74	-	1.44
Total Recurrent Costs																									
											0.40	1.01	1.41	1.21	0.60	0.60	5.24	0.39	1.02	1.50	1.35	0.70	0.74	5.70	
Total																									
											1.39	1.40	1.77	1.24	0.62	0.62	7.04	1.37	1.42	1.87	1.38	0.73	0.76	7.54	

\a

a For AJKRSP head office

\b training in 3rd year to update in the light of past experiences

\c 6 COs per VO

\d 10 VO/s per LSO

\e by CDD

Component 1, Sub-Component 1.2

Unit	Quantities							Unit Cost (Pak Rs)	Unit Cost (US\$)	Base Cost (US\$ Million)							Totals Including Contingencies (US\$ Million)								
	2018	2019	2020	2021	2022	2023	Total			2018	2019	2020	2021	2022	2023	Total	2018	2019	2020	2021	2022	2023	Total		
I. Investment Costs																									
A. Asset Creation for Ultra poor																									
Selection of Beneficiaries (0-11 PSC)	persons	3 000	5 000	5 000	5 000	2 000	-	20 000	1,070	10	0.03	0.05	0.05	0.05	0.02	-	0.20	0.03	0.05	0.06	0.02	-	0.21		
Asset provision with Training /a	persons	3 000	5 000	5 000	5 000	2 000	-	20 000	53,500	500	1.50	2.50	2.50	2.50	1.00	-	10.00	1.44	2.53	2.65	2.79	1.17	-	10.59	
Subtotal Asset Creation for Ultra poor												1.53	2.55	2.55	2.55	1.02	-	10.20	1.47	2.58	2.71	2.84	1.19	-	10.80
B. Skills & Vocations for Very poor & Poor																									
1. Technical & Vocational training - 6 months																									
Drivers of Heavy machinery /b	persons	150	150	150	150	150	150	900	10,700	100	0.02	0.02	0.02	0.02	0.02	0.02	0.09	0.01	0.02	0.02	0.02	0.02	0.02	0.10	
Mechanics	persons	150	150	150	150	150	150	900	10,700	100	0.02	0.02	0.02	0.02	0.02	0.02	0.09	0.01	0.02	0.02	0.02	0.02	0.02	0.10	
Welders	persons	150	150	150	150	150	150	900	10,700	100	0.02	0.02	0.02	0.02	0.02	0.02	0.09	0.01	0.02	0.02	0.02	0.02	0.02	0.10	
Heavy Duty Machinery Operators	persons	150	150	150	150	150	150	900	10,700	100	0.02	0.02	0.02	0.02	0.02	0.02	0.09	0.01	0.02	0.02	0.02	0.02	0.02	0.10	
Knitting & Embroidery (w omen)	persons	300	300	300	300	300	300	1 800	10,700	100	0.03	0.03	0.03	0.03	0.03	0.03	0.18	0.03	0.03	0.03	0.03	0.04	0.04	0.20	
Tourism Services and Skills	persons	150	150	150	150	150	150	900	10,700	100	0.02	0.02	0.02	0.02	0.02	0.02	0.09	0.01	0.02	0.02	0.02	0.02	0.02	0.10	
Others	persons	150	150	150	150	150	150	900	10,700	100	0.02	0.02	0.02	0.02	0.02	0.02	0.09	0.01	0.02	0.02	0.02	0.02	0.02	0.10	
Subtotal Technical & Vocational training - 6 months												0.12	0.12	0.12	0.12	0.12	0.12	0.72	0.12	0.12	0.13	0.13	0.14	0.15	0.79
2. Technical & Vocational Trainings - 3 months																									
as Beautician - females	persons	300	300	300	300	300	300	1 800	18,725	175	0.05	0.05	0.05	0.05	0.05	0.05	0.32	0.05	0.05	0.06	0.06	0.06	0.06	0.34	
in Sewing - male/ female	persons	300	300	300	300	300	300	1 800	18,725	175	0.05	0.05	0.05	0.05	0.05	0.05	0.32	0.05	0.05	0.06	0.06	0.06	0.06	0.34	
in Computer skills	persons	500	500	500	500	500	500	3 000	18,725	175	0.09	0.09	0.09	0.09	0.09	0.09	0.53	0.08	0.09	0.09	0.10	0.10	0.11	0.57	
Mobile repair	persons	600	600	600	600	600	600	3 600	18,725	175	0.11	0.11	0.11	0.11	0.11	0.11	0.63	0.10	0.11	0.11	0.12	0.12	0.13	0.69	
Refrigeration/ Air-conditioning	persons	300	300	300	300	300	300	1 800	18,725	175	0.05	0.05	0.05	0.05	0.05	0.05	0.32	0.05	0.05	0.06	0.06	0.06	0.06	0.34	
Electrician	persons	200	200	200	200	200	200	1 200	18,725	175	0.04	0.04	0.04	0.04	0.04	0.04	0.21	0.03	0.04	0.04	0.04	0.04	0.04	0.23	
Masons	persons	250	250	250	250	250	250	1 500	18,725	175	0.04	0.04	0.04	0.04	0.04	0.04	0.26	0.04	0.04	0.05	0.05	0.05	0.05	0.29	
Plumbing	persons	150	150	150	150	150	150	900	18,725	175	0.03	0.03	0.03	0.03	0.03	0.03	0.16	0.03	0.03	0.03	0.03	0.03	0.03	0.17	
Others	persons	150	150	150	150	150	150	900	18,725	175	0.03	0.03	0.03	0.03	0.03	0.03	0.16	0.03	0.03	0.03	0.03	0.03	0.03	0.17	
Subtotal Technical & Vocational Trainings - 3 months												0.48	0.48	0.48	0.48	0.48	0.48	2.89	0.46	0.49	0.51	0.54	0.56	0.59	3.15
3. Enterprise Development Support (0-24 PSC) /c																									
Crafts (sewing, knitting, embroidery, carpentry) /d	persons	200	300	400	500	600	600	2 600	53,500	500	0.10	0.15	0.20	0.25	0.30	0.30	1.30	0.10	0.15	0.21	0.28	0.35	0.37	1.46	
Service Enterprises (Electrician, Welding, Plumbing etc.)	persons	100	200	300	400	500	600	2 100	53,500	500	0.05	0.10	0.15	0.20	0.25	0.30	1.05	0.05	0.10	0.16	0.22	0.29	0.37	1.19	
Tourism Enterprises	persons	50	100	100	100	100	100	550	107,000	1,000	0.05	0.10	0.10	0.10	0.10	0.10	0.55	0.05	0.10	0.11	0.11	0.12	0.12	0.61	
Support for Foreign Employment post TVET Completion /e	persons	-	100	200	300	400	500	1 500	128,400	1,200	-	0.12	0.24	0.36	0.48	0.60	1.80	-	0.12	0.25	0.40	0.56	0.74	2.08	
Others	persons	50	50	50	50	50	50	300	107,000	1,000	0.05	0.05	0.05	0.05	0.05	0.05	0.30	0.05	0.05	0.06	0.06	0.06	0.06	0.33	
Subtotal Enterprise Development Support (0-24 PSC)												0.25	0.52	0.74	0.96	1.18	1.35	5.00	0.24	0.53	0.79	1.07	1.38	1.66	5.66
Subtotal Skills & Vocations for Very poor & Poor												0.85	1.12	1.34	1.56	1.78	1.95	8.61	0.82	1.13	1.42	1.74	2.09	2.40	9.60
Total												2.38	3.67	3.89	4.11	2.80	1.95	18.81	2.29	3.71	4.13	4.58	3.28	2.40	20.40

/a A flexible menu of productive assets will be used matching each families circumstances

/b bulldozer, crane, lifter etc

/c Beneficiaries who successfully complete TVET and wish to start own enterprise will be supported through a basic start-up kit

/d training in basic milk processing equipment

/e To meet the cost of basic documentation (passport, Visa etc. and air-ticket) once a firm job placement offer is received

Component 2, Sub-Component 2.1

	Unit	Quantities							Unit Cost (Pak Rs)	Unit Cost (US\$)	Base Cost (US\$ Million)							Totals Including Contingencies (US\$ Million)							
		2018	2019	2020	2021	2022	2023	Total			2018	2019	2020	2021	2022	2023	Total	2018	2019	2020	2021	2022	2023	Total	
I. Investment Costs																									
A. Capacity Building of Line Agencies /a																									
Strengthening of Agriculture Research System -Equipment and Infrastructure /b	ls	1	-	-	-	-	-	1	53,500,000	500,000	0.50	-	-	-	-	-	0.50	0.48	-	-	-	-	-	-	0.48
Strengthening of Artificial Insemination Cold Chain and Delivery /c	ls	1	-	-	-	-	-	1	53,500,000	500,000	0.50	-	-	-	-	-	0.50	0.48	-	-	-	-	-	-	0.48
Local training For Agri Extension, Research and Livestock Staff /d	p/days	250	250	250	-	-	-	750	80,250	750	0.19	0.19	0.19	-	-	-	0.56	0.18	0.19	0.20	-	-	-	-	0.57
Subtotal Capacity Building of Line Agencies											1.19	0.19	0.19	-	-	-	1.56	1.14	0.19	0.20	-	-	-	-	1.53
B. Agriculture Extension & Marketing																									
Training, Demo & Inputs for High Value Commercial Veg Prod&Marketing /e	groups	30	50	60	50	10	-	200	53,500	500	0.02	0.03	0.03	0.03	0.01	-	0.10	0.01	0.03	0.03	0.03	0.01	-	-	0.11
Training, Demo & Inputs for Fruit Prod&Marketing	groups	40	40	40	40	40	-	200	53,500	500	0.02	0.02	0.02	0.02	0.02	-	0.10	0.02	0.02	0.02	0.02	0.02	-	-	0.11
Training & Inputs for climate resilient crop varieties	acre	250	250	250	250	250	250	1,500	21,400	200	0.05	0.05	0.05	0.05	0.05	0.05	0.30	0.05	0.05	0.05	0.06	0.06	0.06	0.06	0.33
Tunnel Farming for high value vegetable productions Demos	No	-	200	300	300	400	400	1,600	21,400	200	-	0.04	0.06	0.06	0.08	0.08	0.32	-	0.04	0.06	0.07	0.09	0.10	0.10	0.36
Introduction & Seed multiplication of improved Maize/Wheat	acre	200	350	350	350	350	-	1,600	10,700	100	0.02	0.04	0.04	0.04	0.04	-	0.16	0.02	0.04	0.04	0.04	0.04	-	-	0.17
Training, Group Formation & Inputs for Honey Prod	groups	100	100	100	100	100	-	500	107,000	1,000	0.10	0.10	0.10	0.10	0.10	-	0.50	0.10	0.10	0.11	0.11	0.12	-	-	0.53
Training, Group Formation & Inputs for Floriculture	groups	100	100	100	100	100	-	500	53,500	500	0.05	0.05	0.05	0.05	0.05	-	0.25	0.05	0.05	0.05	0.06	0.06	-	-	0.27
Training, Group Formation & Inputs for Sericulture	groups	100	100	100	100	100	100	600	53,500	500	0.05	0.05	0.05	0.05	0.05	0.05	0.30	0.05	0.05	0.05	0.06	0.06	0.06	0.06	0.33
Training, Group Formation & Inputs for Fish Farming	groups	100	100	100	100	100	-	500	107,000	1,000	0.10	0.10	0.10	0.10	0.10	-	0.50	0.10	0.10	0.11	0.11	0.12	-	-	0.53
Subtotal Agriculture Extension & Marketing											0.41	0.47	0.50	0.49	0.49	0.18	2.53	0.39	0.48	0.53	0.55	0.57	0.22	-	2.73
C. Livestock Production and Marketing																									
Backyard Poultry Production - Training & Inputs (0-24 PSC) /f	unit	1 000	1 000	1 000	1 000	1 000	1 000	6 000	2,675	25	0.03	0.03	0.03	0.03	0.03	0.03	0.15	0.02	0.03	0.03	0.03	0.03	0.03	0.03	0.16
Commercial Poultry Production by Women /g	groups	50	50	50	50	50	-	250	107,000	1,000	0.05	0.05	0.05	0.05	0.05	-	0.25	0.05	0.05	0.05	0.06	0.06	-	-	0.27
Milk processing, preservation and value addition /h	groups	40	40	40	40	40	-	200	53,500	500	0.02	0.02	0.02	0.02	0.02	-	0.10	0.02	0.02	0.02	0.02	0.02	-	-	0.11
Collective Milk marketing /i	groups	40	40	40	40	40	-	200	107,000	1,000	0.04	0.04	0.04	0.04	0.04	-	0.20	0.04	0.04	0.04	0.04	0.05	-	-	0.21
Replacement of scrub breed cows and buffaloes /j	No	500	500	500	500	500	-	2,500	42,800	400	0.02	0.04	0.04	0.04	0.04	-	0.18	0.02	0.04	0.04	0.04	0.05	-	-	0.19
Placement of Improved Breed Bucks & Rams /k	No	50	100	100	100	100	-	450	42,800	400	0.02	0.04	0.04	0.04	0.04	-	0.18	0.02	0.04	0.04	0.04	0.05	-	-	0.19
Silage making Demonstration inputs	No	400	400	400	400	400	-	2,000	10,700	100	0.04	0.04	0.04	0.04	0.04	-	0.20	0.04	0.04	0.04	0.04	0.05	-	-	0.21
Subtotal Livestock Production and Marketing											0.20	0.22	0.22	0.22	0.22	0.03	1.08	0.19	0.22	0.23	0.24	0.25	0.03	-	1.16
D. Community Forestry and Afforestation																									
Farmer operated Forest Nurseries /l	acres	40	40	40	40	40	40	240	37,450	350	0.01	0.01	0.01	0.01	0.01	0.01	0.08	0.01	0.01	0.01	0.02	0.02	0.02	0.02	0.09
Community Afforestation /m	acres	-	3 000	3 000	4 000	5 000	5 000	20 000	16,050	150	-	0.45	0.45	0.60	0.75	0.75	3.00	-	0.46	0.48	0.67	0.88	0.92	3.40	3.40
Community Rangeland Improvement and Conservation /n	acres	-	500	1 000	1 000	1 000	1 000	4 500	10,700	100	-	0.05	0.10	0.10	0.10	0.10	0.45	-	0.05	0.11	0.11	0.12	0.12	0.51	0.51
Subtotal Community Forestry and Afforestation											0.01	0.51	0.56	0.71	0.86	0.86	3.53	0.01	0.52	0.60	0.80	1.01	1.06	4.00	4.00
E. Farmer Conferences and Field Days																									
Farmer Production and Marketing Conferences /o	No	10	10	10	10	10	10	60	107,000	1,000	0.01	0.01	0.01	0.01	0.01	0.01	0.06	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.07
Farmer Field Days and Exchange Visits	No	20	50	100	100	100	100	470	5,350	50	0.00	0.00	0.01	0.01	0.01	0.01	0.02	0.00	0.00	0.01	0.01	0.01	0.01	0.01	0.03
Subtotal Farmer Conferences and Field Days											0.01	0.01	0.02	0.02	0.02	0.02	0.08	0.01	0.01	0.02	0.02	0.02	0.02	0.02	0.09
F. Line Departments' Contribution through ADP Funding /p																									
											1.12	2.60	3.00	5.00	8.22	-	19.94	1.08	2.63	3.19	5.58	9.62	-	22.09	
Total Investment Costs											2.93	4.00	4.48	6.43	9.80	1.08	28.73	2.82	4.04	4.75	7.17	11.48	1.33	31.61	
II. Recurrent Costs																									
A. Overhead Delivery costs for Line agencies /q																									
											0.08	0.05	-	-	-	-	0.13	0.08	0.05	-	-	-	-	0.13	
Total Recurrent Costs											0.08	0.05	-	-	-	-	0.13	0.08	0.05	-	-	-	-	0.13	
Total											3.01	4.05	4.48	6.43	9.80	1.08	28.86	2.90	4.10	4.75	7.17	11.48	1.33	31.74	

/a Livestock, Agriculture, Water Management, Fisheries, Sericulture etc

/b Inputs to be decided on the basis of detailed review and comprehensive proposal submitted to CDDU

/c Inputs to be decided on the basis of detailed proposal by Livestock Department to CDDU

/d In value chain development and marketing of crops where AJK has comparative Advantage. In participatory extension techniques, value chains and production of high value on-farm and off farm products

/e Male & Female

/f Only females in poverty score card bracket of 0-24 will be eligible

/g Initial Demonstration broods and cage development with local materials - further commercialization and expansion through access to credit

/h Provision of training in production, preservation, value addition and marketing and provision of small processing equipment

/i Training in collective milk marketing, market linkages and provision of demonstration utensils/hygenic drums for transportation

/j Awareness about appropriate breeds and their sources and linkage to micro-finance/credit for replacement of existing scrub breed cows & buffaloes (financed through credit line reflected at "H")

/k Procurement and placement in COs with sizeable goat and sheep herds with persons elected by CO for provision of fairly priced service

/l Training and establishment of nurseries with CO nominated farmers. Output of nurseries will be procured by Forest Department (under purchase agreements) for community afforestation and others

/m Under an agreement with the COs for planting and conservation - Programme to finance plant cost and transportation cost.

/n Under an agreement with beneficiary community outlining rangeland management responsibilities - programme to finance costs for signage, fencing with local materials and small works for drainage and erosion prevention

/o Annual district level conferences involving line agencies and representative farmers from groups engaged in value chain development and marketing to share best practices

/p Estimated investments from line agencies annual development budgets in support of community development plan interventions over and above the AJKCDP-II interventions

/q @ 5% of investment

Component 2, Sub-Component 2.2

	Unit	Quantities							Unit Cost (Pak Rs)	Unit Cost (US\$)	Base Cost (US\$ Million)							Totals Including Contingencies (US\$ Million)							
		2018	2019	2020	2021	2022	2023	Total			2018	2019	2020	2021	2022	2023	Total	2018	2019	2020	2021	2022	2023	Total	
I. Investment Costs																									
A. Technical Assistance																									
Policy and Regulatory Framework Consultant	p/month	3	3	-	-	-	-	6	749,000	7,000	0.02	0.02	-	-	-	-	0.04	0.02	0.02	-	-	-	-	-	0.04
Social Mobilization Audit	p/month	1	-	1	-	1	-	3	749,000	7,000	0.01	-	0.01	-	0.01	-	0.02	0.01	-	0.01	-	0.01	-	-	0.02
IT Based Decentralized Financial Management Consultant	p/month	1	1	-	-	-	-	2	749,000	7,000	0.01	0.01	-	-	-	-	0.01	0.01	0.01	-	-	-	-	-	0.01
Revision/Updating of Local Govt. Act 1990	p/month	4	-	-	-	-	-	4	749,000	7,000	0.03	-	-	-	-	-	0.03	0.03	-	-	-	-	-	-	0.03
Revision/Updating of Operations Manual	p/month	3	-	-	-	-	-	3	749,000	7,000	0.02	-	-	-	-	-	0.02	0.02	-	-	-	-	-	-	0.02
IT Based Planning, Reporting and M&E Systems	p/month	4	-	-	-	-	-	4	749,000	7,000	0.03	-	-	-	-	-	0.03	0.03	-	-	-	-	-	-	0.03
Development of Quality and Engineering Standards for CPIs	p/month	3	-	-	-	-	-	3	749,000	7,000	0.02	-	-	-	-	-	0.02	0.02	-	-	-	-	-	-	0.02
Other Short Term Consultants	p/month	4	-	-	-	-	-	4	749,000	7,000	0.03	-	-	-	-	-	0.03	0.03	-	-	-	-	-	-	0.03
Subtotal Technical Assistance												0.16	0.03	0.01	-	0.01	-	0.20	0.16	0.03	0.01	-	0.01	-	0.20
B. Equipment and Vehicles for LGRD																									
Computers, printers, copiers and networking for field offices & HQ	lump sum	1	-	-	-	-	-	1	10,700,000	100,000	0.10	-	-	-	-	-	0.10	0.10	-	-	-	-	-	-	0.10
Survey and field equipment	unit	4	-	-	-	-	-	4	1,284,000	12,000	0.05	-	-	-	-	-	0.05	0.05	-	-	-	-	-	-	0.05
Furniture and Fixtures	lump sum	1	-	-	-	-	-	1	1,605,000	15,000	0.02	-	-	-	-	-	0.02	0.01	-	-	-	-	-	-	0.01
Double-Cabin Pickups(4x4)	unit	5	-	-	-	-	-	5	3,745,000	35,000	0.18	-	-	-	-	-	0.18	0.18	-	-	-	-	-	-	0.18
Jeep Petrol (4x4) 1000cc	unit	15	-	-	-	-	-	15	2,675,000	25,000	0.38	-	-	-	-	-	0.38	0.38	-	-	-	-	-	-	0.38
Motorcycle 125cc	unit	41	-	-	-	-	-	41	128,400	1,200	0.05	-	-	-	-	-	0.05	0.05	-	-	-	-	-	-	0.05
Subtotal Equipment and Vehicles for LGRD												0.76	-	-	-	-	0.76	0.76	-	-	-	-	-	-	0.76
C. Trainings																									
LGRD Staff in Participatory Approaches & Social Mobilization /a	p/days	125	125	-	-	-	-	250	7,490	70	0.01	0.01	-	-	-	-	0.02	0.01	0.01	-	-	-	-	-	0.02
LGRD Staff in CPI planning, execution and Management	p/days	125	125	-	-	-	-	250	7,490	70	0.01	0.01	-	-	-	-	0.02	0.01	0.01	-	-	-	-	-	0.02
LGRD Staff in Financial Management	p/days	125	125	-	-	-	-	250	7,490	70	0.01	0.01	-	-	-	-	0.02	0.01	0.01	-	-	-	-	-	0.02
In-Country Study Tours for Key staff	persons	10	-	10	-	-	-	20	181,900	1,700	0.02	-	0.02	-	-	-	0.03	0.02	-	0.02	-	-	-	-	0.03
Training & Capacity Building of COs in O&M of Infrastructures /a	persons	200	500	1 000	2 000	3 000	-	6 700	1,070	10	0.00	0.01	0.01	0.02	0.03	-	0.07	0.00	0.01	0.01	0.01	0.02	0.04	-	0.08
Subtotal Trainings												0.05	0.03	0.03	0.02	0.03	-	0.15	0.04	0.03	0.03	0.02	0.04	-	0.16
D. Incremental Staff																									
Director CDD /b	person	1	1	1	1	1	1	6	2,140,000	20,000	0.02	0.02	0.02	0.02	0.02	0.02	0.12	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.13
Assistant Director CDD	person	1	1	1	1	1	1	6	1,605,000	15,000	0.02	0.02	0.02	0.02	0.02	0.02	0.09	0.01	0.02	0.02	0.02	0.02	0.02	0.02	0.10
Director M&E/IT	person	1	1	1	1	1	1	6	2,140,000	20,000	0.02	0.02	0.02	0.02	0.02	0.02	0.12	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.13
System Analyst	person	1	1	1	1	1	1	6	1,926,000	18,000	0.02	0.02	0.02	0.02	0.02	0.02	0.11	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.12
Web Manager	person	1	1	1	1	1	1	6	1,605,000	15,000	0.02	0.02	0.02	0.02	0.02	0.02	0.09	0.01	0.02	0.02	0.02	0.02	0.02	0.02	0.10
Assistants	person	1	1	1	1	1	1	6	642,000	6,000	0.01	0.01	0.01	0.01	0.01	0.01	0.04	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.04
Support Staff (Drivers/Peons)	person	1	1	1	1	1	1	6	428,000	4,000	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03
Subtotal Incremental Staff												0.10	0.10	0.10	0.10	0.10	0.59	0.09	0.10	0.10	0.11	0.11	0.12	-	0.64

Sub-Component 2.2 continued...

E Construction of Economic & Productive Infrastructures																								
1. Rural Access roads																								
Upgrading of Fair Weather roads	km	10	22	22	22	22	22	120	5,885,000	55,000	0.55	1.21	1.21	1.21	1.21	1.21	6.60	0.53	1.22	1.28	1.35	1.42	1.49	7.29
Construction of New metalled roads	km	6	6	6	6	6	6	36	10,700,000	100,000	0.60	0.60	0.60	0.60	0.60	0.60	3.60	0.58	0.61	0.64	0.67	0.70	0.74	3.93
Foot path/ Bridges	No	2	4	4	4	4	2	20	2,675,000	25,000	0.05	0.10	0.10	0.10	0.10	0.05	0.50	0.05	0.10	0.11	0.11	0.12	0.06	0.55
Concrete/ PCC Link roads	km	20	40	40	40	40	40	220	1,070,000	10,000	0.20	0.40	0.40	0.40	0.40	0.40	2.20	0.19	0.40	0.42	0.45	0.47	0.49	2.43
Trail path/ Foot (bridal) steps	No	30	40	40	40	40	40	230	535,000	5,000	0.15	0.20	0.20	0.20	0.20	0.20	1.15	0.14	0.20	0.21	0.22	0.23	0.25	1.26
Culverts/ Super passage, Others	No	5	10	10	10	10	10	55	428,000	4,000	0.02	0.04	0.04	0.04	0.04	0.04	0.22	0.02	0.04	0.04	0.04	0.05	0.05	0.24
Subtotal Rural Access roads											1.57	2.55	2.55	2.55	2.55	2.50	14.27	1.51	2.58	2.71	2.84	2.99	3.07	15.70
2. Irrigation Schemes																								
Water Channel Improvement & Rehabilitation	No	25	25	25	25	25	25	150	802,500	7,500	0.19	0.19	0.19	0.19	0.19	0.19	1.13	0.18	0.19	0.20	0.21	0.22	0.23	1.23
Watercourse lining	No	10	10	10	10	10	10	60	395,900	3,700	0.04	0.04	0.04	0.04	0.04	0.04	0.22	0.04	0.04	0.04	0.04	0.04	0.05	0.24
Tubew ell installation	No	2	3	3	3	3	1	15	599,200	5,600	0.01	0.02	0.02	0.02	0.02	0.01	0.08	0.01	0.02	0.02	0.02	0.02	0.01	0.09
Lift Irrigation Schemes	No	3	6	6	6	6	3	30	502,900	4,700	0.01	0.03	0.03	0.03	0.03	0.01	0.14	0.01	0.03	0.03	0.03	0.03	0.02	0.15
Water tanks	No	10	20	20	20	20	10	100	599,200	5,600	0.06	0.11	0.11	0.11	0.11	0.06	0.56	0.05	0.11	0.12	0.12	0.13	0.07	0.61
Flood Protection works	No	10	15	15	15	15	10	80	802,500	7,500	0.08	0.11	0.11	0.11	0.11	0.08	0.60	0.07	0.11	0.12	0.13	0.13	0.09	0.65
Storage tanks for Kitchen gardening	No	20	40	40	40	40	20	200	502,900	4,700	0.09	0.19	0.19	0.19	0.19	0.09	0.94	0.09	0.19	0.20	0.21	0.22	0.12	1.03
Subtotal Irrigation Schemes											0.47	0.68	0.68	0.68	0.68	0.47	3.67	0.46	0.69	0.72	0.76	0.80	0.58	4.01
Subtotal Construction of Economic & Productive Infrastructures											2.04	3.23	3.23	3.23	3.23	2.97	17.94	1.97	3.27	3.43	3.60	3.78	3.65	19.71
F. Construction of Social Infrastructures																								
Drinking Water supply	schemes	145	145	145	145	145	145	870	1,203,750	11,250	1.63	1.63	1.63	1.63	1.63	1.63	9.79	1.57	1.65	1.73	1.82	1.91	2.01	10.69
Rain Water harvesting & Storage	km	30	40	40	40	40	40	230	599,200	5,600	0.17	0.22	0.22	0.22	0.22	0.22	1.29	0.16	0.23	0.24	0.25	0.26	0.28	1.41
Street pavement	No	10	30	30	30	30	30	160	599,200	5,600	0.06	0.17	0.17	0.17	0.17	0.17	0.90	0.05	0.17	0.18	0.19	0.20	0.21	0.99
Mini/ Micro Hydro schemes	No	1	2	2	2	2	1	10	1,498,000	14,000	0.01	0.03	0.03	0.03	0.03	0.01	0.14	0.01	0.03	0.03	0.03	0.03	0.02	0.15
Bio-gas units	No	2	4	4	4	4	2	20	251,450	2,350	0.00	0.01	0.01	0.01	0.01	0.00	0.05	0.00	0.01	0.01	0.01	0.01	0.01	0.05
Solar units	No	10	20	20	20	20	20	110	321,000	3,000	0.03	0.06	0.06	0.06	0.06	0.06	0.33	0.03	0.06	0.06	0.07	0.07	0.07	0.36
Unallocated	LS	1	1	1	1	1	1	6	5,350,000	50,000	0.05	0.05	0.05	0.05	0.05	0.05	0.30	0.05	0.05	0.05	0.06	0.06	0.06	0.33
Subtotal Construction of Social Infrastructures											1.95	2.17	2.17	2.17	2.17	2.15	12.79	1.88	2.20	2.31	2.42	2.54	2.65	13.99
G. Construction supervision																								
1. Implementing Technical Department /c																								
Economic & Productive Infrastructures	%	1 000	1 000	1 000	1 000	1 000	1 000	6 000	20,989.833	196.167	0.12	0.20	0.21	0.22	0.23	0.22	1.18	0.11	0.20	0.22	0.24	0.27	0.27	1.30
Social Infrastructures	%	1 000	1 000	1 000	1 000	1 000	1 000	6 000	14,623.333	136.667	0.11	0.13	0.14	0.15	0.15	0.15	0.82	0.10	0.13	0.15	0.16	0.18	0.18	0.90
Subtotal Implementing Technical Department											0.22	0.33	0.34	0.36	0.38	0.36	2.00	0.21	0.33	0.37	0.40	0.44	0.45	2.20
2. to LSOs /d																								
Economic & Productive Infrastructures	%	1 000	1 000	1 000	1 000	1 000	1 000	6 000	6,990.667	65.333	0.04	0.07	0.07	0.07	0.08	0.07	0.39	0.04	0.07	0.07	0.08	0.09	0.09	0.43
Social Infrastructures	%	1 000	1 000	1 000	1 000	1 000	1 000	6 000	4,886.333	45.667	0.04	0.04	0.05	0.05	0.05	0.05	0.27	0.03	0.04	0.05	0.05	0.06	0.06	0.30
Subtotal to LSOs											0.07	0.11	0.12	0.12	0.13	0.12	0.67	0.07	0.11	0.12	0.13	0.15	0.15	0.73
Subtotal Construction supervision											0.30	0.44	0.46	0.48	0.51	0.48	2.66	0.29	0.44	0.49	0.54	0.59	0.60	2.94
Total											5.36	6.00	5.99	6.00	6.04	5.70	35.10	5.19	6.06	6.37	6.69	7.08	7.01	38.40

\a training in subsequent maintenance of structures built

\b training in subsequent maintenance of structures built

\c at 6% of capital cost

\d at 2% of capital cost

Programme Management continued...

II. Recurrent Costs																								
A. Community Driven Dev. Unit /d																								
1. Community Driven Dev. Unit /e																								
Director General	years	1	1	1	1	1	1	6	4,494,000	42,000	0.04	0.04	0.04	0.04	0.04	0.04	0.25	0.04	0.04	0.04	0.05	0.05	0.05	0.28
Director Finance	years	1	1	1	1	1	1	6	3,210,000	30,000	0.03	0.03	0.03	0.03	0.03	0.03	0.18	0.03	0.03	0.03	0.03	0.04	0.04	0.20
Deputy Director M&E	years	1	1	1	1	1	1	6	2,247,000	21,000	0.02	0.02	0.02	0.02	0.02	0.02	0.13	0.02	0.02	0.02	0.02	0.02	0.03	0.14
Deputy Director Law & Regulation	years	1	1	1	1	1	1	6	2,247,000	21,000	0.02	0.02	0.02	0.02	0.02	0.02	0.13	0.02	0.02	0.02	0.02	0.02	0.03	0.14
Deputy Director Gender, Poverty & Nutrition	years	1	1	1	1	1	1	6	2,247,000	21,000	0.02	0.02	0.02	0.02	0.02	0.02	0.13	0.02	0.02	0.02	0.02	0.02	0.03	0.14
Assistant Director Communication & K.M.	years	1	1	1	1	1	1	6	1,605,000	15,000	0.02	0.02	0.02	0.02	0.02	0.02	0.09	0.01	0.02	0.02	0.02	0.02	0.10	0.14
Assistant Director Procurement	years	1	1	1	1	1	1	6	2,247,000	21,000	0.02	0.02	0.02	0.02	0.02	0.02	0.13	0.02	0.02	0.02	0.02	0.02	0.03	0.14
Assistant Director Internal Audit	years	1	1	1	1	1	1	6	2,247,000	21,000	0.02	0.02	0.02	0.02	0.02	0.02	0.13	0.02	0.02	0.02	0.02	0.02	0.03	0.14
Accounts Officer /f	years	2	2	2	2	2	2	12	1,605,000	15,000	0.03	0.03	0.03	0.03	0.03	0.03	0.18	0.03	0.03	0.03	0.03	0.04	0.04	0.20
Office Superintendent /g	years	1	1	1	1	1	1	6	1,027,200	9,600	0.01	0.01	0.01	0.01	0.01	0.01	0.06	0.01	0.01	0.01	0.01	0.01	0.01	0.06
Assistants /h	years	4	4	4	4	4	4	24	1,027,200	9,600	0.04	0.04	0.04	0.04	0.04	0.04	0.23	0.04	0.04	0.04	0.04	0.04	0.05	0.25
Clerks	years	3	3	3	3	3	3	18	770,400	7,200	0.02	0.02	0.02	0.02	0.02	0.02	0.13	0.02	0.02	0.02	0.02	0.03	0.03	0.14
Record Keeper	years	1	1	1	1	1	1	6	770,400	7,200	0.01	0.01	0.01	0.01	0.01	0.01	0.04	0.01	0.01	0.01	0.01	0.01	0.01	0.05
Computer Operators	years	3	3	3	3	3	3	18	1,027,200	9,600	0.03	0.03	0.03	0.03	0.03	0.03	0.17	0.03	0.03	0.03	0.03	0.03	0.04	0.19
Naib Qasid	years	4	4	4	4	4	4	24	449,400	4,200	0.02	0.02	0.02	0.02	0.02	0.02	0.10	0.02	0.02	0.02	0.02	0.02	0.02	0.11
Drivers	years	5	5	5	5	5	5	30	1,027,200	9,600	0.05	0.05	0.05	0.05	0.05	0.05	0.29	0.05	0.05	0.05	0.05	0.06	0.06	0.31
Chowkidar	years	2	2	2	2	2	2	12	385,200	3,600	0.01	0.01	0.01	0.01	0.01	0.01	0.04	0.01	0.01	0.01	0.01	0.01	0.01	0.05
Subtotal Community Driven Dev. Unit											0.40	0.40	0.40	0.40	0.40	0.40	2.40	0.38	0.40	0.42	0.45	0.47	0.49	2.62
2. Salaries & Allowances - District Planning Offices /i																								
District Planning Officer	years	10	10	10	10	10	10	60	2,247,000	21,000	0.21	0.21	0.21	0.21	0.21	0.21	1.26	0.20	0.21	0.22	0.23	0.25	0.26	1.38
Accountant	years	10	10	10	10	10	10	60	1,027,200	9,600	0.10	0.10	0.10	0.10	0.10	0.10	0.58	0.09	0.10	0.10	0.11	0.11	0.12	0.63
Assistant	years	10	10	10	10	10	10	60	1,027,200	9,600	0.10	0.10	0.10	0.10	0.10	0.10	0.58	0.09	0.10	0.10	0.11	0.11	0.12	0.63
Clerk	years	10	10	10	10	10	10	60	556,400	5,200	0.05	0.05	0.05	0.05	0.05	0.05	0.31	0.05	0.05	0.06	0.06	0.06	0.06	0.34
Naib Qasid	years	10	10	10	10	10	10	60	449,400	4,200	0.04	0.04	0.04	0.04	0.04	0.04	0.25	0.04	0.04	0.04	0.05	0.05	0.05	0.28
Driver	years	10	10	10	10	10	10	60	449,400	4,200	0.04	0.04	0.04	0.04	0.04	0.04	0.25	0.04	0.04	0.04	0.05	0.05	0.05	0.28
Chowkidar	years	10	10	10	10	10	10	60	385,200	3,600	0.04	0.04	0.04	0.04	0.04	0.04	0.22	0.03	0.04	0.04	0.04	0.04	0.04	0.24
Subtotal Salaries & Allowances - District Planning											0.57	0.57	0.57	0.57	0.57	0.57	3.44	0.55	0.58	0.61	0.64	0.67	0.71	3.76
Subtotal Community Driven Dev. Unit											0.97	0.97	0.97	0.97	0.97	0.97	5.84	0.94	0.98	1.03	1.09	1.14	1.20	6.38
B. Operating costs																								
1. POL & Vehicle maintenance																								
Head Office /j	\$	6	6	6	6	6	6	36	374,500	3,500	0.02	0.02	0.02	0.02	0.02	0.02	0.13	0.02	0.02	0.02	0.02	0.02	0.03	0.14
District Planning offices	\$	10	10	10	10	10	10	60	321,000	3,000	0.03	0.03	0.03	0.03	0.03	0.03	0.18	0.03	0.03	0.03	0.03	0.04	0.04	0.20
Subtotal POL & Vehicle maintenance											0.05	0.05	0.05	0.05	0.05	0.05	0.31	0.05	0.05	0.05	0.06	0.06	0.06	0.33
2. TA/ DA																								
Head Office	LS	1	1	1	1	1	1	6	1,070,000	10,000	0.01	0.01	0.01	0.01	0.01	0.01	0.06	0.01	0.01	0.01	0.01	0.01	0.01	0.07
District Planning offices	LS	10	10	10	10	10	10	60	481,500	4,500	0.05	0.05	0.05	0.05	0.05	0.05	0.27	0.04	0.05	0.05	0.05	0.05	0.06	0.29
Subtotal TA/ DA											0.06	0.06	0.06	0.06	0.06	0.06	0.33	0.05	0.06	0.06	0.06	0.06	0.07	0.36
3. Office running cost																								
Head Office rent	LS	1	1	1	1	1	1	6	1,337,500	12,500	0.01	0.01	0.01	0.01	0.01	0.01	0.08	0.01	0.01	0.01	0.01	0.01	0.01	0.08
Head Office Stationery & Consumables	LS	10	10	10	10	10	10	60	642,000	6,000	0.06	0.06	0.06	0.06	0.06	0.06	0.36	0.06	0.06	0.06	0.07	0.07	0.07	0.39
District Planning Office Stationery & Consumables	LS	10	10	10	10	10	10	60	128,400	1,200	0.01	0.01	0.01	0.01	0.01	0.01	0.07	0.01	0.01	0.01	0.01	0.01	0.01	0.08
Subtotal Office running cost											0.08	0.08	0.08	0.08	0.08	0.08	0.51	0.08	0.09	0.09	0.09	0.10	0.10	0.55
4. Utilities																								
Head Office	LS	1	1	1	1	1	1	6	1,070,000	10,000	0.01	0.01	0.01	0.01	0.01	0.01	0.06	0.01	0.01	0.01	0.01	0.01	0.01	0.07
District Planning offices	LS	10	10	10	10	10	10	60	428,000	4,000	0.04	0.04	0.04	0.04	0.04	0.04	0.24	0.04	0.04	0.04	0.04	0.05	0.05	0.26
Subtotal Utilities											0.05	0.05	0.05	0.05	0.05	0.05	0.30	0.05	0.05	0.05	0.06	0.06	0.06	0.33
5. Conferences/ Workshops/ Seminars /k																								
Head Office	LS	1	1	1	1	1	1	6	535,000	5,000	0.01	0.01	0.01	0.01	0.01	0.01	0.03	0.00	0.01	0.01	0.01	0.01	0.01	0.03
District Planning Office	LS	10	10	10	10	10	10	60	267,500	2,500	0.03	0.03	0.03	0.03	0.03	0.03	0.15	0.02	0.03	0.03	0.03	0.03	0.03	0.16
Subtotal Conferences/ Workshops/ Seminars											0.03	0.03	0.03	0.03	0.03	0.03	0.18	0.03	0.03	0.03	0.03	0.04	0.04	0.20
6. Insurance																								
Head Office	LS	1	1	1	1	1	1	6	1,070,000	10,000	0.01	0.01	0.01	0.01	0.01	0.01	0.06	0.01	0.01	0.01	0.01	0.01	0.01	0.07
District offices	LS	10	10	10	10	10	10	60	321,000	3,000	0.03	0.03	0.03	0.03	0.03	0.03	0.18	0.03	0.03	0.03	0.03	0.04	0.04	0.20
Subtotal Insurance											0.04	0.04	0.04	0.04	0.04	0.04	0.24	0.04	0.04	0.04	0.04	0.05	0.05	0.26
Subtotal Operating costs											0.31	0.31	0.31	0.31	0.31	1.86	0.30	0.31	0.33	0.35	0.36	0.38	2.03	
Total Recurrent Costs											1.28	1.28	1.28	1.28	1.28	1.28	7.70	1.24	1.30	1.36	1.43	1.50	1.58	8.41
Total											2.11	1.40	1.37	1.37	1.35	1.40	9.00	2.05	1.41	1.45	1.53	1.59	1.72	9.75

/a for Technical assistance for framing rules/ regulations, legal & regulatory framework
 /b For Technical assistance for framing rules/ regulations, legal & regulatory framework
 /c For Head Office & Field Offices
 /d Designed to be a permanent structure within P&D
 /e at P&D Muzaffarabad
 /f for various Sections
 /g for various Sections
 /h For various Sections
 /i In each of the 10 districts in AJK
 /j including the Motorcycles
 /k at the end of each year

Expenditure Accounts by Financers

Pakistan

AJK Community Development Project-II

Expenditure Accounts by Financers

(US\$ Million)

	IFAD_Loan		IFAD_Grant		AJK Govt		Community		RSP		Total		For. Exch.	Local (Excl. Taxes)	Duties & Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
I. Investment Costs															
A. Works	10.84	29.6	-	-	22.20	60.6	3.60	9.8	-	-	36.64	34.0	-	36.64	-
B. Equipment & Materials	0.11	37.4	-	-	0.18	62.6	-	-	-	-	0.29	0.3	-	0.26	0.02
C. Trainings	-	-	1.85	69.7	0.80	30.3	-	-	-	-	2.66	2.5	-	2.66	-
D. Vehicles	0.31	12.7	-	-	2.15	87.3	-	-	-	-	2.46	2.3	1.27	0.11	1.08
E. Grants & Subsidies	17.64	35.0	-	-	32.74	65.0	-	-	-	-	50.39	46.7	-	50.39	-
F. Consultancy	-	-	1.06	91.6	0.10	8.4	-	-	-	-	1.16	1.1	-	1.06	0.10
Total Investment Costs	28.90	30.9	2.91	3.1	58.17	62.2	3.60	3.8	-	-	93.58	86.8	1.27	91.12	1.20
II. Recurrent Costs															
A. Salaries & Allowances	3.19	50.0	-	-	3.19	50.0	-	-	-	-	6.38	5.9	-	6.38	-
B. Operating costs	4.33	55.1	-	-	1.04	13.3	-	-	2.49	31.7	7.87	7.3	-	7.87	-
Total Recurrent Costs	7.52	52.8	-	-	4.23	29.7	-	-	2.49	17.5	14.25	13.2	-	14.25	-
Total PROJECT COSTS	36.43	33.8	2.91	2.7	62.40	57.9	3.60	3.3	2.49	2.3	107.83	100.0	1.27	105.37	1.20

Expenditure Accounts – Project cost summary

Pakistan		(Pak Rs '000)				(US\$ Million)				
AJK Community Development Project-II										
Expenditure Accounts Project Cost Summary										
	Local	Foreign	Total	% Foreign Exchange	% Total Base Costs	Local	Foreign	Total	% Foreign Exchange	% Total Base Costs
I. Investment Costs										
A. Works	3 608 836	-	3 608 836	-	34	33.42	-	33.42	-	34
B. Equipment & Materials	32 043	-	32 043	-	-	0.30	-	0.30	-	-
C. Trainings	281 144	-	281 144	-	3	2.60	-	2.60	-	3
D. Vehicles	127 466	134 898	262 365	51	2	1.18	1.25	2.43	51	2
E. Grants & Subsidies	4 959 494	-	4 959 494	-	46	45.92	-	45.92	-	46
F. Consultancy	120 498	-	120 498	-	1	1.12	-	1.12	-	1
Total Investment Costs	9 129 481	134 898	9 264 380	1	87	84.53	1.25	85.78	1	87
II. Recurrent Costs										
A. Salaries & Allowances	631 302	-	631 302	-	6	5.85	-	5.85	-	6
B. Operating costs	782 065	-	782 065	-	7	7.24	-	7.24	-	7
Total Recurrent Costs	1 413 366	-	1 413 366	-	13	13.09	-	13.09	-	13
Total BASELINE COSTS	10 542 848	134 898	10 677 746	1	100	97.62	1.25	98.87	1	100
Physical Contingencies	-	-	-	-	-	-	-	-	-	-
Price Contingencies	1 711 983	10 997	1 722 980	1	16	8.94	0.02	8.96	-	9
Total PROJECT COSTS	12 254 831	145 895	12 400 726	1	116	106.56	1.27	107.83	1	109

Expenditure Accounts by Components

Pakistan
 AJK Community Development Project-II
 Expenditure Accounts by Components - Base Costs
 (US\$ Million)

	CDD for Livelihoods Enhancement		Institutional Strengthening and Public Services Delivery			Total
	Capacity Building for CDD	Poverty Graduation	Cap. Bdg and Public Services Delivery	Community Physical Infrastructure	Programme Management	
I. Investment Costs						
A. Works	-	-	-	33.42	-	33.42
B. Equipment & Materials	-	-	-	0.16	0.13	0.30
C. Trainings	0.20	-	1.65	0.74	0.01	2.60
D. Vehicles	1.27	-	-	0.60	0.56	2.43
E. Grants & Subsidies	-	18.82	27.10	-	-	45.92
F. Consultancy	0.33	-	-	0.20	0.58	1.12
Total Investment Costs	1.80	18.82	28.75	35.12	1.29	85.78
II. Recurrent Costs						
A. Salaries & Allowances	-	-	-	-	5.85	5.85
B. Operating costs	5.24	-	0.13	-	1.86	7.24
Total Recurrent Costs	5.24	-	0.13	-	7.71	13.09
Total BASELINE COSTS	7.04	18.82	28.88	35.12	9.00	98.87
Physical Contingencies	-	-	-	-	-	-
Price Contingencies						
Inflation						
Local	0.89	2.90	4.91	5.73	1.35	15.78
Foreign	0.01	-	-	0.00	0.00	0.02
Subtotal Inflation	0.90	2.90	4.91	5.73	1.35	15.80
Devaluation	-0.41	-1.32	-2.06	-2.45	-0.60	-6.84
Subtotal Price Contingencies	0.49	1.58	2.86	3.28	0.75	8.96
Total PROJECT COSTS	7.54	20.40	31.74	38.40	9.75	107.83
Taxes	0.56	-	-	0.27	0.37	1.20
Foreign Exchange	0.66	-	-	0.33	0.28	1.27

Project Components by Year

Pakistan

AJK Community Development Project-II

Project Components by Year -- Base Costs

(US\$ Million)

	Base Cost						Total
	2018	2019	2020	2021	2022	2023	
A. CDD for Livelihoods Enhancement							
1. Capacity Building for CDD	1.39	1.40	1.77	1.24	0.62	0.62	7.04
2. Poverty Graduation	2.38	3.67	3.89	4.11	2.80	1.95	18.82
Subtotal CDD for Livelihoods Enhancement	3.77	5.07	5.66	5.36	3.42	2.57	25.86
B. Institutional Strengthening and Public Services Delivery							
1. Capacity Building and Public Services Delivery	3.01	4.06	4.48	6.44	9.81	1.08	28.88
2. Community Physical Infrastructure	5.37	6.00	6.00	6.01	6.05	5.71	35.12
Subtotal Instit. Strengthening and Public Services Delivery	8.38	10.06	10.48	12.44	15.86	6.79	64.00
C. Programme Management	2.11	1.40	1.37	1.37	1.35	1.40	9.00
Total BASELINE COSTS	14.26	16.53	17.51	19.17	20.64	10.76	98.87
Physical Contingencies	-	-	-	-	-	-	-
Price Contingencies							
Inflation							
Local	0.32	1.24	2.25	3.58	5.07	3.32	15.78
Foreign	0.01	0.00	0.01	-	-	-	0.02
Subtotal Inflation	0.33	1.25	2.26	3.58	5.07	3.32	15.80
Devaluation	-0.78	-1.07	-1.19	-1.38	-1.57	-0.86	-6.84
Subtotal Price Contingencies	-0.45	0.18	1.07	2.19	3.51	2.46	8.96
Total PROJECT COSTS	13.81	16.71	18.58	21.37	24.15	13.22	107.83

Expenditure Accounts by Years – Including Contingencies

Pakistan

AJK Community Development Project-II

Expenditure Accounts by Years -- Totals Including Contingencies

(US\$ Million)

	Totals Including Contingencies						Total
	2018	2019	2020	2021	2022	2023	
I. Investment Costs							
A. Works	4.14	5.91	6.22	6.56	6.92	6.89	36.64
B. Equipment & Materials	0.29	-	-	-	-	-	0.29
C. Trainings	1.34	0.37	0.41	0.19	0.19	0.16	2.66
D. Vehicles	1.96	0.25	0.25	-	-	-	2.46
E. Grants & Subsidies	3.96	7.56	8.67	11.74	14.74	3.71	50.39
F. Consultancy	0.42	0.26	0.16	0.09	0.09	0.14	1.16
Total Investment Costs	12.11	14.33	15.71	18.58	21.94	10.91	93.58
II. Recurrent Costs							
A. Salaries & Allowances	0.94	0.98	1.03	1.09	1.14	1.20	6.38
B. Operating costs	0.76	1.39	1.83	1.70	1.07	1.12	7.87
Total Recurrent Costs	1.70	2.38	2.87	2.78	2.21	2.32	14.25
Total PROJECT COSTS	13.81	16.71	18.58	21.37	24.15	13.22	107.83

Appendix 10: Economic and Financial Analysis

I. Introduction

1. This working paper (financial and economic analysis) was prepared as part of the design completion report for the Community Development Project (CDP), Azad Jammu & Kashmir (AJK). The analysis take into consideration project's impacts on the rural households to assess the feasibility of the proposed investment. During the project formulation cost and benefits were determined of various the various economic activity related to the scope of the project, prices and the anticipated transformation in the production system including provision of assets, technical & vocations trainings, various community development infrastructures, as well as economic benefits from the said interventions/ activities.

2. The programme development objective of the proposed project is to improve the livelihoods and incomes of 250,000 rural poor households through the institutionalization of community-driven approaches within the government's development framework. This will be achieved through supporting capacity development of local institutions (community organizations (COs), village organizations (VOs) and local support organizations (LSOs)) to function and implement community-driven development plans in the new development framework, and promoting a conducive and facilitating regulatory and budgetary framework for CDD (in order to finance the communities' identified development priorities, both public goods and private for their improved incomes and livelihoods.

3. The project have three components: (i) Community-driven development (CDD) for Livelihoods Enhancement, primarily focused on investments in private goods for poverty graduation of ultra-poor and poor; (ii) Institutional Strengthening and Public Services Delivery, focused on leveraging investments in public goods collectively benefitting rural poor community members and local economy; and (iii) Programme Management.

4. . The financial analysis was undertaken with the objective of: i) assessing financial viability of the project, ii) assessing impact on cash flow and beneficiary incomes; and (iii) to establish the framework for the economic analysis, sensitivity analysis of the proposed Project. The objectives of the economic analysis, is to assess the viability of project investments based on the benefits accruing. The cost and benefits are worked out on the basis of the prevailing situation at the time of project formulation.

5. Incremental benefits are envisaged through gainful employment made possible by trainings to very poor/ poor, financial assistance to ultra-poor, economic use of credit, reduced expenditure in terms of transport fare/ carriage, less expense for fuel/ electricity, reduced healthcare costs, and increased earnings from existing cropped area as well as increase in cultivated area.

II. The Project Area

6. The programme will cover all 10 districts of AJK targeting those households falling within the National Poverty Scorecard (PSC) band range of 0-34, of which there are approximately 326,904 households representing over 50% of the population. Priority will be given to the Union Councils with greater concentration of poor thus UCs/LSOs with over 1,000 hhs in the poverty band of 0-34 will be eligible for programme interventions. Women-headed households and ultra-poor women will be specifically targeted for poverty graduation and asset creation. For the two major funding allocations i.e. (i) assets for ultra-poor graduation; and, (ii) Community Physical Infrastructure (CPIs), the distribution of resources among the ten districts will be on the basis of a multi-factor criteria involving weighted average of population (70%), area (10%) and poverty (20%). Equitable allocation within the District, amongst the priority eligible LSOs, and by LSOs amongst COs, will be determined by the District Planning Office/District Coordination Committee.

III. Project Costs

7. AJKCDP2 will be implemented over a period of 6 years with a total project cost of USD107.8 which include an allocation of 25% for the community driven development for livelihoods enhancement, 65% for the institutional strengthening and public services delivery; and, (iii) 9% for project management.

Table 1: Cost Estimates of AJKCDP2

Project Components	Totals Including Contingencies						
	2018	2019	2020	2021	2022	2023	Total
A. CDD for Livelihoods Enhancement							
1. Capacity Building for CDD	1.37	1.42	1.87	1.38	0.73	0.76	7.54
2. Poverty Graduation	2.29	3.71	4.13	4.58	3.28	2.40	20.40
Subtotal CDD for Livelihoods Enhancement	3.67	5.13	6.00	5.97	4.01	3.16	27.94
B. Institutional Strengthening and Public Services Delivery							
1. Capacity Building and Public Services Delivery	2.90	4.10	4.75	7.17	11.48	1.33	31.74
2. Community Physical Infrastructure	5.19	6.06	6.37	6.69	7.08	7.01	38.40
Subtotal Inst. Strengthening & Public Services Delivery	8.09	10.16	11.12	13.87	18.55	8.34	70.14
C. Programme Management	2.05	1.41	1.45	1.53	1.59	1.72	9.75
	13.8	16.7	18.5				
	1	1	8	21.37	24.15	13.22	107.83

8. Key activities in which project funds will be invested are briefly discussed below:

9. **Component 1: CDD for Livelihoods Enhancement (US\$ 27.94 million).** This component comprises two sub-components – (1.1) Capacity building for CDD; and (1.2) Poverty Graduation. Sub-Component 1.1 will focus on sensitization, mobilisation, and formation of COs/VOs/LSOs, resulting in the elaboration of the community development plans (CDP); identification of priorities following a participatory and consultative process, and key interventions included in the CDPs will be further consolidated at the VO and ultimately, LSO level. Approximately 250,000 rural poor households will be organized in 10,000 community organizations (COs), with average membership of 25 households per CO. Sub-Component 1.2 will pursue a poverty graduation approach and will provide a flexible menu of assets, both tangible and intangible (e.g. productive physical assets or skills/ vocational/ technical training) to 20,000 ultra-poor households. A further 30,000 very poor and poor households (PSC band 12-34) will also benefit from a package of vocational, technical or enterprise development training for one household member.

10. **Component 2: Institutional Strengthening and Public Services Delivery (US\$ 70.14 million).** This component consists of two sub-components – (2.1) Capacity Building and Public Services Delivery; and (2.2) Community Physical Infrastructure. Sub-Component 2.1 will support the capacity development and institutional strengthening of the relevant public sector agencies and departments, with the view to ensure long-term sustainable, regular, timely and transparent allocation and utilisation of Government resources (financial and human resources) to respond to the demand and development needs of rural communities, including their evolving economic circumstances, and as articulated in the CDPs. Sub-Component 2.2 will specifically, focus on leveraging investment funds to meet priority public infrastructure for rural communities identified within the CDPs – i.e. community physical infrastructure (CPIs). Through the CPIs, approximately 150,000 households are expected to directly benefit, with LGRD directly coordinating and implementing the Sub-Component.

11. **Programme Management (US\$ 9.75 million).** Overall programme management will be delegated to a programme management unit to be set up to become a permanent feature/ unit within the structure of the Planning and Development Department (PDD) of AJK, and named the CDD Unit (CDDU).

IV. Project Benefits

12. The benefits accruing are derived on the basis of group discussion with perspective beneficiaries, secondary data, views/ opinion with technical departments, and experience gained in evaluation studies of various projects. All the sub-components are to aid the attainment of project targets. However, the quantitative benefits are likely to be from 3 sub-components as given hereunder:

Table 2: Benefit Matrix of the proposed project

Components/Sub-Component	Benefits
Community Infrastructure Funds	
Roads	As a result of road improvements, the economic activity will be augmented resulting in more vehicular traffic, reduction in fuel used, increased passenger traffic, increased and speedy flow of goods, reduction in productive time lost presently etc.
Foot paths/ Bridges, Trail paths, Culverts	The number of beneficiaries is taken as 15 persons per scheme/ day. The schemes are likely to result in reduced injuries and resultantly decreased medicinal cost, reduction in productive time lost (taken as 10%). With the implementation of these schemes, the benefits are taken as: a) use of time saved @ PKR 300/ day ⁸³ , and b) reduced cost of healthcare saving PKR 125 per person per annum.
Irrigation Schemes	Increased yields and crop intensity owing to increased availability of irrigation water. In addition to enhanced water availabilities, each scheme will result in increased cultivated area fetching more benefits. The benefits resulting from the irrigation schemes are attributed to water channel improvement, watercourse lining, water tanks and installation of tube-wells.
Drinking Water Supply/ Rain Water harvesting	The schemes will result into benefits mainly on account of time saved and increased availability of water (rain water harvested) to be used for cropping (kitchen gardening). The number of beneficiary households is 15 per drinking water scheme implemented. Rain water harvesting, will help in growing vegetables estimated as one acre per Scheme, Presently the time taken to fetch water from far-off places is 1.5 hours that will be saved after the scheme is functional – valued at PKR 200 per day. The quality of water made available will be comparatively safe leading to reduced sickness – saving cost of healthcare valued at PKR 500 per HH/ annum.
Street pavement	The benefits will be in the form of reduced sickness due to improved sewage and drainage, and no accumulation/ stagnation of water in depressions in the streets after rain. The annual benefits due to reduced healthcare cost are estimated as PKR 500/ HH.
Mini/Macro Hydro schemes, and Solar units	The benefits will be in the form of reduced cost of energy (electricity), saving estimated at the rate of PKR 400/ HH per month.
Bio-gas units	The energy (fuel) obtained from biogas will offer a cheap alternative to fuel wood, resulting in saving of an estimated PKR 350 per HH per month.
Flood protection works	These schemes will result in: a) saving of cultivated area lost due to floods, b) saving of trees that are lost due to flooding, and c) saving of physical structures that are washed away in floods.
Storage tanks for Kitchen gardening	These schemes will result in growing of vegetables primarily in the back yards. Average area per scheme is taken as 0.5 acre for all the HHs benefitting from the schemes.
Poverty Graduation	
Asset Creation for Ultra-poor	Each selected HH will be given some asset equal to USD 500. The nature of the asset will vary as per the demand in the market. Experience from previous project suggest benefits of the assets ranging between 10 and 20% (the benefits are estimated as 15%). Further, in view of lack of experience to make productive use of assistance, it is assumed that 60% of the ultra-poor beneficiaries will be making

⁸³ Lower wage rate taken as the saved time is inclusive of women being paid lower wages than the market rate.

Components/Sub-Component	Benefits
	productive use of the assistance which is calculated as 15% of the amount provided by the project.
Skills & Vocations	Different types of skills will be imparted to very poor/poor male/ female beneficiaries enabling recipients of trainings to either avail employment or self-employment.
Income Generation Pilots	The livestock owners will be imparted trainings in livestock management including feeding, health care, and marketing focusing on women. Household having small and large ruminants will be trained as well as poultry units (micro-level and semi-commercial). The activity will result in increased productivity and thus incremental benefits.
Credit availability	The selected micro-financier will be motivated to advance credit facilities at attractive terms. Two types of loan will be advanced – 13,500 for vocations & enterprise, and 8,500 for livestock. The net benefits are taken as 15% of the credit advanced.

Rural Economy Development

Provision of Seed and Inputs	Provision of seeds and inputs of crop resilient varieties will be undertaken to increase productivity/ yield and returns per unit area. The incremental income is taken as PKR 7,500 per acre. Total area benefitted from this activity is likely to be 1,500 acres adjusted according to success rates.
Livelihoods Promotion	The benefit of the training would realize in the form of increased productivity, reduced mortalities (in poultry) and improved marketing.
Demonstrations	Demonstration of vegetables and wheat/ maize production using improved seeds, and modern cultural/ raising practices; tunnel farming; fish farming; apiculture, floriculture, sericulture; and sowing of forest nursery plants
Credit	The micro-financier is likely to advance credit to various groups and also individual credit to needy ones. The amount of credit is taken as USD 500 per group. The same is taken as USD 750 for individual loans. The benefits derived from this activity is at the rate of 15% per annum.

V. Beneficiaries

13. The total number of project beneficiaries from its various interventions are up to 250,000 households covered over a period of 6 years. These include 50,000 households who will experience increased income as a result of tangible and intangible assets creation, 150,000 benefited from various infrastructure development and 50,000 through capacity building and improved services. Since some of the beneficiaries overlap, the total benefit accrual is worked out at 245,565.

VI. Financial and Economic Analysis

14. The financial analysis of the project was undertaken over the 15 year period with the following key assumptions.

15. The Key parameters used for carrying out the analysis are as follows:

- Project benefits are assumed to start accruing by the end of 1st year thus accruing in 2nd year increasing until the end of Project implementation period;
- The analysis take into account incremental benefits over the life of the project (6 years) and for the 9 subsequent years following project completion;
- The financial prices used in the analysis were gathered from local markets in AJK, and during various consultations held with stakeholders including government departments;
- Average prices for the year 2016/2017 have been used in the financial analysis;
- The discount rate of 12% was used in the financial analysis; and,
- The Standard Conversion Factor (SCF) has been calculated as 0.907.

VII. Financial Analysis

16. Financial analyses has been carried out over a 20 year period. The discount rate of 12% was used in the financial analysis. The FIRR of the proposed project is estimated to 23.5%. The Net Present Value (NPV) at the same discount rate is noted to be positive (USD55 million) over the same period of time. The benefit cost ratio (B:C) is noted to be 1.56.

VIII. Economic Analysis

17. The total economic project cost is USD 86.723 million, including physical contingencies. The recurrent cost is taken as average of the project management during the project and afterwards at the same rate.

18. The economic analysis was carried out over the period of 20 years. The EIRR is noted to be 22.8 percent while ENPV is noted to be USD49 million. The economic benefit cost ratio (B:C) is noted to be 1.26.

IX. Sensitivity Analysis

19. Sensitivity Analysis was carried out for increased cost and decreased benefits in the face of the project risk including (i) volatility of the security situation; (ii) high turnover of the staff affective capacity of the project management; (iii) complexity owing to multiple agencies implementing the programme thus difficulties in coordination; (iv) lack of willingness of beneficiaries regarding participation in project activities; and, (iv) delays in start-up due to administrative procedural. The analysis indicate that the proposed project will remain viable under adverse conditions of increased cost and decreased benefits. The FRR and ERR are more sensitive to reduced success rate (due to lack of willingness project beneficiaries) and time lag rather than cost overrun or decreased benefits. It is important to pay attention to the smooth start up, capacity building of project staff and awareness raising of communities to avoid decrease in the full benefits of the proposed project.

X. Conclusions

20. The proposed project is economically and financially viable as evident from the net present value, internal rate of returns and benefit-cost ration as well as sensitivity analysis and therefore is recommended for consideration.

Table 3: Financial Analysis

	Year	CDD for Livelihoods Enhancement	Institutional Strengthening and Public Services Delivery	Total Project Benefit (in million USD)
		Household models' net incremental benefits (in million USD)	Enterprise and household models' net incremental benefits (in million USD)	
FINANCIAL ANALYSIS	PY1	(4)	(10)	(14)
	PY2	(5)	(10)	(15)
	PY3	(5)	(9)	(14)
	PY4	(4)	(8)	(12)
	PY5	(0)	(8)	(9)
	PY6	2	7	8
	PY7	6	22	27
	PY8	6	24	29
	PY9	6	24	30
	PY10	6	24	30
	PY11	6	24	30
	PY12	6	24	30
	PY13	6	24	30
	PY14	6	24	30
	PY15	6	24	30
	PY16	6	24	30
	PY17	6	24	30
	PY18	6	24	30
	PY19	6	24	30
	PY20	6	24	30
NPV (USD Million)		7	50	57
FIRR (@20%)		17.1%	25.4%	23.5%

Table 4: Economic Analysis

Detail	Project Years	TOTAL NET INCREMENTAL BENEFITS			NET INCREMENTAL COSTS			Cash Flow (million USD)
		CDD for Livelihoods Enhancement	Institutional Strengthening and Public Services Delivery	Total Incremental Benefits	Economic Investment Costs (million USD)	Economic recurrent Costs (million USD)	Total Incremental Costs	
ECONOMIC ANALYSIS	PY1	(4)	(9)	(12)		1.720	1.720	(14)
	PY2	(4)	(9)	(13)		1.720	1.720	(15)
	PY3	(3)	(6)	(10)		1.720	1.720	(11)
	PY4	(1)	(4)	(5)		1.720	1.720	(7)
	PY5	2	(2)	0		1.720	1.720	(1)
	PY6	4	12	16		1.720	1.720	14
	PY7	6	17	23		1.720	1.720	21
	PY8	6	19	24		1.720	1.720	22
	PY9	6	19	24		1.720	1.720	22
	PY10	6	19	24		1.720	1.720	22
	PY11	6	19	24		1.720	1.720	22
	PY12	6	19	24		1.720	1.720	22
	PY13	6	19	24		1.892	1.892	22
	PY14	6	19	24		2.081	2.081	22
	PY15	6	19	24		2.289	2.289	22
	PY16	6	19	24		2.518	2.518	22
	PY17	6	19	24		2.770	2.770	21
	PY18	6	19	24		3.047	3.047	21
	PY19	6	19	24		3.352	3.352	21
	PY20	6	19	24		3.687	3.687	20

NPV@ 11.1 % (million USD)	48.9
EIRR	22.8%

Table 5: Sensitivity Analysis

Scenarios	Δ%	Link with the risk matrix	IRR	NPV (USD M)
Normal Scenario	Normal	No Adverse Risks	22.8%	32
Project benefits	-10%	Combination of risks affecting Overall Project Benefits	27.7%	10
Project benefits	-20%		22.4%	8.1
Project costs	10%	Increase Total Project Costs	21.8%	6.2
Project costs	20%		22.4%	9.1
Time lag in benefits (Year)	1	Risks affecting implementation of Project Interventions in Terms of Timing	22.0%	8.2
Time lag in benefits (Year)	2		21.7%	6.4
Success Rates	-10%	Risks of Actual of Benefits due to Reduced Proportions of Beneficiaries	20.5%	3.2
Success Rates	-20%		19.7%	1.6

Appendix 11: Draft programme implementation manual

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Appendix 12: Compliance with IFAD policies

This appendix reviews the adherence of Programme design to the following IFAD policies and strategies:

1. IFAD's Policy for Gender equality and Women's empowerment
2. IFAD Targeting Policy
3. IFAD's Social, Environmental and Climate Assessment Procedures (SECAP)
4. Good Governance Framework

Pre-requisites for gender sensitive design⁸⁴

	Yes	No	Partial	Issues and Recommendations
1. Programme document contains poverty and gender analysis data.	X			
2. Based on the above, the Programme articulates a gender strategy that aims to:				
<ul style="list-style-type: none"> • Expand women's access to and control over fundamental assets – capital, land, knowledge and technologies; 	X			Programme's asset creation for ultra-poor will primarily target women. At least 50% of the representation in COs/VOs reserved for women as well as in Technical and vocational training.
<ul style="list-style-type: none"> • Strengthen their agency – thus their decision-making role in community affairs and representation in local institutions; 	X			Women specific producer groups for high value crops and products will be supported. Poultry and small ruminants as well as milk production and marketing will be exclusively targeted at women. Women representation in decision-making positions at LSO level will be ensured.
<ul style="list-style-type: none"> • Improve well-being and ease workloads by facilitating access to basic rural services and infrastructures. 	X			All social infrastructure including water supply, rainwater storage, water storage for kitchen gardening and solar and bio-gas interventions will be women-centred in terms of selection and implementation. Intra-village footpaths and foot bridges are primarily aimed at women facilitation.
3. The Programme identifies operational measures to ensure gender- equitable participation in, and benefit from, planned activities, and in particular:				
Sets specific targets in terms of proportion of women participants in different Programme activities and components;	X			Not less than 50% women will benefit from all programme activities with some exclusively reserved for them
Ensures women's participation in Programme-related decision-making bodies; and			X	50% of COs will be women while all VO will be encouraged to be mixed ones with women having say and position in decision-making. Women quota reserved in LSO executive body
Clearly reflects actions identified in the gender-strategy in the cost tables;			X	Complied

⁸⁴ Adapted from: "Mainstreaming a gender perspective in IFAD's operations – Plan of Action, 2003-2006"

Ensures that the Terms of Reference of Programme coordinating unit or Programme management unit (PMU) include responsibilities for gender mainstreaming, especially at level of Programme director, M&E officer, extension officer and microfinance officer;	X		A Deputy Director Gender and Poverty along with TORs provided in CDDU structure to represent and lead gender concerns in all planning and implementation.
Explicitly addresses the issue of present and likely availability of field staff to ensure outreach to women, and designs activities accordingly;	X		AJK is relatively well endowed in terms of availability of female field staff and women mobility and access is much better compared to rest of country
Establishes experience working with women and marginalized groups and willingness to work with these groups as a criterion for NGO selection.	n/a		This has been defined as a criteria for the selection of social mobilization partners
4. The Programme logframe and suggested monitoring system specify sex-disaggregated performance and impact indicators.	X		Details provided in logframe and in the M&E annex
5. The Programme provides opportunities for policy dialogue on issues related to gender equality and empowerment of women.	X		Will be part of Programme knowledge management.

Compliance with IFAD targeting policy

	Key policy principals	Degree of compliance	Comments and observations
1	Focus on rural people who are living in poverty and experiencing food insecurity, and who are able to take advantage of the opportunities to be offered (sometimes referred to as “the productive poor” or “active poor”);	Full	A major thrust will be on poverty graduation through provision of productive assets, skills and capital leading to improved food security and income generation for very poor, poor and small holders.
2	Expand outreach to proactively include those who have fewer assets and opportunities, in particular extremely poor people as referred to in MDG 1;	Yes	20,000 ultra-poor and 30,000 very poor and poor being specifically targeted for asset creation and poverty graduation
3	Include marginalized groups, such as minorities and indigenous peoples, and address their specific needs;	Yes	There are no minorities or indigenous people in AJK in the generally understood sense of the term.
4	Address gender differences and have a special focus on women within all identified target groups – for reasons of equity, effectiveness and impact – with particular attention to women heads of household, who are often especially disadvantaged;	Partial	Women-headed households, women and female youth particularly targeted under asset creation, technical and vocational training, back yard and semi-commercial poultry and dairy development
5	Recognize that relative wealth or poverty can change rapidly due to external shocks and that this vulnerability needs to be addressed;	Full	Improved water security, improved marketable skills and vocations, improved land use through production of high value crops and mainstreaming of climate concerns will help in building resilience against external shocks
6	Clearly identify at the programme or Programme design stage who the intended target groups are and why, and consistently apply these categories, during implementation, in monitoring and evaluation (internal and external) of targeting performance. There will be cases when better-off people may need to be included – because of economic and market interdependencies, to avoid conflict, or to engage them as leaders and innovators. In such cases, the rationale and justification should be provided, and risks of excessive benefit capture carefully monitored;	Full	Design clearly establishes the target groups. Monitoring, including annual outcome surveys, will establish the degree to which people participating on Programme activities are from the poorer categories of the population. There is only limited variance in incomes and assets in Programme areas.
7	Identify and work with like-minded partners at local,	Full	Partnerships being pursued with BISP, local

	country, regional and international levels to develop a shared understanding of both the dynamics of rural poverty in different contexts and successful targeted approaches;		SMPs (AJKRSP and NRSP), Prime Minister's Interest Free Loans for Youth and EU's WISE programme. Collaboration with WFP and FAO being explored in nutrition and high value crop production
8	Pilot and share learning on successful approaches to targeting hard-to-reach groups; and	Yes	Knowledge management will disseminate lessons – especially regarding mainstreaming of CDD in government systems, poverty graduation, livelihoods development, high value crop diversification, and access to markets
9	Build innovative and complementary partnerships with actors that can reach target groups that IFAD cannot reach with the instruments at its disposal.	Full	NRSP, AJKRSP and EU funded WISE Project who focus on health, education, environment and other social needs are established in the area and will be actively engaged as partners. In addition community-driven investments are supported for such needs.

**Compliance with IFAD climate change strategy
 (Detailed SECAP Review Note is attached as Annex 1)**

Goal: To maximize IFAD's impact on rural poverty in a changing climate	
Statements of purpose:	ETI response
1. To support innovative approaches to helping smallholder producers build their resilience to climate change.	Climate resilient livelihoods – including improved food crop production with irrigation and improved (road) access to services and markets. AJKCDP2 supported infrastructure will incorporate climate resilient design features in roads and irrigation. Appropriate seeds and plants that are more suitable for changing weather patterns in the area would be promoted.
2. To help smallholder farmers take advantage of available mitigation incentives and funding.	No specific plans in Programme design to mobilise additional funds for mitigation, but opportunities may arise during implementation
3. To inform a more coherent dialogue on climate change, rural development, agriculture and food security.	M&E systems will generate information on the outcomes of Programme activities focused on climate resilience. Lessons will be disseminated via knowledge management activities.

Good Governance Framework

AJKCDP2 Good Governance Framework is based on the following key principals:

- **Transparency** is the foundation for accountability and participation. Information in the public domain and an open & visible decision-making processes signals that there is nothing to hide.
- **Accountability** implies probity in how resources are mobilized and used, and for what ends.
- **Participation (or inclusion)** represents the “demand side” of good governance, and implies that people should have a voice in the decisions that may affect them. The involvement of affected communities in all stages of Programmes can simultaneously improve development outcomes and reduce the scope for fraud and corruption.

Programme processes	Actions to be taken	Accountability and transparency	Participation and inclusion	Guidelines/regulations to be followed
Targeting	<ul style="list-style-type: none"> ▪ Ensure inclusion of disadvantaged groups in Programme activities. This requires targeting policies and monitoring of composition of 	<ul style="list-style-type: none"> ▪ Progress reports ▪ Outcome surveys ▪ IFAD supervision reports 	<ul style="list-style-type: none"> ▪ Report back to Implementing Partners and Govt on composition of PGs and other Programme groups 	<ul style="list-style-type: none"> ▪ IFAD appraisal report ▪ Social Mobilization Partner group formation

	Producer Groups etc.			guidelines
Planning (Programme level)	<ul style="list-style-type: none"> Annual plans for Programme activities need to conform to GoP processes and IFAD appraisal, and be approved by PSC and IFAD 	<ul style="list-style-type: none"> CDDU report to PSC IFAD & GoP approval of AWPB Progress reports on implementation of AWPB 	<ul style="list-style-type: none"> PRA at design stage got feedback from local people. Disclosure of AWPB 	<ul style="list-style-type: none"> GoP procedure for annual budget IFAD AWPB guidelines
Planning (local level)	<ul style="list-style-type: none"> Participation in plans at local level by Community Organisations and Producer Groups 	<ul style="list-style-type: none"> CDPs as main instruments for assessing community needs in participatory manner Community driven implementation of plans Clear criteria and cut-off limits for various infrastructure and other interventions Progress reports with information on participation Community plans submitted for funding 	<ul style="list-style-type: none"> Progress reports feedback to Govt and Union Councils 	<ul style="list-style-type: none"> Participatory planning guidelines
Procurement	<ul style="list-style-type: none"> Transparent and efficient procurement process to ensure best quality/price. IFAD implementation support to train staff in procurement processes. IFAD prior reviews Dedicated procurement staff and annual procurement plans Adherence with IFAD procurement guidelines, financing agreement and Government PPRA rules All procurements for community led infrastructure like irrigation and land development done through community participation 	<ul style="list-style-type: none"> External audits cover procurement processes IFAD supervision missions spot check procurements IFAD technical audits if needed to check value for money and leakages. Prior review by IFAD for procurements above defined threshold 	<ul style="list-style-type: none"> PSC and IFAD receive audit report IFAD supervision reports and any technical audits to IFAD & GoP. Communities involved in checking/certifying procurement for irrigation infrastructure. 	<ul style="list-style-type: none"> GoP Procurement Regulations IFAD procurement guidelines Annual procurement plan
Physical activities and outputs	<ul style="list-style-type: none"> Need to monitor progress in terms of quantity and quality. 	<ul style="list-style-type: none"> Outcome surveys check on outputs delivered to benef. hh. Progress reports of implementing agencies KAP studies on training quality Programme website IFAD supervision reports assess progress 	<ul style="list-style-type: none"> Internal coordination workshops Programme progress reports to IFAD & PSC Reports to local government 	<ul style="list-style-type: none"> Government budget IFAD appraisal report Road master plans Producer Group business plans
Financial management	<ul style="list-style-type: none"> Minimise cash transactions Training of group leaders and members in accounts. IFAD implementation support will train staff in Programme accounting and financial processes. 	<ul style="list-style-type: none"> Consolidated financial statements Internal audit External audit IFAD supervision mission reports will check financial statements & accounting system 	<ul style="list-style-type: none"> CO/VO/LSO receipts and expenditures discussed and agreed with all members. Rotation of group leaders and regular elections. Audit report to PMC & IFAD 	<ul style="list-style-type: none"> IFAD financial reporting guidelines Government accounting systems ToR for internal and external audit

	<ul style="list-style-type: none"> ▪ Computerised accounting ▪ Qualified and autonomous finance wing of CDDU 		<ul style="list-style-type: none"> ▪ Consolidated financial statements to IFAD ▪ IFAD supervision reports to IFAD & GoP. 	
Results and impact	<ul style="list-style-type: none"> ▪ Reporting of outcomes and results ▪ Knowledge management to utilise information generated 	<ul style="list-style-type: none"> ▪ IFAD supervision reports ▪ IFAD RIMS indicator reporting ▪ Outcome and KAP surveys collect evidence on how well Programme outputs are delivered. 	<ul style="list-style-type: none"> ▪ Programme website with results of M&E ▪ Experience sharing publications and workshops. 	<ul style="list-style-type: none"> ▪ Programme M&E guidelines ▪ IFAD RIMS guidelines ▪ Programme KM strategy
Complaints remedies	<ul style="list-style-type: none"> ▪ Complaints procedure ▪ Ethical code for staff to avoid conflicts of interest and including sanctions for fraudulent and corrupt practices ▪ Focal points and addresses/points of contact for grievance registration ▪ Redressal and feedback mechanism 	<ul style="list-style-type: none"> ▪ Investigative processes ▪ Written response to complainants and record keeping 	<ul style="list-style-type: none"> ▪ Reports to SMPs and implementing agencies ▪ Feedback to GoP if needed ▪ Phone numbers of leaders of Programme groups & Programme managers circulated to relevant persons. 	<ul style="list-style-type: none"> ▪ GoP Complaints guidelines ▪ Staff ethical code
Communication	<ul style="list-style-type: none"> ▪ Programme communication strategy for all stakeholders ▪ Annual Communication plans ▪ Dedicated communication manager in PCU ▪ Bulletins, brochures, leaflets, electronic and print media use to disseminate programme targets, intended beneficiaries, processes etc. 	<ul style="list-style-type: none"> ▪ Budgets for communication and communication strategy ▪ Communication annual plans and budgets ▪ Communication software and materials ▪ Adhoc surveys to assess potential beneficiaries awareness about programme 	<ul style="list-style-type: none"> ▪ Beneficiary feedback ▪ Inclusion of vulnerable and women ▪ PME reports on community awareness and impacts 	<ul style="list-style-type: none"> ▪ Programme Communication Strategy

Annex 1: Social, Environment and Climate Procedures (SECAP) Review Note

Azad State of Jammu and Kashmir Community Development Programme – Phase II (AJKCDP2)

Major Landscape Characteristics and Issues (Social, Natural Resources, and Climate)

1. **Topography:** The state of Azad Jammu and Kashmir lies between longitude 73° – 75° and latitude 33° – 36° and comprises an area of 5,134 square miles (13,297 square kilometers). AJ&K falls within the Himalayan organic belt. As such, its topography is mainly hilly and mountainous characterized by deep ravines, rugged, and undulating terrain. The northern districts (Neelum, Muzaffarabad, Hattian, Bagh, Haveli, Poonch, and Sudhnoti) are generally mountainous while southern districts (Kotli, Mirpur, and Bhimber) are relatively plain. The mountain ecosystems are relatively unstable and have low inherent productivity. Within this fragile environment, however, there is a great variety of ecological niches upon which people base their livelihood. Small land holdings and scarcity of cultivable land are the main factors limiting on-farm income. The area is full of natural beauty with thick forests, fast flowing rivers and winding streams. Main rivers are Jhelum, Neelum and Poonch¹.

2. **Poverty:** Poverty in AJK is slightly higher than the national average due to the combination of poor agriculture resource base, small-holdings, difficult terrain, lack of industry and access to markets. Average per capita incomes at US\$ 1,215 is however comparable to the national average. Based on BISP Data, AJK has 613,846 households and a population of 4.4 million. Currently 104,240 HHs are on BISP beneficiary list (Score card 0-16.9) or 17 per cent of total households. As per BISP data, 326,904 HHs are between 0-34 score denoting extremely poor, poor, transitory poor and vulnerable. PIDE has constructed a district ranking of poverty and as per this ranking, following is the status of 10 AJK Districts.

District	Poverty Rate (%)	Status
Bhimber	8.29	Least poor
Poonch	8.30	Least poor
Sudhnoti	9.65	Least poor
Kotli	13.40	Least poor
Bagh	14.09	Vulnerable
Mirpur	14.83	Vulnerable
Muzaffarabad	23.23	Vulnerable
Hattian Bala	30.80	Poor
Haveli	37.57	Poor
Neelum	56.08	Extremely Poor
Overall	21.62	Vulnerable

3. From a poverty-reduction perspective, other factors influencing poverty outcomes include:
- Productive infrastructure lacking or poorly/inappropriately developed (e.g., lifeline roads and bridges, potable water systems; inefficient/inflexible irrigation systems).
 - Limited knowledge/skills among producers as regards market-orientation and opportunities and of organization for collective action around economic activities and; lack of capacity to apply more advanced production and/or business systems as necessary to sustain income improvements.
 - Potentially profitable agricultural VCs have lacked sufficient investment to fully and sustainably develop. These include VCs with proven, significant pro-poor potential that have been demonstrated at the pilot-scale with prior IFAD assistance.
 - Few rural households, cooperatives and SMEs have either the capability and/or support to formulate business/investment plans or the collateral necessary to access loans or other financial intermediaries.

¹ Azad Jammu & Kashmir, at a Glance 2015

4. In order to address the poverty in AJK under the AJKCDP2 will cover two distinct groups of beneficiaries – The ultra-poor (0-11) and poor (11-34) through a combination of private goods (productive assets for the ultra-poor and very poor) and public goods (economic and social infrastructure for the target communities). Social mobilization entity will be the focal agency for all activities under component 1 (social mobilization and asset creation for poor while LGRD will be the lead agency for all public goods delivery (social and economic infrastructure and extension support for production of high value products). SMP will be responsible for identification of beneficiary households on the basis of BISP PSC and validated by CO members in target villages and priority inclusion of these households in COs. Identification of appropriate assets matching individual ultra-poor HHs, and their procurement and delivery, will be the responsibility of social mobilization staff with technical expertise and advice provided by relevant government agencies. The poor and vulnerable will primarily benefit from skill and micro-enterprise development, improved breed cattle/goat rearing for milk and meat linked to formal sources of rural/micro-finance, poultry production for eggs and meat. Skill development activities will be implemented with the assistance of AJK TEVTA and other appropriate non-AJK based training institutions. Microfinance aspects will be managed by microfinance partner agency with facilitation provided by social mobilization staff.

5. **Environment and Natural Resources:** The total geographical area of AJK is estimated at 1.33 million hectares (ha). Out of this area, 0.567 million ha (42.6%) is under forest, 0.032 million ha (2.5%) culture-able waste and 0.558 million ha (43%) un-cultureable waste. The total cultivated area is about 0.171 million ha, which is about 13% of the total area of AJK. Out of this about 90% is rain fed area, and the raining 10% area is irrigated².

6. AJK is endowed with rich biological resources. Its snow-covered peaks, forests, rivers, streams, valleys, velvet green plateaus and climate varying from arctic to tropical, join together to make it suitable to a large variety of flora and fauna. AJK has varied mountainous landscape ranging from low hills to high mountains (2000 to 6000 m). It has a varied wildlife which includes, Leopard (both snow and common) Himalayan Bear, Himalayan Ibex, Grey Goral, Musk Deer, Kashmir Stag, Nilgai, Monal Pheasant, Western Horned Tragopan, Snow Pheasant, Red-leg Partridge, Monal, Cheer, Koklas Pheasants, Red jungle fowl, Peacock and Dusk Markhore, Resus Monkey and Grey Langur. Recent surveys however suggest that the population of wildlife in AJK region is significantly declining due to the threats, such as, illegal hunting, illegal cutting of trees, overgrazing of pastures, commercial loggings, irrational harvesting of medical plants and encroachment in the forest land. The government of AJK has notified the following protected areas within its jurisdiction:

- Machiara National Park, District Muzaffarabad
- Toli Pir National Park, District Poonch
- Pir Lasura National Park, Kotli
- Mori Said Ali Game Reserve, Bagh
- Phalla Game Reserve, Bagh
- Poonch River National Park, Kotli
- Ghamot National Park, Neelum
- NP Gurez National Park, Neelum
- Deva Vatala National Park, Bhimber
- Salkhala Game Reserve, Neelum
- Moji Game Reserve, Muzaffarabad
- Qazinag Game Reserve, Muzaffarabad
- Hillan Game Reserve, Bagh
- Nar Game Reserve, Bagh
- SudhanGali Game Reserve, Bagh
- Doom Kalla Game Reserve, Bagh
- Junjhal Hill Game Reserve, Sudhnutti
- Vatala Game Reserve, Bhimber.

² AJ&K Environment Digest, (2010)

7. **Climate.** Depending on the altitude that varies from 360 meters in the South to 6,325 meters in the North, AJK has a wide range of climatic conditions. The South has dry sub-tropical climate while the North has moist temperate climate. There is significant variation in the rainfall pattern across different regions both in terms of amount and distribution. Average annual rainfall ranges from 1000 mm to 2000 mm. In the northern districts 30% to 60% precipitation is in the shape of snow. In winter, snow line is around 1200 meters while in summer it is 3300 meters. Average maximum temperature ranges from 20°C to 32°C while the average minimum temperature range is 04 to 07°C³.

8. **Soil Resources:** The soils are generally alluvial and colluvial deposits. Cultivated lands are highly intersected by numerous hills and gullies with widespread erosion and most of the soils are immature. Mature soils are rare and if found are buried beneath debris. The older alluvial deposits are red and pink colored, while glacial deposits are with buff and light brown color. Based on the location, the soils can be broadly grouped into three categories; soils of mountain plateau are generally leached and relatively infertile, soils of mountain slopes are gravelly loam, shallow and deficient on organic matter and soils of inter-mountainous valleys are alluvial with high agriculture potential.

9. **Surface Water Resources:** Despite the huge water resources⁴ the access to water for all purposes is one of the major challenges in AJK because of its hard topography, which is exceedingly (+75% of total area) mountainous. Only 2 southern districts are located in relatively plain areas. There are three main rivers (i) Jhelum, (ii) Poonch; and (iii) Neelum apart from many large/small streams coming out from various mountains. Some of key streams include; Kathai, Hattian, Palihasa, Agar, Mehl and Gun of the River Jhelum; Rangar Nullah, Nail, Ban, Mamhuli, Sehrmandi and Betar of the River Poonch. While Jagran, Lesawa, Jing, Beri wala, Ghori wala, Katha Pira, Deolian, Arlian and Qazi Nag contribute to the flow in River Neelum. Groundwater exploitation is primarily in densely populated and low mountain areas, along with rainfall collection, for domestic usage. Little is known about the aquifers and groundwater systems. AJK is endowed with great water potential as described earlier but it has not been fully exploited⁵ to meet the acute shortage of irrigation supply. This is largely because of relative difficulty in exploiting high velocity rivers/streams flowing in steep valleys or from remote springs; corresponding higher costs involved; limited financial resources; and smaller landholdings. As such most of the water is wasted by runoff through hill streams which during floods often cause damage to land and life and end up in rivers. Therefore, potential for hydropower development is primarily for small and medium-sized installations.

10. **Environmental Issues:** Following are the specific environmental issues for rural communities of AJK;

- High rate of deforestation which causing high rate of erosion, Land degradation, Sedimentation of Rivers and Landslides which causing floods specially for rural communities in AJK
- Open Dumping, plane areas, furrows, streams and rivers without proper collection & management which causing environmental and health issues to local rural communities.
- Lack of awareness of environmental Issues at community and village levels in AJK.
- Forest fires are common which causing environmental and forest degradation.
- Poor sanitary and sewerage facilities, untreated sewage is directly dumped into surface and ground water resources
- Development Plan and the environment degradation are not harmonized.

11. **Water Quality Situation in AJK⁸⁵:** The Water quality specially after 2005 Earthquake is not good. As per AJ&K Environment Digest Report, 2010. Detailed data analysis has revealed 06 major

⁸⁵ Azad Jammu & Kashmir, at a Glance 2015

⁴ ACE (1994): Assessment of Water Resources and Development of Irrigation Potential Azad Jammu and Kashmir:

The water balance study shows that about 8,671 million cubic meter of run-off is available annually. Of this merely

⁴ 311 million cubic meter could be utilized with full economically feasible irrigation

⁵ ACE Study (1994)

⁶ AJKCDP-I PCR

⁷ AJK, Water Quality Monitoring Surveillance and Development of Database by LGRD, AJK (2008)

water quality problems in drinking water sources of Azad Jammu and Kashmir i.e. bacteriological (Coliform and E-coli), Turbidity, pH, Iron, Nitrate and arsenic. Overall 1321 samples were collected from 08 districts of Azad Jammu & Kashmir & tested in the Water Clinic laboratory during this study, 100% of the water samples were found unsafe due to bacteriological contamination i.e. Coliform (100%) and E-Coli (47%). Bacteriological contamination is the major problem whereas arsenic was also found in drinking water source, 0.6% water samples have low pH values, 3% water samples contain high Iron concentration, 1.5% sample have high contents of Nitrate and 13% water samples found with high level of turbidity as compared with WHO guidelines⁶. In order to address this issue, need to create awareness among local communities about the water quality and safe drinking water with provision of water filtration kits at household Level in AJK.

12. **Project Target Group and Livelihoods of the Poor:** The Programme will cover entire AJK/10 districts. The current estimated total population of the target districts is 4.4 million (AJK Estimates 2016) consisting of about 613,846 households. There are around 1,771 revenue villages and around 4,426 existing male and female community Organizations established under various programmes including previous two IFAD financed Projects. While there are 104,240 BISP beneficiary households (Score 16.9), the total households below the Score of 34 are 326,904 or over 50 per cent of total population. Of the 1,771 villages, around 1,000 villages have yet to be covered under CDD approach. All such villages in selected priority poorest Union councils will be organized into COs and LSOs under AJKCDP2. Programme priority target group will be households falling in 0-34 band on BISP Poverty Score Card while maintaining a whole CO approach. While in new COs the households falling in 0-34 range will be actively engaged to become members of CO from very start, in the existing COs, all such left out HHs' inclusion would be a primary condition for participation in programme activities. The poverty graduation/asset building activities will be specifically targeted on households in poverty band of 0-11 as per BISP PSC. The rest of programme interventions including on-farm and off-farm activities, rural infrastructure, microfinance etc. will have a whole CO approach in all the participating COs. Some 88 per cent (383,800) of the AJK households are rural with an average family size of 7.0 persons. With very small average arable landholding (average 0.9 ha per HH), household income from crop and livestock is generally not enough to sustain the families and about 60 per cent of the family income is estimated to be derived from sources outside agriculture (wage labour, remittances, etc.). Seasonal migration by males to other parts of Pakistan for employment is quite widespread.

13. **Agriculture:** The area is largely mountainous and consists of two distinct regions: high mountains, narrow valleys and more forest cover in the north, and the southern part consisting of mountains interspersed with flat and undulating plains used for crop cultivation. The area under cultivation is around 194,260 hectares, which is approx. 13% of the total Geographical area out of which only 8 percent is irrigated and 92 per cent is rain-fed. About 87% households own agricultural land and almost 100% have land for own house. The agriculture land ownership masks the fact that large number of households own unproductive slopes. There are limited agriculture surpluses and hence limited commercialization of agriculture production and most of production is for home consumption. Major crops are maize, wheat & rice whereas minor crops are grams, pulses (red kidney beans), vegetables and oil-seeds. Major fruits produced in AJK are apples, pears, apricots and walnuts and limited quantities are marketed outside AJK. However it is fact that agriculture is major source of livelihood for the rural dwellers for poor in AJK.

14. **Forestry:** AJK is better endowed in terms of forest compared to the rest of Pakistan and about 42.6% of the total geographical area (0.567 million hectares), is controlled by the Forests Department. The per capita standing volume is 299.5 Cubic feet and per capita forest area is 0.35 Acre. The local communities have traditional rights in terms of forest use for grazing, fuel wood and wood for housing. Forest is an important source for rural sustenance and additional incomes from the activities like sericulture, beekeeping and community based tree nurseries raising for forest management and community income generation in AJK.

15. **Livestock:** With limited landholdings, livestock rearing is a livelihood activity and, on average, every rural household has 3 heads of small ruminants and 2 heads of cattle/buffalo. Its largely a women controlled activity and contributes, on average, around Rs.1,600 per household/month, of

which about 68% is milk production⁷. Livestock income, particularly from milk, is largely controlled by women. Livestock productivity remains low due to poor breeds, inadequate feed, poor husbandry practices and in adequate extension coverage. Breed improvement and livestock asset creation for the poor interventions under AJKCDP-I were rated as one of the most effective with high impact of poor household incomes.

16. **Gender Dimensions:** AJK enjoys considerable advantages in terms of gender roles and women's status in rural social and economic spheres. Women enjoy much better educational attainment in AJK as compared to their sisters in rest of Pakistan. They also have considerable freedom of mobility and say in village decision-making forums. Though these attributes are more pronounced in north as compared to southern parts. Large incidence of male outmigration for employment purposes, seasonal as well as longer term, has also given women a prominent role as home, land and livestock managers. Women are represented through both Female COs as well as mixed COs created under previous programmes. A dedicated Women Development Department leads GoAJK efforts in women development and finances a range of activities aimed at women income generation and social development.

17. There are also considerable opportunities to holistically address the rural poverty and development challenges in AJK. These include:

- a. Ownership and good understanding of community driven rural and agriculture development processes within the political and administrative setup and a keen desire to mainstream it into government development agenda on a sustainable basis.
- b. An excellent base of over 4,000 COs, VOs and LSOs to further pursue and strengthen community driven development with sharper focus on the poorest and women headed household through BISP Poverty Score Card Driven targeting
- c. An egalitarian and socially coherent society with comparatively high literacy levels, women participation and keen sense of self reliance that can be leveraged for a successful participatory development model
- d. Potential to introduce a poverty graduation approach enabling the poorest households (BISP Poverty Score Card 0-24) to sustainably get out of poverty through a combination of asset creation, skill development, entrepreneurship development and market linkages
- e. Opportunity to expand the CDD model to still uncovered over 800 villages and attain State-wide coverage
- f. Location and topographic advantages that are suitable for agriculture diversification towards higher value crops, off-farm income generation and livestock/poultry production that can be scaled up following a value chain based approach
- g. A decent base for community based savings and credit programmes under previous two projects that can be fine tuned and scaled-up across the State with appropriate linkages with micro-finance institutions and additional co-financing sources.

18. **Climate Risk and Challenges in AJK.** A detailed of this topic is provided in AJK Community Development Program (AJKCDP2) Working Paper on the Climate Change, Environment and Water Security, available in the project file. Below is a brief summary.

19. AJK is prone to both floods and droughts. In 2010 Flood's, heavy rains devastated major parts of Azad Jammu and Kashmir resulting in 71 deaths, 87 injured and affected a population of about 200,000 persons. Some 6,843 houses and 33,100 hectare of cropped area were badly affected. Damages also occurred to public infrastructure including roads, bridges, power installations, water channels, etc. Flash flooding damaged 657 watercourses and 3,575 km of road infrastructure⁸⁶. The AJK's northern regions are at risk from flooding, landslides, earthquakes and avalanches because of mountainous terrain and climatic conditions. In eight districts – Neelum, Hattian, Bagh, Poonch, Haveli, Kotli, Bhimber and Muzaffarabad – Floods in 2014 resulted in 56 deaths, with approximately 30,000 houses damaged and 60,000 people affected. Extreme weather events have had an adverse impact on agriculture productivity and the average per capita income of the rural household. Landslides, mudslides, and rockslides in these districts cause frequent injuries, deaths, road closures, and disrupt economic activities in cut-off areas for months. Landslides have been on the increase in

⁸⁶ Briefing Paper, Critical Analysis of 2010 Floods in Pakistan (2012)

recent years under the impact of deforestation, new infrastructure development and flooding and are particularly common in the most mountainous districts of AJK. Following are main Climate Change Challenges/issues and risks shared by the communities with the project design team:

- Prolonged droughts and unpredictable rain cycles leading to droughts and causing water scarcity at community and village and households Levels
- Contamination of drinking water sources causing water born diseases at villages level
- Climate change induced rain patterns are directly affecting small land holders practicing mono-cropping in rainfed areas
- Accelerated land-sliding and excessive soil erosion
- Certified seeds for crops and horticulture adapted to change cropping duration and cycles not available to small holders.
- Impacts on water availability has increased the work load of woman to fetch water in the dry land areas
- Declining pasture productivity has reduced fodder availability with adverse impact on milk and meat production
- High rate of deforestation causing high rate of erosion, increase sedimentation load in rivers and frequency in land sliding
- During long dry spells, human and weather caused forest fires are common which cause huge losses to new forest plantations and add to environmental pollution
- Lack of solid waste management in both urban and rural areas adding to environmental deterioration
- Lack of awareness of climate change and environmental issues and their solutions at village, community, and district levels in AJK.

Project's Potential Environmental and Climate Change Impacts and Risks

20. Overall, AJKCDP2 does not include any activity of a size or scale that will have significant negative environmental, climate or social impact. Project's NRM and agriculture production/diversification related activities will overall have a positive impact on both the communities' climate resilience as well as efficient use of natural resource base. Introduction of improved seeds, livestock breeds and management and husbandry practices will on one hand improve incomes and on the other hand reduce pressure on forests and other resources due to diversification of income sources to high value crops. Climate and Environment screening check-list is prepared and is made an integral part of rural infrastructure feasibility and design specifications. This will ensure that infrastructure financed by the programme is not only climate resilient but also does not negatively contribute to climate change phenomenon and environmental degradation. Following are the potential Interventions are proposed for Improved Climate Change Resilience for project activities under AJKCDP2.

- Institutional capacity building related to mainstreaming environment and climate change mitigation measures in partner agencies approach, strategies and interventions in particular agencies dealing with natural resource management and rural infrastructure development
- Helping communities to identify climate change hazards and appropriate coping interventions in their community development plans and provision of resources for the same.
- Introduction of integrated natural resource management including community pasture and forest management in partnership with AJK Forest Department
- Identification and introduction of climate-adapted varieties of crops and horticulture for various agro-ecological zones of AJK
- Introduction of climate adapted crop-rotation and crop cycles as well as more suitable crops
- Introduction of better land management and conservation through terracing, contour bunds, flood protection structures, drainage, agro-forestry etc. to prevent erosion and land sliding.
- Environmental and Climate Change impact studies for major project activities before and after implementation
- Major emphasis on water security through development of drinking and irrigation water sources, water conservation education and adoption (including soil moisture conservation) and flood management
- Introduction of renewable energy sources like mini hydel, solar home system and domestic biogas digesters to reduce pressure on forests and improve local environment

- Environmental and Climate change safeguards/specifications in design criteria in community physical infrastructure under AJKCDP2 to improve their sustainability in extreme weather events.

21. **Environmental impacts/benefits.** The project faces no significant, negative environmental risks from its proposed activities. A comparative analysis of potential climate change and environmental impacts and potential benefits of AJKCDP2, reveals that the overall impact of the project would be positive. Most of the subprojects should yield cumulative environmental and climate change benefits if an effective screening and mitigation regime, as per recommendations of this paper, is ensured by PCU and implementing agencies. Overall programme size is relatively big, however the actual size of interventions in each CO is relatively small. Therefore, no major climate change and environmental impacts are expected primarily due to smaller size of the interventions. No major impact like human resettlement or shifting of major facilities will be required under this programme. The only subprojects that may likely have negative cumulative impact on the environment could be the construction of road and irrigation related infrastructure. However, this type of infrastructure can be made safe with use of right designs and specifications and making effective use of local knowledge of the communities. The Project is expected to have the following positive environmental impacts:

- Increased environmental and climate change resilience and reduced vulnerability at district, community and smallholder/household level that integrate environmental and climate risk/climate change adaptation concerns;
- Diversified and intensified production systems of target households, based on climate adapted, sustainable agriculture methods, to balance food security and nutrition and income generation needs in accordance, and to address declining soil fertility and crop yields;
- Raised awareness within the target groups on environment and climate risk and benefits of sustainable agricultural practices and technical capacity including soil and water conservation, soil fertility management, agroforestry, composting, IPM and/or safe handling, use and disposal of agrochemicals and; empowerment to be able to implement these practices and learn from each other through farmer-to-farmer learning;
- Increased irrigated area and village access to multiple use water supply, conferring an important degree of resilience in the face of drought risk;
- Increased and diversified livestock production both as a source of income and as a strategy of climate change adaptation in the uplands as drought and other unfavorable weather-related events increase risk and decrease returns to traditional, rainfed crops; supported by introduction and expansion of fodder propagation, production and management systems;
- Support for sustainable, climate adapted livelihood diversification that will reduce vulnerability and enhance resilience of the rural poor and their communities by providing direct investment support for agriculture, livestock, rural development and other poverty reduction pathways as identified and prioritized by themselves.

Environmental Category (B)

22. In line with IFAD's Social, Environmental and Climate Assessment Procedures, a preliminary assessment of environmental and social risks suggests a rating of category B of AJKCDP2. Overall, AJKCDP2 does not include any activity of a size or scale that will have significant negative environmental, climate or social impact. Project's NRM and agriculture production/diversification related activities will overall have a positive impact on both the communities' climate resilience as well as efficient use of natural resource base. Introduction of improved seeds, livestock breeds and management and husbandry practices will on one hand improve incomes and on the other hand reduce pressure on forests and other resources due to diversification of income sources to high value crops. Most of the subprojects should yield cumulative environmental and climate change benefits if an effective screening and mitigation regime, as per recommendations of this paper, is ensured by PCU and implementing agencies. The only subprojects that may likely have negative cumulative impact on the environment could be the construction of road and irrigation related infrastructure as some of them would be in sloping terrain prone to slides and soil run-off. However, this type of infrastructure can be made safe with use of right designs and specifications and making effective use of local knowledge of the communities in terms of watershed contours and rain water run-off flows and directions. As regards vulnerability to climate, project area specific information was obtained by the IFAD preparation mission in order to verify the current understanding of climate hazard and risk and to better identify the specific concerns that the project should be prepared to

address. Annex II provides summary with information on specific concerns as regards natural disaster and climate related risks and their potential impacts on Agricultural production systems, Livestock etc that been initially proposed. The mission identified the following as being of greatest concern, based on frequency and severity of impacts:

- Cold spells (including hoarfrost) – mortality in livestock (sheep, goats, cattle,); crop yield impacts (wheat, maize, offseason vegetable and fruits);
- Drought – crop yield impacts (wheat, maize, offseason vegetable and fruits); potable, pressured and drip irrigation water supply systems;
- Storms (including hail, high winds) – crop yield impacts, primarily on rainfed crops on hillsides (maize, wheat etc);
- Flash flooding – crop yield impacts (wheat, maize and vegetables); loss of productive land (sedimentation, erosion);
- Landslides – impacts on productive infrastructure (roads, water supply schemes).

23. Potential Negative Environmental Impacts and their Proposed Mitigation Measures from the project activities under AJKCDP2 is at Annex-I.

Climate Risk Category (Moderate)

24. The medium-term climate risks themselves are judged to be low to moderate. Irrespective, given that uncertainty is always a factor that must be considered, adopting a risk averse ‘no-regrets’ approach to adaptation is considered to be the correct one, i.e., adopting adaptation strategies that will deliver developmental benefits regardless of the exact climate scenario. With these adaptive factors in place, the climate risk category of the Project is assessed as moderate. The programme activities will be implemented all over AJK with considerable diversity among various eco-zones. Thus environmental and climate change issues may vary from zone to zone and each activity may yield varying impacts hence may require different mitigation inputs depending on location. An upfront mitigation regime for main interventions cannot be proposed at this stage as the project would follow a participatory process and site and size of scheme will be based on the outcome of Community Development Plans. The mitigation measures and safeguards identified in this paper are of generic nature which can be easily adapted to site specific situations. Although the overall programme size is relatively big, however the actual size of interventions in each CO is relatively small. Therefore, no major climate change and environmental impacts are expected primarily due to smaller size of the interventions. No major impact like human resettlement or shifting of major facilities will be required under this programme. Based on the general characteristics of the area, a brief assessment of different sub-projects is provided and generic guidelines and mitigation measures are also proposed. These guidelines provide a checklist of environmental parameters to screen out “no significant impacts” from those with “significant adverse impacts” for different sub-projects. Each parameter in the checklist should be reviewed for each sub-project to separate interventions where no significant impacts are expected from those where adverse impacts are expected. Mitigation measures should also be built in scheme design and implementation arrangements where appropriate. The details of Potential Natural Disaster & Climate-related Risks in different Districts of AJK is given at Annex-II(a), Project Districts – Natural Disaster & Climate-related Impacts on Agriculture and Livestock in AJK is given at Annex-II(b). General Climate Issues/Risks and Climate Risks Mitigation Measures for Project activities under AJKCDP2 is placed at Annex-III.

Main Features of Project Design and Implementation

25. Current Climate adaptation/disaster risk management requirements for Agriculture and Livestock in AJK is given in Annex-IV (a) and Small-scale Infrastructure Development – Priority Climate Adaptation/Disaster Risk Management Requirements in AJK is describe in Annex-IV (b).The following details the approach within each project outcome (component) and output (subcomponent) to achieve an operational integration of climate change and environment concerns within program investments and results.

26. **Community Mobilization, Planning & Development:** This component has two sub-components which will be implemented at the CO level by social mobilization partner: (a) Institution Building for Community Driven Development (b) Poverty Graduation Fund. The first sub-component wil identify target poor communities and organize them into COs, VOs and LSOs so as to become responsible and active partners in pro-poor development process. The second component is aimed at building productive capacity for the ultra-poor and poor households to enable them to earn decent incomes and get out of pverty in a sustainable manner. The

asset building includes both skills and productive assets like goats and cows and poultry. The later will have nexus with natural resource base and related environmental and climate aspects.

27. Sustainable Rural Services Delivery: The interventions under this component are clubbed under two sub-components. Component 2.1 covers community physical infrastructure covering both economic (roads, irrigation, bridges etc.) and social (DWS, water storage facilities, solar power, micro-hydel etc.) infrastructure. Scheme selection will be based on the demands prioritized within Communities Development Plans prepared at CO level and consolidated at LSO level. All activities should contribute to improved production, access to technology and markets and enhanced well being and incomes. Sub-component 2.2 finances Extension Service Delivery for improved on-farm and off-farm production of high value products for increased access to markets and incomes. It focuses on diversification to high value crops in AJK and develop market linkages. The project will support farmers and smallholders' access to technology, markets and knowledge: local government agencies (Agriculture, Environment, Fisheries, Forestry, Livestock and Sericulture) will be responsible for delivering trainings and will benefit from capacity building and institutional strengthening when needed. Another strong emphasis will be made on commercialization strategies and on fostering models of farmers associations to maximize revenues. Promising activities include fruits, walnuts, off-season vegetables, organic farming, beekeeping, floriculture, seeds nurseries, and small processing. Collectively, these activities will improve local income and reduce pressure on forests that are exploited to raise additional incomes. Possible environmental concerns may arise due to increased use of fertilizers and pesticides as required by the high yielding varieties. However, through training and awareness during the capacity building process, the communities would be sensitized about the benefits of organic farming by maximizing the use of properly decomposed farm manure in agricultural fields. Environment friendly composts may be propagated among HH to convert all farm wastes into high value compost hence to minimize the use of chemical fertilizers by the farmers. Investments in irrigation should be combined with awareness and training for on farm water management, introduction of high efficiency water systems and channel lining to minimise water losses. Minor soil erosion concerns may arise due to new water channels, however, can be controlled through social forestry plantations along the channels and lining of channels in vulnerable sections.

28. Rural Access/link Roads (causeway/super Passage and Footpaths): This activity has potential to cause significant environmental impact and be suspect to climate change induced events if proper mitigation measures are not adopted in design and specifications. Generally, rural access/link roads (causeway/super Passage and Footpaths) rehabilitated or constructed would be small in size. In flood and slide prone areas, proper design specifications and protection structures would be adopted to ensure climate change resilience and reduce any negative impacts on slopes or water run-offs. Proper cross and side drainage structures would be provided to provide safe passage for rain and floodwater. Possibility of alternate routes shall be explored wherever required to offset the expected impacts. To prevent any excessive erosion and silt runoff, careful routing and design specifications will adopt and enforced.

29. Specific Design Parameters: All roads rehabilitation/new roads will adopt specific provisions for enhancing climate resilience and protecting environment depending on site situation and vulnerabilities. These include retaining walls, breast walls, cross drains, side drains, causeways and protective dykes wherever required to eliminate chances of excessive soil erosion and land sliding. The ratio of cut and fill shall be specified and strictly adhered to, particularly in the northern mountainous areas. This would help in reducing the chances of slope destabilization. In most cases, the existing dirt roads would be upgraded/rehabilitated which would help reduce the environmental hazards. No relocation of families will be involved and no major tree removal will be required. However, the Forest Department shall be consulted prior to road construction where road is expected to pass through any forest area to prevent any possible environmental impact. Roadside plantation/vegetation would be mandatory for community wherever these roads are proposed. Suitable sites to be used as spoils should be identified and the excavated material shall properly be stacked in the spoil. The spoil shall be landscaped and top soiled (if necessary) to provide better conditions for the growth of vegetative cover.

30. Problems Arising from Road Usage: No significant environmental impacts are expected due to increased traffic as numbers are likely to remain small. Lack of proper O&M may however result in blocked drainage structures leading to water run-off and scouring of main surface and sides leading to collapse of slope and road sides. Since O&M would be community responsibility, proper provisions shall be made in the agreements with community to ensure regular cleaning of side drains and cross drainage structures, especially before the on-set of rainy season.

31. Irrigation Facilities (Tube Wells, Lift Irrigation, Water Channels): The Irrigation facilities (tube wells, lift

irrigation, water channels) interventions proposed in this programme shall not cause any significant adverse environmental impact because of very small scale of interventions at household, village and community levels. There will be no resettlement of families involved, and shall not impair cultural/historical areas. In mountainous terrain, the water carriage and diversion structures will be properly sited and strengthened to prevent any water run-off on slopes and possibility of inducing slides or soil run-off. Water efficient usage will be introduced at farm level through training of farmers and introduction of efficient irrigation technologies like trickle and sprinkler irrigation system will be linked to production of high value crops. Flood irrigation practices will be discouraged.

32. **Drinking Water Supply (tube wells, hand pump, dug well, spring based gravity schemes)-** The water supply interventions proposed in this programme shall not cause any significant adverse environmental impact because of very small scale, generally involving few households. Small water supply systems such as rainwater harvesting, spring-based gravity systems and hand pumps would be given preference. There will be no resettlement of families involved, and shall not impair cultural/historical areas. This kind of water supply would not cause any land subsidence hazards. Source protection and water testing will be introduced in every scheme to ensure provision of safe and potable water. Where feasible, gravel and sand filtration beds will be provided in distribution tanks to minimise mixing of sediments. Conflicts on water supply rights are not expected as all sources have historically established access rights; rather the current situation may improve as availability of water would be increased and the distribution would become equitable. However, to ensure equity in water distribution and satisfactory O&M, a written agreement by the community should be a pre-condition to finance the scheme. User associations shall be formed and trained under the project to handle O&M and distribution.

33. **Design Parameters:** Specific provisions will be made in off-take/source structures to prevent contamination. Through training and awareness, communities would be enabled to build minimum required drainage to avoid any major sanitation issues linked with water supply. Any surplus run-offs will be used for kitchen gardening purpose by women CO members. A minimum distance will be maintained between water supply pipes and drains/sewer (horizontal and vertical separation). Any piping used will be preferably buried to prevent damage from cattle or traffic passage and thus chances of leakage will be minimised.

34. **Other considerations:** Provision of drinking water supply is identified as the high priority need by the community in all districts. Spring-based gravity flow and hand pumps will be preferred, therefore no need for standby power. The schemes would be completed with active community participation and users would be responsible for O&M. The water will not be metered and the project will primarily target the poorest areas, therefore the poor will get equal benefit from these schemes.

35. **Drainage (street pavements, drains):** In general, the environmental impact of the provision of drainage is positive if proper disposal of wastewater is ensured and efficient O&M is applied. Main environmental problems due to drainage would be related to improper design/construction, clogging of drains, or improper disposal. Health and sanitation issues may also arise as a result of water stagnation. Therefore, it will be important to design properly and to construct the drains followed by proper disposal of wastewater and periodic cleaning of drains and street pavements if necessary.

36. **Capacity Building.** The Project has an extensive capacity building program on Climate Change Mitigation, Environment Protection and Promotion at both Policy and Implementation Levels for both communities and Policy Maker under AJKCDP2 on following,

- Practical Trainings for preparation of small composting sites at Village and Community levels
- Climate Change Adaptation Trainings on Natural Resource Management, Infrastructure, Livelihoods etc.
- Awareness Raising Seminars and Sessions on Climate Change and Environmental issues and their Solutions at District and Community Levels
- Programme has also included a number of capacity building initiatives to build the capacity of communities at field level on other project component on agriculture, livestock, vocational training etc.

37. **Additional funding.** The Project has no proposal for additional funding.

Monitoring & Evaluation

38. The Community Driven Development Unit (CDDU) would overall supervise the climate change and

environmental screening, review and assessment with the help of its field staff at various levels. After the prioritization of sub projects by the COs', the project field staff and concerned CO shall screen and categorize the subproject as per three classified categories. Category E-1 shall have major environmental impact and shall require full EIA. Category E-2 and E-3 would require limited EA and environmental review, respectively. The district level project field staff would be responsible to carry out screening and review using environmental screening and review checklists as part of sub-project approval process. Communities and concerned CO's would also be involved in this process. Based on the nature and size of sub-projects included in AJKCDP2, it is very unlikely to have a sub-project requiring full EIA. Most sub-projects will require a simple environmental review based on the proposed checklist.

39. **Specific Climate Change and Environmental Monitoring and Evaluation:** To address the identified Climate Change and environmental issues and impacts during various stages of sub-projects' design and implementation, a list of climate change and environmental key indicators has been developed. A three levels Climate Change and environmental monitoring plan is proposed to undertake internal quarterly monitoring as well as six months monitoring by IFAD Supervision Missions. The proposed levels are:

- Continuous Climate Change and environmental monitoring by district level staff of AJKCDP2
- Quarterly Climate Change and environmental monitoring by PMU of AJKCDP2
- Six Months Climate Change and Environmental Monitoring by IFAD Supervision Missions

40. All periodic progress/monitoring reports prepared by the project staff should have a built-in section of climate change and environmental indicators. The mid-term review should include a report on Climate Change and environmental status of the project. The detail of the proposed Climate Change and Environmental Management and key environmental monitoring parameters for AJKCDP2 sub-projects is given in Climate Change, Environment and Water Security working paper of AJKCDP2 in detail.

Further information required to complete screening, if any

41. No further studies are proposed to complete the SECAP screening.

SECAP Annex-I: Potential Negative Environmental Impacts and their Proposed Mitigation Measures from the project activities under AJKCDP2

Subproject	Potential negative environmental impacts	Proposed Mitigation Measures
Water supply	A. Environmental problems relating to silting - Pollution of raw water supply from upstream waste discharge - Water use conflicts - Hazard of land subsidence - Resettlement inadequate - Impairment of historical/culture monuments/areas	- Proper consideration of environment in site selection - Tailored design to accommodate special pollution problems - Fair appointment of limited water rights - Limit pumping tolerable levels - Proper resettlement planning and budgeting - Careful planning to minimize and offset adverse effects
	B. Problems relating to design phase - Delivery of unsafe water to distribution system - Inadequate protection of intake works (or wells) causes pollution - Excessive algae growth in storage reservoirs - Increased in sewage production - Inadequate disposal of slugs - Unsatisfactory raw water quality - Difficult water quality/treatment problems - Inadequate buffer zones - Management of chlorine used for disinfecting - Water and sewerage pipes in same trench	- Competent attention to this problem in project planning - Competent design/O&M/ Monitoring - If necessary, provision of covered storage - Parallel programme for sewerage/excreta disposal - Proper sludge disposal planning - Use of raw water sources of acceptable quality - Careful planning/designing/ monitoring - Careful design/O&M monitoring - Careful design/construction • Careful silting, plus protection and offsetting measures
	- Problems from transmission lines - Encroachment into ecology - Impairment in environmental aesthetics - Continuing soil erosion from non-resurfaced exposed area	Proper researching measures
	C. Problem relating to construction stage - Soil erosion/silt runoff from construction operations - Continuing soil erosion from non-resurfaced exposed area	- Proper measure to contain runoff - Proper resurfacing - Depends on effects

	<ul style="list-style-type: none"> - Other construction stage hazards - Inadequate monitoring 	<ul style="list-style-type: none"> - Competent construction monitoring
	<p>D. Problem relating to operations</p> <ul style="list-style-type: none"> - Delivery of unsafe water to DS due to O&M deficiencies - Inadequate distribution system monitoring - Delivery of conceive water to DS due to inadequate O&M 	<ul style="list-style-type: none"> - Competent O&M monitoring - CWSS does not realize intended objectives - Competent O&M/monitoring
	<p>E. Other possible problems</p>	
<p>Solid waste Management</p>	<ul style="list-style-type: none"> - Unallocated refuse clogs open drains and sewers. - Aesthetic degradation and property value loss from litter and clandestine dumping. - Smoke from open burning of uncollected refuse. - Populations of disease vectors (e.g., flies, rats, cockroaches) increase where refuse is either uncollected or open dumped. - Poorly located communal containers create wasted time and effort for residents. - Lack of resident cooperation with collection systems which do not fit social and cultural behavior of residents. - Dust during loading of refuse from stationary communal containers. - Refuse scattered from stationary communal containers, plastic bags, baskets, etc., and by animals. - Worker accidents (e.g., back injuries) when refuse bins are overweight. - Dust and litter along roadways used by refuse collection vehicles. - Worker hazard when medical wastes are not specially handled. 	<ul style="list-style-type: none"> - Provide complete refuse collection service to rural environment. Development of small composite unit at village and community levels - Same as above. - Same as above - Same as above. - Examine movement patterns of residents and survey them for the distance they would be willing to walk. - Survey residents for social and cultural behavior: <ul style="list-style-type: none"> - Who performs the chore of waste discharge - At what hours are they at home - How much time could they spent on this chore - How much self-reliance will they accept - What can they afford - Minimize extra handling and maximize containment to the extent affordable. - Educate residents to discharge refuse just before the scheduled time of collection service. - Appropriate size refuse containers (e.g., 80 to 100 litre capacity) in Urban areas - Provide covers for containers so that rain does not add weight to the refuse. - Provide enclosed refuse collection vehicles or cloth tarps to cover open vehicles. - Separate collection of medical wastes using dedicated vehicles. - Provide a separate disposal area at the refuse compositing sites at community levels.

	<ul style="list-style-type: none"> - Worker hazard when potentially hazardous wastes are not specially handled. - Dust from unloading and loading operations at transfer stations. - Loss of income to pickers and loss of low-cost feedstock to industry when recovery of secondary materials is hindered. - Dust from unloading and spreading/grading operations at land disposal sites. - Smoke from open burning or refuse at land disposal sites. - Odors from land disposal sites. - Odors from composting systems. - Contamination of ground and/or surface water by leach from land disposal systems. - Restriction to beneficial uses of receiving waters contaminated by leaching. - Contamination of air quality from incineration or resource recovery facilities. - Contamination of soil and potential biological uptake of toxic chemicals (e.g., heavy metals) from application of compost. 	<ul style="list-style-type: none"> - Survey industries to assess nature and quantity of hazardous wastes. - Provide separate collection and disposal in specially designed systems. - Test for waste compatibility before disposal. - Provide enclosure to the loading and unloading area, as well as ventilation and air filtration. - Design collection, transfer and/or disposal systems to accommodate continuation of recycling. - Increase source separation and recovery of secondary materials before waste discharge for collection. - Provide job training and employment assistance to pickers losing occupation. - Provide buffer zone around land disposal site. - Pave access roads. - Design location of working face to minimize truck traffic. - Water sprays the working areas to suppress dust. - Locate land disposal systems where solid underlying landfill are relatively impermeable and have attenuated properties. - Provide an adequate depth between the bottom of the landfill and the top of the groundwater. - Provide adequate horizontal distance to the nearest surface water. - Do not locate land disposal up-gradient of any ground or surface water whose usage could be affected by receipt of contamination, unless the distance between the land disposal and the receiving water is adequate to dilute, disperse or attenuate contamination. - Provide gas control systems in landfills. - Same as above - Also restrict development of buildings in the vicinity of landfills.
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		<ul style="list-style-type: none">- Install gas-monitoring wells around the site.- Restrict potentially hazardous wastes from being disposed in landfill for general refuse.- Provide state-of-art air pollution control.- Based on crops planned to receive land application of compost and chemical concentrations they can tolerate.- Determine which constituent is land-limiting.- Then, based on concentrations of this constituent in compost, determine the total concentration which can be applied before phytotoxic levels are reached.- From this, determine amount of compost which can be applied.
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Annex II (a): Potential Natural Disaster & Climate-related Risks in different Districts of AJK

Project Districts	Reported Phenomena**					
	Cold spells	Drought	Wet weather	Storms	Flash flooding	Landslides
Bhimber	X	XXXX	X	X	XX	X
Poonch	XXX	XXX	XXX	X	XX	XX
Sudhnoti	XX	XXXX	XX	X	X	X
Kotli	XX	XXXX	X	X	XX	X
Bagh	XXX	XXX	XX	X	XX	XX
Mirpur	X	XXX	X	X	XX	X
Muzaffarabad	XXX	XX	XX	X	XXX	XXXX
Hattian Bala	XXXX	X	XXX	X	XXX	XX
Haveli	XXX	X	XXXX	X	XXXX	XXX
Neelum	XXXX	X	XXXX	X	XXXX	XXXX

X = Normal
 XX = Moderate
 XXX = Intense
 XXXX = Extreme

Annex II (b): Project Districts – Natural Disaster & Climate-related Impacts on Agricultural Production Systems in AJK

Project Districts in AJK	Crop (yield, quality)	Crops (cropping calendar)	Livestock (mortality, disease)	Water resources (seasonal deficit)	Agricultural land resources (flash flood damage)
Bhimber	X	X	XX	XXX	X
Poonch	XXX	X	XXX	XXX	X
Sudhnoti	XXX	XX	XXX	XXX	X
Kotli	XXX	XXX	XX	XXX	X
Bagh	XXX	XX	XXX	XXX	X
Mirpur	X	X	XX	X	
Muzaffarabad	XXX	XX	XX	X	X
Hattian Bala	XXX	XX	XXX	X	X
Haveli	XXX	X	XXX	X	XXX
Neelum	X	X	XX	X	X

X = Normal
 XX = Moderate
 XXX = Intense

Annex-III: General Climate Issues/Risks and Climate Risks Mitigation Measures for Potential Project activities under AJKCDP2

Inputs	Climate Change Risk Issues	Climate Risk Mitigation Measures
1.1 Agriculture Diversification and Productivity Enhancement		
Seeds	High-yield varieties may perform poorly under higher temperatures, humidity, salinity; certain hybrid seed varieties degrade soils over the long term	<ul style="list-style-type: none"> - Provide access to specific climate-adapted varieties where available (e.g. drought and heat-tolerant, submergence tolerant); maintain diversity through seed banks, including wild relatives (CGIAR, 2013); test different seeds under different conditions - Climate Change resilience with high yielding Seed Bank for crops and horticulture need to establish at district level in AJK in collaboration with Private sector
Fertilizers	Generally positive in low-input systems, but may increase inter-annual variability in yields; trade-offs with emissions	Integrate fertilizer advice and supply with wider soil management (FAO, 2013, Module 4); precision farming
Soil management	Rising temperatures, greater soil moisture evaporation and more destructive interplay between dry spells and intensive rainfall events increase soil erosion and reduce soil organic content	moisture evaporation and more destructive interplay between dry spells and intensive rainfall events increase soil erosion and reduce soil organic content Introduce measures to counter soil erosion (e.g. terracing, contour bunds, drainage, agroforestry, perennial crops); increase soil carbon and improve the management of soil organic matter; rehabilitate degraded lands (FAO, 2013, Module 4)
Water management	Greater crop evapotranspiration; loss of soil water; changes in amount and timing of rainfall; more variable river run-off; reduced groundwater recharge; salinity intrusions into soil and groundwater	Adopt water conservation and efficiency measures such as water harvesting, efficient irrigation infrastructure, check dams, flood management and drainage; support riparian habitat restoration; undertake hydrological and salinity monitoring; introduce water allocation systems (FAO, 2013, Module 3)
On-farm energy	Mechanization using fossil fuels causes emissions increases; use of fuel wood can cause deforestation and erosion	Undertake trade-offs analysis (FAO, 2011; FAO, 2013, Module 5); introduce renewable energy sources (e.g. solar energy for heating, cooling, drying and pumping, small wind turbines, biogas digesters)
Diversification	Monoculture crops are more prone to catastrophic losses from climate extremes than diversified systems	Investigate potential for sustainable intensification and diversified cropping systems through crop rotations (e.g. staple/horticulture), Off Season crops, intercropping, agroforestry, mixed crop/livestock systems (FAO, 2013, Module 6)
Agriculture Production infrastructure	Value chain-related production facilities in certain locations (including fields, greenhouses,	Include physical risk management structures at farm level (e.g. windbreaks, flood control dykes, firebreaks); retrofit or

	livestock facilities, small processing units) face greater exposure to floods, wildfires, high wind speeds	relocate sensitive infrastructure; create buffer zones (e.g. wetlands, greenbelts, flood recession schemes)
1.2 Poverty Graduation and Livelihood Development		
Animal feed and breeds	Feed quality helps emissions reductions, but larger better-fed animals may be more exposed to climate-related water stress	Evaluate heat tolerance, housing and feed requirements of proposed livestock (FAO, 2013, Module 8)
Financial services	Lack of upfront capital may be a major drawback for farmers to adopt climate-resilient practices	Investigate financial channels to reduce risks associated with innovation (e.g. microfinance, small grants programmes, index-based weather insurance (WFP and IFAD, 2011)
Livestock	Declining pasture productivity; increasing livestock mortality from heat stress; loss of productive pasture from erosion; damage to livestock infrastructure; declining fodder quality	Introduce mixed crop/livestock farming systems; support pasture restoration; diversify livestock breeds; improve rangeland management; make livestock infrastructure more climate resilient; increase production efficiency (FAO, 2013, Module 8)
Fisheries and aquaculture	aquaculture Changing salinity conditions in natural reservoirs; shifting fish stocks due to higher water temperatures; migratory shifts of biodiversity	Improve production efficiency and feed management (FAO, 2013, Module 10); diversify aquaculture; introduce mixed crop/aquaculture or aquaculture/livestock systems; introduce mixed fish/crop/forest systems
Landscape-level management	Positive value chain outcomes (e.g. higher incomes) may incentivize greater land clearance and unsustainable water use, affecting local microclimate and hydrology and compounding climate hazards	Undertake participatory mapping and land-use planning; remote sensing-based landscape monitoring; exploit all available incentives (financial, regulatory, etc.) for sustainable environmental management in the project area (FAO, 2013, Module 9)
Skills base of farmers and local institutions	Local knowledge and capacity is central to managing production under conditions of rapid change	Invest in local capacity for planning, monitoring, decision-making and financial management; transfer control to local institutions; provide training on climate issues and support to farmer-based research and knowledge systems; include smallholders in policy dialogue and scenario-building exercises specially for off-season crops, agriculture diversification and productivity enhancement for small farmers income generation activities to uplift their living standard at village level
1.3 Community Physical Infrastructure		
a) Drinking Water Supply	<ul style="list-style-type: none"> – 50 % of Rural Population of AJK is facing limited/ non availability of water at house hold level – Climate Change accelerated prolong droughts in rural areas of AJK – Water Quality is not good and contaminated 	<ul style="list-style-type: none"> - Utilize rainwater harvesting, - Increase Drinking water Supply Scheme like tube wells, hand pump, dug well, spring based gravity schemes by taking care of health and hygiene issues for rural communities at household level - Need to trained the communities about water conservation and use of water

	<ul style="list-style-type: none"> - No awareness about water conservation and filtration Practices at household levels 	<p>purification tablets to improve water quality at household levels</p>
b) Drainage and Street Pavements	<ul style="list-style-type: none"> - Increased surface run-off - Flash floods - Traditional drainage system/underground pipeline dislocate flood somewhere else 	<p>Sustainable Drainage Systems (SUDS) are an approach to drainage that should be considered on all sites, for example, Green Roofs are considered a SUDS technique. The SUDS approach includes:</p> <ul style="list-style-type: none"> - preventive measures like good housekeeping, rainwater harvesting, green roofs and water butts; - filter strips and swales - vegetated landscape features with smooth surfaces and a gentle downhill gradient to drain water evenly off impermeable surfaces; - infiltration devices like soak always which allow water to drain directly into the ground; - storm water tanks if necessary; - permeable and porous pavements; - basins, reed beds and ponds designed to hold water when it rains.
c) Economic or Productive Infrastructure	<ul style="list-style-type: none"> - Limited Rural access/link roads and footpaths during Climate driven floods - Limited irrigation facilities only 8% in AJK which is further decrease during Climate Change driven prolong drought - Limited flood protection structure for rural communities for land sliding and water erosions etc.) 	<ul style="list-style-type: none"> - Need to rehabilitate and construct link roads and footpath by incorporating climate resilience infrastructure. - There is need to develop new irrigation facilities like tube wells, lift irrigation, water channels and their infrastructure should be climate resilience - There is need of climate resilience flood protection work like roadside walls, bunds etc. in combination of tree plantation

<p>d) Renewable Energy Sources</p>	<ul style="list-style-type: none"> - High dependence on local bioenergy (wood, charcoal, dung, crop residues) has trade-offs with better soil management; rising temperatures require more energy for cooling - Heavy Fuel Oil based grid connected electricity generate Greenhouse gases 	<ul style="list-style-type: none"> - Project include following renewable energy sources <ul style="list-style-type: none"> ▪ 10 number of Mini / micro hydro ▪ 20 number of Biogas ▪ 100 number of Solar home system <p>These above mentioned renewable energy sources reduce electricity utilization and forest deforestation which will directly contribution to climate change mitigation.</p> <p>If same intervention replicated on large scale say for all AJK than this project has potential to get climate Finance through Green Climate Fund and other sources as well.</p>
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Source: IFAD-How to do climate change risk assessments

Annex IV (a): Current Climate adaptation/disaster risk management requirements for Agriculture and Livestock in AJK

Province/ Value Chain	Climate Risk Factors		Adaptation options	
	Risk	Severity & Frequency	Proven & Available	Promising/Under Testing
Goats and Sheep	Cold spells	Severe & Common, w/ frequency greater than 1 in 5 years	Training, education, awareness raising; stabling w/plastic walls, improved nutrition	N/A
Cattle and Buffalo				
Wheat	Cold spells and drought	Severe & Common, w/ frequency greater than 1 in 5 years	Irrigation	Introduce/develop new crop varieties
Maize				
Apples				
Vegetables				
Forest tree plantations	Flash flood, landslides, drought, cold spells w/frost	Severe & Common, w/ frequency greater than 1 in 5 years	Application of management norms (species & site selection, silvicultural practices to encourage vigorous growth)	N/A

Annex IV (b): Small-scale Infrastructure Development – Priority Climate Adaptation/Disaster Risk

Management Requirements in AJK

Province/ Value Chain	Climate Risk Factors		Adaptation options	
	Risk	Severity & Frequency	Proven & Available	Promising/Under Testing
AJK				
Roads	Landslides, heavy rains	Moderate & Frequent, w/ average frequency of 1 occurrence in 5 years	Concrete embankments & canal lining	Improved designs & low-cost stabilization options
Irrigation Schemes				Bio-engineering options for stabilization (e.g., Tree and grass)
Water supply systems	Drought	Moderate & Infrequent, w/ average frequency ≤ 1 occurrence in 5 years	Integrated water supply systems	Training, education, awareness on water conservation & use efficiency
	Flash flooding			Minimize hydraulic profile & drag w/ small-scale, distributed works

Appendix 13: Contents of the Project Life File

The contents of the Programme Life File include the following documentation:

- Concept Note (as presented in the RB-COSOP as pipeline project)
- CPMT Minutes
- QE Panel Report
- Detailed Design Mission TORs; 2nd Design Mission TORs
- PDR: Detailed Design