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## **Islamic Republic of Pakistan**

### **Khyber Pakhtunkhwa Rural Economic Transformation Project**

#### **Addendum**

Executive Board — 134<sup>th</sup> Session  
Rome, 13-16 December 2021

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**For: Approval**

# Islamic Republic of Pakistan

## Khyber Pakhtunkhwa Rural Economic Transformation Project

### Addendum

The attention of the Executive Board is drawn to the following addenda and modifications to the President's report on the Khyber Pakhtunkhwa Rural Economic Transformation Project (EB 2021/134/R.38). For ease of reference, the changes to the text of the report are shown in boldface, while strikethrough indicates deleted text.

Page iv, the following changes have been made to the financing summary:

Total project costs:	<del>US\$185.82 million</del> <b>EUR 156.76 million (equivalent to approximately US\$178.12 million)</b>
Amount of IFAD loan:	<del>SDR 59.48 million (equivalent to approximately US\$84.19 million)</del> <b>EUR 74.09 million (equivalent to approximately US\$84.19 million)</b>
Contribution of Government of Khyber Pakhtunkhwa:	<del>US\$40.45 million</del> <b>EUR 25.48 million (equivalent to approximately US\$28.96 million)</b>
Contribution of beneficiaries:	<del>US\$45.27 million</del> <b>EUR 43.18 million (equivalent to approximately US\$49.06 million)</b>
Financing gap:	<del>US\$15.91 million</del> <b>EUR 14 million (equivalent to approximately US\$15.91 million)</b>
Amount of IFAD climate finance:	<del>US\$13.55 million</del> <b>EUR 11.92 million (equivalent to approximately US\$13.548 million)</b>

Page 5, paragraph 20 should read:

20. "The project costs for the seven-year implementation period total ~~US\$185.82 million~~ **EUR 156.76 million (equivalent to approximately US\$178.12 million)**, including an IFAD loan of ~~US\$84.19 million~~ **EUR 74.09 million (equivalent to approximately US\$84.19 million)**, with a financing gap of approximately ~~US\$15.91 million~~ **EUR 14 million (equivalent to approximately US\$15.91 million)**. Further financing is expected from the Government of KP in the amount of ~~US\$40.45 million~~ **EUR 25.48 million (equivalent to approximately US\$28.96 million)** and from beneficiaries in

the amount of ~~US\$45.27 million~~ **EUR 43.18 million (equivalent to approximately US\$49.06 million).**"

Page 5, paragraph 21 should read:

21. "The financing gap of ~~US\$15.91 million~~ **EUR 14 million (equivalent to approximately US\$15.91 million)** may be sourced through subsequent performance-based allocation system cycles (under financing terms to be determined and subject to internal procedures and subsequent Executive Board approval) or by cofinancing **partners to be** identified during **project** implementation."

Page 5, the last sentence of paragraph 22 should read:

22. "As per the multilateral development banks' methodologies for tracking climate change adaptation and mitigation finance, the total amount of IFAD climate finance for this project is preliminarily calculated as ~~US\$13.55 million~~ **EUR 11.92 million (equivalent to approximately US\$13.548 million).**"

Page 5, table 1 should read:

Table 1  
Project costs by component and financier  
(Thousands of United States dollars)

Component	IFAD loan		Financing gap		Government of KP		Beneficiaries			Total
	Amount	%	Amount	%	Amount	%	Cash	In kind	%	Amount
1. Agribusiness development	54 380	52.0	40 370	9.9	2 040		37 720		36.4	104 510
	<b>59 949</b>	<b>62.9</b>			<b>1 905</b>	2.0	<b>33 512</b>	-	<b>35.1</b>	<b>95 366</b>
2. Skills development and employment promotion	49 180	29.0	3 120	4.7	36 360	54.9	7 560		11.4	66 220
	<b>11 626</b>	<b>17.1</b>	<b>15 913</b>	<b>23.3</b>	<b>25 075</b>	<b>36.8</b>	<b>15 552</b>	-	<b>22.8</b>	<b>68 167</b>
3. Project management and policy and institutional support	40 630	70.4	2 420	16.1	2 040					45 090
	<b>12 617</b>	<b>86.5</b>			<b>1 972</b>	13.5	-	-	-	<b>14 589</b>
Total	84 190	45.3	15 910	8.5	40 450	21.8	45 270		24.4	185 820
	<b>84 192</b>	<b>47.3</b>	<b>15 913</b>	<b>8.9</b>	<b>28 953</b>	<b>16.3</b>	<b>49 064</b>	-	<b>27.5</b>	<b>178 122</b>

Page 5, table 2 should read:

Table 2

Project costs by expenditure category and financier  
(Thousands of United States dollars)

Expenditure category	IFAD loan		Financing gap		Government of KP		Beneficiaries			Total
	Amount	%	Amount	%	Amount	%	Cash	In kind	%	Amount
Investment costs										
	900	78.9			240	21.1				1 440
1. Vehicles	<b>898</b>	<b>82.0</b>	-	-	<b>197</b>	<b>18.0</b>	-	-	-	<b>1 095</b>
		75.0			30	25.0				120
2. Equipment and materials	90	<b>81.4</b>	-	-	<b>20</b>	<b>18.6</b>	-	-	-	<b>111</b>
3. Technical assistance, training and studies	21 820	35.5	3 830	6.2	28 240	46	7 560		12.3	64 450
	<b>21 822</b>	<b>34.5</b>	<b>11 465</b>	<b>18.1</b>	<b>14 359</b>	<b>22.7</b>	<b>15 552</b>	-	<b>24.6</b>	<b>63 199</b>
	51 810	47.3	9 670	8.9	10 260	9.3	37 710		34.5	109 470
4. Grants to beneficiaries	<b>51 814</b>	<b>51.6</b>	<b>4 448</b>	<b>4.4</b>	<b>10 736</b>	<b>10.7</b>	<b>33 512</b>	-	<b>33.3</b>	<b>100 510</b>
5. Credit	-	-	-	-	-	-				
Total investment costs	74 620	43.3	13 500	7.9	38 770	22.5	45 270		26.3	172 170
	<b>74 624</b>	<b>45.3</b>	<b>15 913</b>	<b>9.7</b>	<b>25 300</b>	<b>15.4</b>	<b>49 064</b>	-	<b>29.8</b>	<b>164 900</b>
Recurrent costs										
	6 740	73.6	1 680	18.3	740	8.1				9 160
1. Salaries and allowances	<b>6 738</b>	<b>76.1</b>			<b>2 111</b>	<b>23.9</b>	-	-	-	<b>8 849</b>
	2 830	62	730	16.3	940	20.9				4 490
2. Operating costs	<b>2 827</b>	<b>64.7</b>			<b>1 545</b>	<b>35.3</b>	-	-	-	<b>4 372</b>
	9 570	70.1	2 410	17.7	1 670	12.2				13 650
Total recurrent costs	<b>9 566</b>	<b>72.3</b>			<b>3 656</b>	<b>27.7</b>	-	-	-	<b>13 222</b>
Total	84 190	45.3	15 910	8.5	40 450	21.8	45 270		24.4	185 820
	<b>84 192</b>	<b>47.3</b>	<b>15 913</b>	<b>8.9</b>	<b>28 960</b>	<b>16.3</b>	<b>49 064</b>	-	<b>27.5</b>	<b>178 122</b>

Page 6, table 3 should read:

Table 3

Project costs by component and project year  
(Thousands of United States dollars)

Component	2022	2023	2024	2025	2026	2027	2028	Total
1. Agribusiness development	24 300	29 300	23 600	13 000	13 100	600	610	104 510
	<b>21 525</b>	<b>26 370</b>	<b>21 234</b>	<b>12 415</b>	<b>12 562</b>	<b>686</b>	<b>575</b>	<b>95 366</b>
2. Skills development and employment promotion	7 100	13 200	13 200	13 300	13 410	6 000		66 210
	<b>7 203</b>	<b>13 426</b>	<b>13 571</b>	<b>13 762</b>	<b>13 951</b>	<b>6 253</b>	-	<b>68 166</b>
3. Project management and policy and institutional support	2 900	1 700	1 800	2 000	2 100	2 200	2 400	15 100
	<b>2 725</b>	<b>1 600</b>	<b>1 741</b>	<b>1 892</b>	<b>2 029</b>	<b>2 190</b>	<b>2 411</b>	<b>14 589</b>
Total	34 300	44 200	38 600	28 300	28 610	8 800	3 010	185 820
	<b>31 453</b>	<b>41 396</b>	<b>36 546</b>	<b>28 069</b>	<b>28 542</b>	<b>9 129</b>	<b>2 986</b>	<b>178 122</b>

Page 8, paragraph 30 should read:

30. "The project is viable based on its overall financial internal rate of return of **22.323** per cent. The net present value of the proposed project over a 20-year period is US\$**119.2124** million. The discounted benefit-cost ratio is **1.561.14**. The overall economic internal rate of return of the project is estimated at **26.727** per cent. The economic net present value of the project net benefit stream, discounted at 9.76 per cent, is US\$**118.0120.0** million, while the benefit-cost ratio is **1.342.07**."

Page 11, paragraph 48 should read:

48. "The Government is preparing its own project design report alongside the IFAD project design in order to ensure timely government approval at provincial and federal levels. Potential delays in the opening of project accounts will be addressed by launching the process as soon as the financing agreement is signed. **Retroactive financing of US\$1.1363 million, equivalent to approximately EUR 1 million will be eligible for quick start up.**"

Page 11, the recommendation should read:

53. "I recommend that the Executive Board approve the proposed financing in terms of the following resolution:  
  
RESOLVED: that the Fund shall provide a loan on blend terms to the Islamic Republic of Pakistan in an amount of ~~fifty-nine million four hundred and eighty thousand special drawing rights (SDR 59.48 million)~~ **seventy-four million ninety thousand euros (EUR 74.09 million), equivalent to approximately eighty-four million one hundred ninety thousand United States dollars (US\$84.19 million)** and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein."