

Signatura: EB 2021/133/R.38/Rev.1
Tema: 19 b) i) a)
Fecha: 30 de diciembre de 2021
Distribución: Pública
Original: Inglés

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Invertir en la población rural

Informe del Presidente

Propuesta de préstamo

República Islámica del Pakistán

Proyecto de Transformación de la Economía Rural en Khyber Pakhtunkhwa

N.º de identificación del proyecto: 2000002333

Nota para los representantes en la Junta Ejecutiva

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Junta Ejecutiva — 134.º período de sesiones
Roma, 13 a 16 de diciembre de 2021

Para aprobación

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Acrónimos y siglas

| | |
|-----|------------------------------------|
| FM | financial management |
| FSC | farm services centre |
| IP | implementing partner |
| KP | Khyber Pakhtunkhwa Province |
| ODS | Objetivos de Desarrollo Sostenible |
| PFO | professional farmer organization |
| PMU | project management unit |

Mapa de la zona del proyecto



Las denominaciones empleadas y la forma en que aparecen presentados los datos en este mapa no suponen juicio alguno del FIDA respecto de la demarcación de las fronteras o límites que figuran en él ni acerca de las autoridades competentes.

Fuente: FIDA | 12-05-2020

Resumen de la financiación

| | |
|---|---|
| Institución iniciadora: | FIDA |
| Prestatario/receptor: | República Islámica del Pakistán |
| Organismo de ejecución: | Departamento de Planificación y Desarrollo de Khyber Pakhtunkhwa |
| Costo total del proyecto: | EUR 156,76 millones (equivalente a USD 178,12 millones aproximadamente) |
| Monto del préstamo del FIDA: | EUR 74,09 millones (equivalente a USD 84,19 millones, aproximadamente) |
| Condiciones del préstamo del FIDA: | Combinadas: plazo de reembolso de 25 años, incluido un período de gracia de 5 años. El préstamo estará sujeto a intereses sobre el principal adeudado y al cargo por servicios, que se fijarán para toda la duración del préstamo y se abonarán semestralmente en la moneda del pago del servicio del préstamo, determinada por el Fondo en la fecha de aprobación del préstamo por su Junta Ejecutiva. |
| Contribución del Gobierno de Khyber Pakhtunkhwa: | EUR 25,48 millones (equivalente a USD 28,96 millones, aproximadamente) |
| Contribución de los beneficiarios: | EUR 43,18 millones (equivalente a USD 49,06 millones, aproximadamente) |
| Déficit de financiación: | EUR 14 millones (equivalente a USD 15,91 millones, aproximadamente) |
| Monto de la financiación del FIDA para el clima: | EUR 11,92 millones (equivalente a USD 13,548 millones, aproximadamente) |
| Institución cooperante: | FIDA |

Recomendación de aprobación

Se invita a la Junta Ejecutiva a que apruebe la recomendación que figura en el párrafo 52.

I. Contexto

A. Contexto nacional y justificación de la actuación del FIDA

Contexto nacional

1. El Pakistán es un país de ingreso mediano bajo con un ingreso per cápita de USD 1 641 y un producto interno bruto (PIB) estimado de USD 314 000 millones. El sector agropecuario absorbe el 42 % de la población activa, genera importantes ingresos en divisas y estimula el crecimiento de otros sectores. El Pakistán presenta la novena mayor población activa del mundo, y casi 4 millones de jóvenes se incorporan a su mercado laboral cada año. Esta gran proporción de jóvenes entre la población, junto con la reciente desaceleración económica, agravará el problema del subempleo y el desempleo, sobre todo en las zonas rurales.
2. La economía del país se ha visto gravemente afectada por la pandemia de la COVID-19 y su PIB se contrajo un 0,39 % en 2020 y un 1,9 % en 2019, frente a la tasa de crecimiento anterior a la COVID-19 de más del 5,8 % en 2018 y del 5,6 % en 2017. Esta es la segunda contracción en décadas, y refleja los efectos de las medidas de contención de la COVID-19 aplicadas tras los ajustes monetarios y fiscales previos al brote. Aunque la situación mejoró en 2021, el crecimiento del PIB fue de solo un 1,5 %, sustancialmente inferior al objetivo del 4,8 %. Se prevé que el crecimiento económico siga siendo bajo, con un promedio del 1,3 % para el ejercicio económico de 2022.
3. La provincia de Khyber Pakhtunkhwa es la tercera más grande del país y presenta un nivel de pobreza del 49 %, frente al promedio nacional del 39 %. El desempleo juvenil obedece principalmente a los bajos niveles de educación y aptitudes y la participación excepcionalmente baja de las mujeres en el mercado laboral.
4. El Gobierno del Pakistán se ha esforzado en aumentar los ingresos de los hogares rurales, prestando especial atención a las mujeres y los jóvenes. Esos esfuerzos se reflejan en la Visión 2025 del Pakistán, el duodécimo Plan Quinquenal del país, que abarca el período 2018-2023, y la iniciativa Ehsaas¹, los cuales tienen como fin la consecución de los Objetivos de Desarrollo Sostenible (ODS).

Aspectos especiales relativos a los temas transversales prioritarios para el FIDA

5. En consonancia con los compromisos transversales asumidos en la Undécima Reposición de los Recursos del FIDA (FIDA11), el proyecto ha sido clasificado como proyecto que tiene en cuenta lo siguiente:
 - la nutrición, y
 - los jóvenes.
6. Los objetivos del proyecto son, a saber: crear cadenas de valor que tengan en cuenta la nutrición y garantizar la inclusión de las mujeres en esas cadenas; impartir capacitación para concienciar sobre la nutrición, y contribuir a la política de seguridad alimentaria que se está formulando. Uno de los principales efectos directos del proyecto será el incremento del empleo juvenil, cuya tasa de desempleo en la provincia es mayor que en el resto del Pakistán.

¹ Una importante red de protección social nacional que se puso en marcha en 2018.

Justificación de la actuación del FIDA

7. La tasa de pobreza multidimensional en Khyber Pakhtunkhwa es del 49 % para una población de 35,35 millones de personas (4,4 millones de hogares), el 81 % de las cuales viven en zonas rurales. Debido a la elevada tasa de pobreza, y pese al verdadero potencial del desarrollo económico en las esferas de la agricultura, la ganadería, la pesca, la producción hortícola, la floricultura y el agroturismo, los niveles de ingresos de los hogares rurales son sumamente bajos y afectan a los jóvenes, en particular. Los prestamistas tienen el pleno control de las prácticas tradicionales para hacer negocios y comercializar los productos en esas zonas rurales remotas. Sin el apoyo externo que permitirá a los productores más pobres organizar los mercados rentables, la financiación o servicios bancarios formales, y acceder a ellos, y que les proporcionará las aptitudes técnicas y administrativas básicas, la población rural seguirá luchando para sobrevivir.
8. Como resultado de la pobreza rural y los ingresos extremadamente bajos de los hogares, en casi todas las familias rurales de la provincia al menos un hombre joven debe emigrar. Esos jóvenes que abandonan sus comunidades rurales, o sus países, nunca han tenido la oportunidad de recibir capacitación, adquirir las aptitudes necesarias para acceder a empleo decente o crear sus propios negocios en sus comunidades o zonas rurales.
9. El sector rural de la provincia de Khyber Pakhtunkhwa podría disfrutar de muchas oportunidades si recibiera el apoyo adecuado. Por ello, el Gobierno nacional y el de esta provincia han solicitado el apoyo del FIDA para formular y ejecutar un programa provincial que abarque todos los distritos y pueda generar una transformación económica rural sostenible y real, con el desarrollo del potencial agroempresarial económico de la provincia, pero también con el respaldo necesario para garantizar la empleabilidad o autoempleabilidad sostenible del segmento más pobre de esta población rural.
10. En consecuencia, el Gobierno del Pakistán solicita al FIDA que adapte y amplíe su actual experiencia satisfactoria de i) la Iniciativa de Transformación Económica de Gilgit-Baltistán mediante el establecimiento de organizaciones profesionales de productores orientadas al mercado que sean sostenibles y rentables, y ii) el Proyecto de Alivio de la Pobreza en el Punjab Meridional con el apoyo al empleo y el autoempleo en la provincia, haciendo especial hincapié en los jóvenes del medio rural más vulnerables.
11. Habida cuenta del mandato, las experiencias positivas y la ventaja comparativa del FIDA, el Gobierno nacional y el de Khyber Pakhtunkhwa han solicitado oficialmente al FIDA su apoyo para la transformación económica de la provincia en beneficio de los más pobres.

B. Enseñanzas extraídas

12. Algunas de las principales enseñanzas pertinentes para este proyecto se pueden resumir de la siguiente manera:
 - i) Es importante promover organizaciones de productores rurales profesionales con al menos 300 miembros, que sigan un modelo empresarial basado en estudios de mercado e integrado en un plan de negocio, con un umbral de rendimiento y un objetivo de beneficios comerciales claramente definidos, y que estén gestionadas por un equipo directivo profesional (es decir, no necesariamente por los agricultores que las forman).
 - ii) Se puede generar empleo para las personas en situación de pobreza y extrema pobreza mediante la combinación y secuenciación adecuadas de las aptitudes técnicas y de gestión, el desarrollo empresarial y el capital inicial.

- iii) Incorporación de la perspectiva de género: las enseñanzas extraídas en operaciones anteriores del FIDA y con otros asociados para el desarrollo indican que la aplicación culturalmente aceptable de un enfoque integrado e inclusivo centrado en los hogares es el punto de partida necesario para la incorporación de la perspectiva de género.
- iv) Los contratos basados en los resultados para los proveedores de servicios y la asistencia técnica especial pero de alto nivel son indispensables para garantizar la consecución del objetivo final.
- v) Las alianzas con organizaciones que cuenten previamente con una experiencia y una presencia importantes en las zonas objetivo contribuyen a que la intervención de los proyectos sea mucho más eficiente.
- vi) Una unidad de gestión del proyecto (UGP) independiente, cuyos miembros han sido seleccionados a través de un proceso competitivo, es esencial para una ejecución sin problemas.
- vii) Un enfoque provincial permite una mayor eficiencia en lo que respecta al diálogo sobre políticas, puesto que la provincia tiene plena potestad en materia de políticas y reglamentos sobre muchas esferas, como la agricultura, el cambio climático y el establecimiento de organizaciones de productores rurales.
- viii) Los problemas de seguridad se pueden abordar mediante un enfoque provincial flexible y gradual combinado con múltiples modalidades de ejecución.

II. Descripción del proyecto

A. Objetivos, zona geográfica de intervención y grupos objetivo

13. El **objetivo de desarrollo del proyecto** es la mejora sostenible de los ingresos de los hogares rurales mediante una agricultura de gran valor resiliente al clima y oportunidades laborales agrícolas y de otro tipo. Esto se ajusta a los tres objetivos estratégicos del Programa sobre Oportunidades Estratégicas Nacionales (COSOP) del Pakistán: i) promover la transformación económica de los hogares rurales pobres; ii) fortalecer las políticas y las instituciones para que redunden en beneficio del desarrollo dirigido por las comunidades, y iii) fomentar la resiliencia para lograr la sostenibilidad en materia de nutrición y de seguridad alimentaria.
14. El proyecto abarcará los 35 distritos de la provincia durante un período de ejecución de siete años. Los gobiernos federal y provincial consideran que es sumamente prioritario el desarrollo socioeconómico de la provincia, sobre todo en los distritos fusionados recientemente (antiguas zonas tribales administradas por el Gobierno federal) que se encuentran entre las regiones menos desarrolladas del Pakistán y, por tanto, pueden requerir una mayor atención y prioridad en el marco del proyecto. Debido a sus condiciones agroclimáticas singulares, Khyber Pakhtunkhwa posee un gran potencial para cultivos de alto valor como los de frutas, hortalizas y flores, así como para la ganadería y la producción lechera. Actualmente, los pequeños agricultores emplean un sistema de producción agrícola mixto, y en torno a la mitad del terreno cultivado es de secano.
15. El principal grupo objetivo del proyecto serán los pequeños productores y los hogares sin tierras. Se prevé que un total de 785 000 hogares se beneficien directamente de las intervenciones del proyecto, y se hará especial hincapié en las mujeres y los jóvenes de esos hogares. Los asociados en la ejecución estarán encargados de la selección de los grupos objetivo. Los consejos y las organizaciones de las comunidades rurales, bajo la supervisión de los equipos de la UGP descentralizada, validarán y confirmarán los datos de los hogares que reúnan las condiciones para ser beneficiarios del proyecto.

B. Componentes, efectos directos y actividades

16. El proyecto constará de los tres componentes siguientes: i) el desarrollo de agronegocios; ii) el desarrollo de aptitudes y el fomento del empleo, y iii) la gestión del proyecto y el apoyo a las instituciones y la formulación de políticas.
- **Componente 1:** Este componente se sustenta en cuatro subcomponentes que se refuerzan mutuamente: i) el establecimiento de organizaciones profesionales de productores rurales; ii) el desarrollo de las cadenas de valor agropecuarias; iii) los centros de servicios agrícolas, y iv) el apoyo institucional. Además de impulsar el sector agropecuario en la zona objetivo, este componente permitirá crear el entorno institucional potencial y propicio necesario en el marco de un enfoque reorientado de agronegocios, para absorber una parte considerable de los grupos objetivo que reciban apoyo en el contexto del componente 2. Las principales esferas de políticas que se respaldarán en el marco de este componente serán un examen de las reglamentaciones sobre las organizaciones de productores rurales, los mercados de productores, los materiales de siembra y plantación y el cumplimiento de la calidad de producción.
 - **Componente 2:** Este componente tendrá dos subcomponentes que se refuerzan mutuamente: i) el desarrollo de aptitudes y ii) el fomento del empleo. El primer subcomponente velará por que en el lugar se disponga de personal con las competencias necesarias para una ejecución sin contratiempos del componente 1 y por que tengan la capacidad de adaptarse a las necesidades de esas nuevas instituciones o iniciativas privadas. El segundo subcomponente complementará las actividades ejecutadas en virtud del componente 1 para el desarrollo de nuevos servicios rurales y la promoción del empleo rural ofreciendo a las mujeres y los jóvenes cualificados la oportunidad de desarrollar sus propios servicios y empresas. Toda la formación técnica y profesional se orientará a cubrir la falta de mano de obra y, si es posible, se complementará con la facilitación de capital inicial para que los participantes puedan recurrir a oportunidades de autoempleo sostenibles.
 - **Componente 3:** Este componente abarca el establecimiento de una UGP provincial en Peshawar y cinco oficinas regionales (para cubrir todas las zonas agroecológicas). El apoyo a las instituciones y a la formulación de políticas que forman parte este componente contempla la prestación de asistencia técnica al gobierno de Khyber Pakhtunkhwa para el desarrollo de un plan de acción y políticas de nutrición y seguridad alimentaria, en colaboración con el Programa Mundial de Alimentos (PMA) y la Organización de las Naciones Unidas para la Alimentación y la Agricultura (FAO), con miras a impulsar el cambio en curso tras el cierre del proyecto. Además, el proyecto prestará asistencia a las organizaciones profesionales de productores rurales para digitalizar la elaboración de planes de negocio y ampliar la escala del comercio electrónico y los servicios de asesoramiento y extensión digitales.

C. Teoría del cambio

17. La teoría del cambio se basa en tres vías que se refuerzan mutuamente: i) la vía del desarrollo agroempresarial: el proyecto se basa en la premisa fundamental de que se necesita un enfoque impulsado por el mercado para ayudar a los pequeños productores rurales a aumentar sus ingresos y mejorar sus medios de vida de manera sostenible; ii) la vía de las aptitudes para el empleo y la iniciativa empresarial: los hogares más pobres, en especial los encabezados por mujeres y jóvenes, sin acceso a tierras pueden integrarse de manera sostenible en el mercado laboral mediante la combinación satisfactoria y demostrada de capacitación técnica y de gestión y capital inicial, y iii) la vía de la nutrición y la

seguridad alimentaria: la inseguridad alimentaria y el déficit nutricional afectan a la resiliencia de los hogares rurales pobres. En el marco del componente 1, el proyecto promoverá los productos básicos y los cultivos con un gran valor nutricional. Además, habida cuenta de que el aumento de la productividad y los ingresos no entraña automáticamente una mejor nutrición, se trabajará en el cambio de comportamiento a través de campañas de concienciación y educación, principalmente por conducto de las organizaciones de productores rurales.

D. Armonización, sentido de apropiación y asociaciones

18. El proyecto propuesto está en consonancia con el Marco Estratégico del FIDA y el COSOP correspondiente al Pakistán, en particular con su objetivo estratégico 1 (promover la transformación económica de los hogares rurales pobres mediante la ampliación y el aumento del alcance de los enfoques para salir de la pobreza que dan buenos resultados en el Pakistán). El proyecto también es muy relevante para el modelo operacional de la FIDA11 y las prioridades institucionales, en especial el género, la juventud, el cambio climático y la nutrición. El proyecto está diseñado para contribuir al logro de los ODS, en particular del ODS 1 (Fin de la pobreza), el ODS 2 (Hambre cero), el ODS 5 (Igualdad de género), el ODS 8 (Trabajo decente y crecimiento económico) y el ODS 13 (Acción por el clima). Los efectos directos del proyecto también contribuirán a un desarrollo regional equilibrado, como se subraya en la Visión 2025, el duodécimo Plan Quinquenal del país, la estrategia de reducción de la pobreza de 2019, la Política Nacional de Seguridad Alimentaria, la Política Agropecuaria de Khyber Pakhtunkhwa, la Política de Empoderamiento de las Mujeres de 2017 y la Política para la Juventud de 2016.
19. El proyecto buscará sinergias y promoverá complementariedades con la iniciativa Ehsaas del Gobierno federal y el Programa Nacional de Salida de la Pobreza, que ya se está ejecutando en 10 de los 35 distritos de Khyber Pakhtunkhwa, así como con otros programas financiados por donantes y el gobierno en la provincia. Se establecerán asociaciones especiales con la FAO y el PMA para reforzar las intervenciones, sobre todo en materia de resiliencia al cambio climático, tecnologías avanzadas y nutrición.

E. Costos, beneficios y financiación

Costos del proyecto

20. Los costos del proyecto para el período de ejecución de siete años ascienden a EUR 156,76 millones (equivalente a USD 178,12 millones, aproximadamente), incluido un préstamo del FIDA de EUR 74,09 millones (equivalente a USD 84,19 millones, aproximadamente) y un déficit de financiación de EUR 14 millones (equivalente a USD 15,91 millones, aproximadamente). Se prevé obtener más fondos del gobierno de Khyber Pakhtunkhwa por valor de EUR 25,48 millones (equivalente a USD 28,96 millones, aproximadamente) y de los beneficiarios por valor de EUR 43,18 millones (equivalente a USD 49,06 millones, aproximadamente).
21. El déficit de financiación de EUR 14 millones (equivalente a USD 15,91 millones, aproximadamente) podrá subsanarse gracias a ciclos posteriores del Sistema de Asignación de Recursos basado en los Resultados (con arreglo a condiciones financieras que habrán de determinarse y con sujeción a los procedimientos internos y la posterior aprobación de la Junta Ejecutiva) o mediante cofinanciación de los asociados que se obtendrá durante la ejecución del proyecto.
22. Subcomponente 1.1 del proyecto: establecimiento de organizaciones profesionales de productores rurales y subcomponente 1.2: las asociaciones público-privadas se contabilizan en parte como financiación para el clima. De conformidad con las metodologías que emplean los bancos multilaterales de desarrollo en el seguimiento de la financiación para la adaptación al cambio climático y la mitigación de sus

efectos, el monto total de la financiación para el clima concedida por el FIDA a este proyecto se prevé en EUR 11,92 millones (equivalente a USD 13,548 millones, aproximadamente).

Cuadro 1

Costos del proyecto desglosados por componente, subcomponente y entidad financiadora
(en miles de dólares de los Estados Unidos)

| Componente | Préstamo del FIDA | | Déficit de financiación | | Gobierno de Khyber Pakhtunkhwa | | Beneficiarios | | | Total |
|---|------------------------------------|-------------|-------------------------|------------|--------------------------------|-------------|---------------|------------|-------------|----------------|
| | Monto | % | Monto | % | Monto | % | En efectivo | En especie | % | Monto |
| | 1. Establecimiento de agronegocios | 59 949 | 62,9 | | | 1 905 | 2,0 | 33 512 | - | 35,1 |
| 2. Desarrollo de aptitudes y fomento del empleo | 11 626 | 17,1 | 15 913 | 23,3 | 25 075 | 36,8 | 15 552 | - | 22,8 | 68 167 |
| 3. Gestión del proyecto y apoyo institucional y en materia de políticas | 12 617 | 86,5 | | | 1 972 | 13,5 | - | - | - | 14 589 |
| Total | 84 192 | 47,3 | 15 913 | 8,9 | 28 953 | 16,3 | 49 064 | - | 27,5 | 178 122 |

Cuadro 2

Costos del proyecto desglosados por categoría de gasto y entidad financiadora
(en miles de dólares de los Estados Unidos)

| Categoría de gasto | Préstamo del FIDA | | Déficit de financiación | | Gobierno de Khyber Pakhtunkhwa | | Beneficiarios | | | Total |
|--|----------------------------|-------------|-------------------------|------------|--------------------------------|-------------|---------------|------------|-------------|----------------|
| | Monto | % | Monto | % | Monto | % | En efectivo | En especie | % | Monto |
| | Costos de inversión | | | | | | | | | |
| 1. Vehículos | 898 | 82,0 | - | - | 197 | 18,0 | - | - | - | 1 095 |
| 2. Equipos y materiales | 90 | 81,4 | - | - | 20 | 18,6 | - | - | - | 111 |
| 3. Asistencia técnica, capacitación y estudios | 21 822 | 34,5 | 11 465 | 18,1 | 14 359 | 22,7 | 15 552 | - | 24,6 | 63 199 |
| 4. Donaciones a los beneficiarios | 51 814 | 51,6 | 4 448 | 4,4 | 10 736 | 10,7 | 33 512 | - | 33,3 | 100 510 |
| 5. Crédito | - | - | - | - | - | - | - | - | - | - |
| Total de costos de inversión | 74 624 | 45,3 | 15 913 | 9,7 | 25 300 | 15,4 | 49 064 | - | 29,8 | 164 900 |
| Gastos periódicos | | | | | | | | | | |
| 1. Sueldos y prestaciones | 6 738 | 76,1 | | | 2 111 | 23,9 | - | - | - | 8 849 |
| 2. Gastos operacionales | 2 827 | 64,7 | | | 1 545 | 35,3 | - | - | - | 4 372 |
| Total de los gastos periódicos | 9 566 | 72,3 | | | 3 656 | 27,7 | - | - | - | 13 222 |
| Total | 84 192 | 47,3 | 15 913 | 8,9 | 28 960 | 16,3 | 49 064 | - | 27,5 | 178 122 |

Cuadro 3

Costos del proyecto desglosados por componente y año del proyecto
(en miles de dólares de los Estados Unidos)

| Componente | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | Total |
|---|---------------|---------------|---------------|---------------|---------------|--------------|--------------|----------------|
| 1. Establecimiento de agronegocios | 21 525 | 26 370 | 21 234 | 12 415 | 12 562 | 686 | 575 | 95 366 |
| 2. Desarrollo de aptitudes y fomento del empleo | 7 203 | 13 426 | 13 571 | 13 762 | 13 951 | 6 253 | - | 68 166 |
| 3. Gestión del proyecto y apoyo institucional y en materia de políticas | 2 725 | 1 600 | 1 741 | 1 892 | 2 029 | 2 190 | 2 411 | 14 589 |
| Total | 31 453 | 41 396 | 36 546 | 28 069 | 28 542 | 9 129 | 2 986 | 178 122 |

Financiación y estrategia y plan de cofinanciación

23. Actualmente no se prevé la cofinanciación internacional en el plan de financiación, pero es una opción que podría contemplarse. La cofinanciación nacional de los beneficiarios será en efectivo, mientras que la contribución del Gobierno será en la forma de exenciones impositivas.

Desembolso

24. El proyecto abarcará sistemas de flujos de fondos, presupuestación y contabilidad segregados pero integrados para disponer de un registro de auditoría claro y verificable. Con ese fin, se establecerán cuentas designadas para el préstamo del FIDA y para los fondos de las contrapartes gubernamentales. Los asociados en la ejecución registrarán y notificarán la contribución de los beneficiarios (organizaciones profesionales de productores rurales, centros de servicios agrícolas y asociados del sector privado en el marco de acuerdos de asociación entre el sector público, el sector privado y los productores). La UGP se encargará de mantener actualizada en su sistema de contabilidad la información relativa al uso de todas las fuentes de financiación, incluidas las contribuciones de los beneficiarios.
25. También preparará solicitudes de retiro de fondos mediante un fondo rotatorio con la presentación de informes financieros provisionales en el marco del mecanismo respaldado por informes.
26. El coeficiente de inversiones con respecto a los gastos periódicos es de 93:7. La duración del proyecto es de siete años. Las principales categorías de gasto dentro de los costos de inversión son las siguientes: i) obras civiles e infraestructura comunitaria; ii) vehículos, computadoras y equipo; iii) asistencia técnica, capacitación y estudios, y iv) donaciones y subvenciones. Las principales categorías de gasto dentro de los gastos periódicos son las siguientes: i) sueldos y prestaciones y ii) costos operacionales.
27. Para evitar demoras en los procedimientos, se proponen las siguientes medidas:
- i) Una sección de gestión financiera con una dotación de personal sólida y adecuada para gestionar los procesos con eficiencia.
 - ii) Una opción de financiación retroactiva para las siguientes actividades:
 - a) contratación del personal del proyecto;
 - b) adquisición de programas informáticos de contabilidad;
 - c) investigaciones y estudios de referencia, y
 - d) precalificación de proveedores de servicios y asociados del sector privado para los acuerdos de asociación entre el sector público, el sector privado y los productores.
 - iii) Apoyo a la gestión financiera a través de un oficial encargado del presupuesto y la financiación en la unidad de coordinación regional para que los asociados en la ejecución puedan cumplir los requisitos al presentar solicitudes de pago.
 - iv) Facilitación de acceso al Portal de los Clientes del FIDA y formación del personal de adquisiciones y contrataciones y gestión financiera en la UGP para emplear los procesos en línea (por ejemplo, para la presentación de solicitudes de no objeción y solicitudes de retiro de fondos).

Resumen de los beneficios y análisis económico

28. Los flujos netos de efectivo derivados del proyecto proporcionarán incentivos a los beneficiarios en forma de mayores ingresos y rentabilidad. El gobierno de Khyber Pakhtunkhwa disfrutará de importantes beneficios económicos en términos de

desarrollo socioeconómico de los hogares rurales. La intervención permitirá movilizar inversiones del sector privado e impulsará la expansión horizontal y vertical de las actividades económicas en las zonas rurales.

29. El aumento incremental estimado de los ingresos gracias al desarrollo agroempresarial variará entre los USD 200 y los USD 1 000 por hogar, con un promedio de USD 400. En el marco del componente del desarrollo de aptitudes y el fomento del empleo, el apoyo del proyecto permitirá a los beneficiarios aumentar sus ingresos mensuales en unos USD 130 al mes. El aumento incremental estimado será de entre USD 300 y USD 400 al año.
30. Según su tasa interna de rendimiento financiero general del 23%, el proyecto es viable. El valor actual neto del proyecto propuesto a lo largo de un período de 20 años es de USD 124 millones. La relación costo-beneficio descontada es de 14. La tasa interna de rendimiento económico general del proyecto se estima en un 27 %. El valor actual neto económico de la corriente neta de beneficios del proyecto, con una tasa de descuento del 9,76 %, se estima en USD 120,0 millones, mientras que esta relación costo-beneficio es de 2,07.

Estrategia de salida y sostenibilidad

31. El proyecto establecerá y explotará relaciones simbióticas entre la oferta y la demanda y pondrá de relieve el desarrollo institucional y de la capacidad para garantizar una salida segura y la sostenibilidad de los efectos directos del proyecto. Varios elementos del proyecto garantizarán esa sostenibilidad y conducirán a una estrategia de salida natural (estudio de mercado, plan de negocio con una rentabilidad y un umbral de rentabilidad claros, medidas para garantizar la sostenibilidad operacional y financiera de las instituciones que reciben asistencia, oferta y demanda de mano de obra basada en el mercado y desarrollo de las aptitudes necesarias en el sector privado). Algunos elementos clave de la estrategia de salida y sostenibilidad del proyecto son los siguientes: i) se velará por la sostenibilidad a largo plazo de las organizaciones profesionales de productores rurales ayudándolas a formular planes de negocio de calidad y a desarrollar su capacidad con el fin de que alcancen su umbral de rentabilidad en un plazo de tres años; ii) se ofrecerá a los recién graduados la posibilidad de realizar pasantías con el objetivo de que se preparen para entrar en el mercado de trabajo; el Gobierno se compromete a reproducir este modelo, y iii) las organizaciones profesionales de productores rurales registradas tendrán un mayor poder de negociación y una mayor capacidad de penetración en el mercado.

III. Riesgos

A. Riesgos y medidas de mitigación

32. La calificación que recibe el país respecto del riesgo fiduciario inherente sigue siendo medio. El Pakistán ocupa el puesto 124 de 175 países en el índice de percepción de la corrupción de 2020 de Transparency International.
33. Khyber Pakhtunkhwa ha sufrido problemas de seguridad que han limitado el desplazamiento del personal internacional para llevar a cabo las actividades de supervisión. No obstante, la situación ha mejorado considerablemente en los últimos años y las restricciones de viaje ya no preocupan en 28 de los 35 distritos de la provincia. Los riesgos en los siete distritos restantes no son permanentes y pueden abordarse garantizando la disponibilidad de suficiente personal cualificado nacional con conocimientos especializados para encargarse de la supervisión del proyecto.

34. En lo que respecta a la gestión financiera, los principales riesgos están vinculados a lo siguiente:

Flujo de fondos.

- i) **Riesgo:** No está claro cómo se utilizará la financiación gubernamental en el Plan Anual de Desarrollo, lo que compromete las actividades del proyecto y aumenta el riesgo para su ejecución. **Medidas de mitigación:** Se pedirá al Gobierno provincial que firme

Un memorando de entendimiento donde se informe oficialmente al FIDA sobre la manera de determinar, evaluar, registrar y notificar la financiación gubernamental en el marco del proyecto (excluidas las contribuciones en efectivo para las tasas y los gastos de gestión del proyecto).

Control interno.

- ii) **Riesgo:** Los asociados en la ejecución (las organizaciones profesionales de productores rurales, los centros de servicios agrícolas, los asociados del sector privado en el marco de acuerdos de asociación entre el sector público, el sector privado y los productores y los proveedores de servicios) no están sujetos a una supervisión rigurosa, lo que dificulta la prevención, detección y rectificación de cualquier uso inadecuado de los fondos. **Medidas de mitigación:** Se incluirán condiciones claras para la liberación de fondos en los contratos y memorandos de entendimiento con esos asociados en la ejecución. Los oficiales de gestión financiera en las unidades de coordinación regional actuarán de enlace con los asociados en la ejecución para garantizar el cumplimiento de los requisitos aplicables.

Auditoría externa.

- iii) **Riesgo:** No se realicen observaciones de auditoría de manera oportuna y los importes señalados en las auditorías no cumplan los criterios de los gastos del proyecto. **Medidas de mitigación:** En el convenio de financiación se exigirá que las observaciones de auditoría se resuelvan en un plazo de seis meses desde la publicación del informe de auditoría.

Cuadro 4

Riesgos y medidas de mitigación

Calificación general de los riesgos

| <i>Riesgos</i> | <i>Calificación del riesgo inherente</i> | <i>Calificación del riesgo residual</i> |
|---|--|---|
| Contexto nacional | Considerable | Moderado |
| Estrategias y políticas sectoriales | Considerable | Moderado |
| Medio ambiente y clima | Considerable | Moderado |
| Alcance del proyecto | Considerable | Moderado |
| Capacidad institucional de ejecución y sostenibilidad | Considerable | Moderado |
| Gestión financiera | Considerable | Moderado |
| Adquisiciones y contrataciones | Considerable | Moderado |
| Impacto ambiental, social y climático | Moderado | Bajo |
| Partes interesadas | Bajo | Bajo |
| General | Considerable | Moderado |

B. Categoría ambiental y social

35. No hay cuestiones específicas relacionadas con la categoría ambiental y social y, en consecuencia, el proyecto ha sido clasificado como operación de categoría B.

C. Clasificación del riesgo climático

36. Se considera que Khyber Pakhtunkhwa es una de las provincias más vulnerables a los efectos negativos del cambio climático en el Pakistán. Las preocupaciones sobre el cambio climático abarcan una mayor variabilidad de los monzones, el impacto del deshielo de los glaciares en los sistemas fluviales, la menor capacidad de los embalses de agua existentes y los fenómenos extremos, incluidas las inundaciones y las sequías. Entre los posibles efectos derivados del cambio climático cabe señalar el estrés hídrico grave, la inseguridad alimentaria como resultado de la menor producción agrícola y ganadera, la degradación de los ecosistemas y la pérdida de biodiversidad. Se considera que el riesgo climático es alto.

D. Sostenibilidad de la deuda

37. Durante el primer trimestre de 2021, la deuda externa del Pakistán ascendió a los USD 116 300 millones, frente a los USD 111 000 millones y los USD 115 700 millones a finales de 2019 y 2020, respectivamente. Además de la COVID-19, los factores que contribuyeron a ese aumento son la incapacidad para crear flujos de capital que no generen deuda, la depreciación de la moneda local y la caída de las exportaciones. La relación entre la deuda externa y el PIB ascendió al 43 % en 2020, frente al 38,1 % en 2019.

IV. Ejecución

A. Marco organizativo

Gestión y coordinación del proyecto

38. La División de Asuntos Económicos del Gobierno del Pakistán será el organismo encargado de la coordinación general de la financiación del FIDA en el plano federal. En Khyber Pakhtunkhwa, el Departamento de Planificación y Desarrollo será el organismo de ejecución, y un comité directivo del proyecto, dirigido por el secretario principal adjunto del departamento, ofrecerá orientación en materia de políticas, supervisión y coordinación. Se establecerá una UGP en Peshawar y, dentro del Departamento de Planificación y Desarrollo, se crearán unidades de ejecución a nivel de las divisiones en las sedes de las divisiones en la zona del proyecto. La UGP, encabezada por un director del proyecto, informará al comité directivo del proyecto y se encargará de la planificación, la coordinación, la gestión financiera, las adquisiciones y contrataciones, y el seguimiento y la evaluación de las actividades del proyecto. Se contratará personal técnico profesional para los diversos componentes del proyecto, y este se ejecutará buscando sinergias con los asociados en la ejecución y los proveedores de servicios locales.

Gestión financiera, adquisiciones y contrataciones y gobernanza

39. La UGP tendrá un equipo de gestión financiera bien estructurado, dirigido por un responsable financiero cualificado y experimentado, y el debido personal de apoyo. Habrá un miembro del personal de gestión financiera en cada unidad de coordinación regional para ayudar a los asociados en la ejecución en el cumplimiento de los requisitos aplicables y supervisar la ejecución del proyecto. Los procesos básicos de gestión financiera del proyecto se adecuarán a los sistemas nacionales de la siguiente manera:
- **Plan operacional anual y presupuesto conexo.** La sección de gestión financiera preparará el plan operacional anual y el presupuesto conexo conforme a las directrices y los procedimientos del FIDA y se presentarán al FIDA a finales de abril del siguiente ejercicio económico, que comienza en julio.
 - **Flujo de fondos.** Para el préstamo del FIDA, se realizará un anticipo inicial a la cuenta del proyecto para sufragar los gastos de los primeros seis meses de ejecución. Con respecto al fondo de las contrapartes, el proyecto estimará los requisitos anuales, incluido el monto necesario en el plan operacional anual y

su presupuesto conexo, y actuará de enlace con el Departamento Provincial de Planificación y Desarrollo para garantizar que el monto necesario se refleje en el presupuesto provincial y se libere oportunamente.

- **Contabilidad.** La UGP, conforme a los requisitos del FIDA, llevará un registro completo de las cuentas. El proyecto se adecuará a las Normas Internacionales de Contabilidad del Sector Público (IPSAS) y empleará el criterio contable de caja. Se utilizarán los programas informáticos de contabilidad adecuados para recoger todas las fuentes y los usos de los fondos conforme a los requisitos del FIDA.
- **Controles internos.** Se implantarán controles internos sólidos para proteger los fondos del proyecto frente a las conductas financieras inapropiadas. Se establecerán condiciones de acceso en los contratos y memorandos de entendimiento con todos los asociados en la ejecución. El equipo de gestión financiera realizará un análisis mensual de los gastos presupuestados con respecto a los gastos reales, las conciliaciones bancarias y las inspecciones aleatorias del trabajo sobre el terreno de los asociados en la ejecución para prevenir, detectar y rectificar los incumplimientos en la ejecución.
- **Presentación de informes.** Se presentarán estados financieros detallados para cada ejercicio económico en un plazo de cuatro meses desde el final del ejercicio (es decir, a finales de octubre). Además, se prepararán informes financieros provisionales donde se indicarán los progresos alcanzados con respecto a los componentes y las categorías del plan operacional anual y su presupuesto conexo. Esos informes se presentarán trimestralmente para justificar el uso de fondos y como condición para retirar más fondos anticipadamente de la cuenta del préstamo.
- **Auditoría interna.** Se establecerá una función de auditoría interna con el correspondiente personal que informará directamente al director del proyecto. La función de auditoría interna, además de realizar la auditoría normal, velará por el cumplimiento de las recomendaciones de las misiones de supervisión, los auditores externos y los directivos gubernamentales.
- **Auditoría externa.** La auditoría de las cuentas del proyecto correrá a cargo del Auditor General del Pakistán, la máxima institución auditora del país. La UGP presentará los estados financieros anuales al Auditor General del Pakistán en un plazo de dos meses a partir del cierre de cada ejercicio económico y coordinará estrechamente con las oficinas de auditoría sobre el terreno pertinentes del Auditor General del Pakistán la realización oportuna de las auditorías, la presentación de informes y la resolución de las observaciones de auditoría. Los informes de cada auditoría se presentarán al FIDA, junto con la carta sobre asuntos de gestión, en un plazo de seis meses desde el fin del ejercicio económico correspondiente a la auditoría (es decir, antes del 31 de diciembre).

Participación y observaciones del grupo objetivo del proyecto y resolución de reclamaciones²

40. Se está integrando un enfoque participativo en el diseño del proyecto para fomentar el sentido de apropiación y el apoyo entre los principales interesados. Este enfoque abarca lo siguiente: i) el desarrollo participativo del plan de trabajo anual y su presupuesto conexo; ii) el asesoramiento continuo sobre la manera de gestionar los procesos, con la debida consideración del género, el cambio climático, la nutrición y otras cuestiones transversales; iii) la supervisión conjunta de los progresos; iv) el énfasis en el equilibrio de género entre el personal de los asociados en la ejecución para garantizar que todas las personas se beneficien de

Véase el Marco para recabar las opiniones y observaciones de las partes interesadas sobre cuestiones operacionales (<https://webapps.ifad.org/members/eb/128/docs/spanish/EB-2019-128-R-13-Rev-1.pdf>)

las intervenciones del proyecto, y v) las inspecciones sobre el terreno aleatorias en las zonas objetivo para evaluar si las preocupaciones de los beneficiarios se abordan debidamente en las intervenciones del proyecto. Con el fin de recopilar las observaciones de las comunidades sobre las cuestiones relativas a la ejecución, el equipo de seguimiento y evaluación mantendrá un registro de las visitas sobre el terreno y documentará todas las cuestiones importantes que subrayen los beneficiarios durante esas visitas. Las misiones de supervisión del FIDA examinarán el registro para garantizar que la perspectiva de los beneficiarios se tenga en cuenta a la hora de ejecutar el proyecto. Todos los contratos y los memorandos de entendimiento con los asociados en la ejecución contendrán referencias a las políticas del FIDA sobre la lucha contra la corrupción, la prevención y respuesta frente al acoso sexual y la explotación y los abusos sexuales, y la lucha contra el blanqueo de dinero y la financiación del terrorismo.

Resolución de reclamaciones

41. Además de los mecanismos mencionados, los beneficiarios y demás ciudadanos pueden presentar quejas contra cualquier oficial a través del secretario adjunto principal del Departamento Provincial de Planificación y Desarrollo. El Gobierno de Khyber Pakhtunkhwa ha promulgado la Ley de derecho a la información de 2013, la Ley de prevención de conflictos de intereses de 2016 y la Ley de la Comisión de Vigilancia y la protección del denunciante de irregularidades de 2016. Esas leyes empoderan a los ciudadanos para dar un paso adelante y presentar denuncias cuando sospechen de un uso de poder o de fondos públicos inadecuado.

B. Planificación, seguimiento y evaluación, aprendizaje, gestión de los conocimientos y comunicación

42. Un tercero llevará a cabo un estudio de referencia en el primer año del proyecto con el fin de ofrecer bases de referencia para medir los indicadores básicos de resultados y efectos directos.
43. El plan operacional anual y su presupuesto conexo será el principal instrumento para la planificación y ejecución del proyecto. Se ajustará al ciclo de planificación anual del Gobierno y será aprobado por el comité directivo del proyecto. La UGP llevará a cabo exámenes trimestrales y anuales de la planificación y los progresos para hacer balance de los avances y planificar la labor del próximo trimestre y del año siguiente. El comité directivo del proyecto se reunirá dos veces al año para examinar los progresos y aprobar el plan.
44. **Seguimiento y evaluación.** Los resultados del proyecto se medirán atendiendo a los productos, efectos directos y resultados con respecto a los indicadores proporcionados en el marco lógico. Se usará un plan de seguimiento y evaluación como base para llevar a cabo las actividades en esa esfera. Cuando proceda, los indicadores se desglosarán por sexo y por edad para evaluar el impacto del proyecto en las mujeres y los jóvenes. Si es necesario, la UGP también llevará a cabo estudios periódicos de evaluación del impacto para las intervenciones clave con recursos internos y asistencia externa.
45. El aprendizaje y la gestión de los conocimientos formarán parte de la ejecución del proyecto, especialmente habida cuenta del plan del Gobierno de ampliar la escala del proyecto y sus objetivos de influencia en las políticas. Se preparará una estrategia de gestión de los conocimientos durante la fase de puesta en marcha del proyecto para determinar claramente los productos de conocimiento y las actividades y los foros en los que recopilar, almacenar y compartir los conocimientos generados durante las intervenciones del proyecto. Se celebrarán periódicamente sesiones oficiales de consulta con los funcionarios gubernamentales y otras partes interesadas pertinentes, en particular con los beneficiarios, para revisar los progresos, compartir las enseñanzas extraídas y aumentar la visibilidad del proyecto.

Innovación y ampliación de escala

46. El proyecto pondrá a prueba la viabilidad comercial de convertir los centros de servicios agrícolas existentes en vehículos para proporcionar a los productores rurales, a través de sus propias organizaciones profesionales, conocimientos, asesoramiento tecnológico y microfinanciación. El modelo permitirá a los centros de servicios agrícolas cobrar una comisión razonable por los servicios prestados, lo que debería garantizar su autosostenibilidad tras el cierre del proyecto.
47. La Autoridad de Capacitación Técnica y Profesional de Khyber Pakhtunkhwa recibirá apoyo, mediante asistencia técnica y financiación, para llegar a los más pobres en las zonas remotas que, de otro modo, no participarían en la capacitación en las modalidades habituales. Además, esta autoridad firmará memorandos de entendimiento con bancos para ofrecer financiación a jóvenes y desempleados, de conformidad con las políticas gubernamentales. Si resulta eficaz, posteriormente este organismo aplicará esta nueva modalidad con sus propios fondos.

C. Planes para la ejecución**Preparación para la ejecución y planes para la puesta en marcha**

48. El Gobierno está preparando su propio informe sobre el diseño del proyecto, además del diseño del proyecto del FIDA, para garantizar la aprobación oportuna a nivel provincial y federal. Para evitar posibles retrasos en la apertura de las cuentas del proyecto, el proceso se pondrá en marcha tan pronto como se firme el convenio de financiación. Se podrá acceder a financiación con carácter retroactivo por valor de USD 1,1363 millones, equivalentes a EUR 1 millón, para acelerar la puesta en marcha del proyecto.

Supervisión, examen de mitad de período y planes de finalización

49. El proyecto se beneficiará de un mínimo de dos misiones del FIDA al año, incluidas una misión de supervisión completa y misiones de apoyo a la ejecución, cuando sea necesario. Se llevará a cabo un examen de mitad de período a más tardar en el ecuador del período de ejecución del proyecto para evaluar el nivel de consecución de los objetivos de desarrollo y el impacto previsto del proyecto en los beneficiarios, así como para realizar las correcciones necesarias. El informe final del proyecto se preparará a finales del séptimo año. Los recursos necesarios para estos ejercicios se han consignado en los cuadros de costos.

V. Instrumentos y facultades jurídicos

50. Un convenio de financiación entre la República Islámica del Pakistán y el FIDA constituye el instrumento jurídico para la concesión de la financiación propuesta al prestatario/receptor. Se adjunta como apéndice I una copia del convenio de financiación negociado.
51. La República Islámica del Pakistán está facultada por su legislación para recibir financiación del FIDA.
52. Me consta que la financiación propuesta se ajusta a lo dispuesto en el Convenio Constitutivo del FIDA y las Políticas y Criterios en materia de Financiación.

VI. Recomendación

53. Recomiendo a la Junta Ejecutiva que apruebe la financiación propuesta de acuerdo con los términos de la resolución siguiente:

que el Fondo conceda un préstamo en condiciones combinadas a la República Islámica del Pakistán por un monto equivalente a setenta y cuatro millones noventa mil euros (EUR 74,09 millones) equivalente a ochenta y cuatro millones ciento noventa mil dólares de los Estados Unidos (USD 84,19 millones), conforme a unos términos y condiciones que se ajusten sustancialmente a los presentados en este informe.

Gilbert F. Hougbo
Presidente

Negotiated financing agreement:

"Khyber Pakhtunkhwa Rural Economic Transformation Project (KP-RETP)"

(Negotiations concluded on 03 December 2021)

Loan No: _____

Project name: Khyber Pakhtunkhwa Rural Economic Transformation Project ("the KP-RETP"/ "the Project")

The Islamic Republic of Pakistan (the "Borrower")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(each a "Party" and both of them collectively the "Parties")

WHEREAS the Borrower has requested a loan from the Fund for the purpose of financing the Project described in Schedule 1 to this Agreement;

WHEREAS, the Fund has agreed to provide financing for the Project;

NOW THEREFORE, the Parties hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2) and the Special Covenants (Schedule 3).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2020, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement, the terms defined in the General Conditions shall have the meanings set forth therein, unless the Parties shall otherwise agree in this Agreement.
3. The Fund shall provide a Loan (the "Financing") to the Borrower, which the Borrower shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. The amount of the Loan is seventy four million and ninety thousand Euros (EUR 74 090 000).
2. The Loan is granted on blend terms, and shall be subject to interest on the principal amount outstanding and a service charge as determined by the Fund at the date of approval of the Loan by the Fund's Executive Board. The interest rate and service charge determined

will be fixed for the life cycle of the loan and payable semi-annually in the Loan Service Payment Currency.

The Loan shall have a maturity period of twenty five (25) years, including a grace period of five (5) years starting from the date of approval of the Loan by the Fund's Executive Board. The principal of the Loan will be repaid in equal instalments.

3. The Loan Service Payment Currency shall be in Euros (EUR).
4. The first day of the applicable Fiscal Year shall be 1 July.
5. Payments of principal, interest and service charge shall be payable on 1 May and 1 November of each year.
6. As per practice in the Islamic Republic of Pakistan, IFAD will transfer the proceeds of the Loan to the State Bank of Pakistan foreign aid account in EUR. The State Bank of Pakistan will channel the equivalent amounts of the Loan, in Pakistani Rupees, in the Project Designated Account.
7. There shall be one Project Designated Account in Pakistani Rupees, for the exclusive use of the Project opened at the National Bank of Pakistan. The Borrower shall inform the Fund of the officials authorized to operate the Designated Account.
8. The Borrower shall cause the provincial Government of Khyber Pakhtunkhwa to provide counterpart financing for the Project:
 - (a) in the equivalent amount of twenty five million four hundred and sixty thousand Euros (EUR 25 460 000); for which eight million Euros (EUR 8 000 000) will be in the form of taxes, duties and project management related expenditures; and
 - (b) the remaining amount of seventeen million four hundred and sixty thousand Euros (EUR 17 460 000) will be leveraged through ongoing projects under provincial Annual Development Plan (ADP).
9. The project beneficiaries will provide a contribution equivalent to the amount of forty three million one hundred and seventy thousand Euros (EUR 43 170 000).

Section C

1. The Lead Project Agency shall be the Ministry of Economic Affairs of the Government of Pakistan ("MoEA").
2. The Planning and Development Department of the Government of Khyber Pakhtunkhwa ("P&DD") is designated as an additional Project Party.
3. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Project.
4. The Project Completion Date shall be the 7th anniversary of the date of entry into force of this Agreement and the Financing Closing Date shall be 6 months later, or such other date as the Fund may designate by notice to the Borrower.

5. Procurement of goods, works and services financed under the Financing shall be carried out in accordance with procurement methods and any other measures identified by IFAD.

Section D

1. The Fund will administer the Loan and supervise the Project.

Section E

1. The following are designated as additional grounds for suspension of this Agreement:

- (a) The Project Implementation Manual (PIM) and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Borrower, has determined that it has had, or is likely to have, a material adverse effect on the Project.
- (b) Project Management Unit (PMU) Key Staff have been replaced without the prior written consent of IFAD.

2. The following are designated as additional (general/specific) conditions precedent to withdrawal:

- (a) Project Director, Finance Manager, Procurement Specialist and Monitoring & Evaluation Officer have been appointed after receiving IFAD no objection certificate.
- (b) The project draft PIM has received IFAD no objection certificate.
- (c) The first year AWPB and Procurement Plan has received IFAD no objection certificate.
- (d) IFAD has received, from the Borrower, evidence (in form satisfactory to IFAD) that the following accounts have been opened:
 - i. Designated Account has been opened (PKR denominated); and
 - ii. One project account has been opened by the PMU in order to receive and use the Borrower's government counterpart funds for taxes and project management.

3. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower:

Secretary
Ministry of Economic Affairs
Government of Pakistan
Pakistan Secretariat
Islamabad - Pakistan
secretary@ead.gov.pk

For the Fund:

The President

International Fund for Agricultural Development
Via Paolo di Dono 44
00142 Rome, Italy

This Agreement, has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower.

THE ISLAMIC REPUBLIC OF PAKISTAN

"[Authorised Representative Name]"
Secretary, Ministry of Economic Affairs

Date: _____

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Gilbert F. Hougbo
President

Date: _____

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population and beneficiaries.* The Project shall benefit small farmers, women and youth and landless households (HH), with prioritisation being given to those in the Poverty Scorecard data of 0 – 34. The Project will directly or indirectly benefit seven hundred and eighty five thousand (785 000) households.
2. *Project area.* The Project will cover the province of Khyber Pakhtunkhwa (the "Project Area").
3. *Goal.* The goal of the Project is to contribute to poverty reduction, food and nutrition security and strengthened resilience of rural households.
4. *Objectives.* The objective of the Project is to improve the incomes of rural households through climate-resilient, high-value agriculture and off-farm/non-farm employment opportunities.
5. *Components.* The Project shall consist of the following Components:
 - 5.1. **Component 1: Agribusiness Development.** This Component shall consist of four mutually reinforcing sub-components including: (i) Professional Farmers Organizations (PFOs); (ii) Public-Private-Producers Partnerships (4Ps); (iii) Farm Service Companies (FSCs); and (iv) Institutional Support Services.
 - 5.1.1. *Sub-Component 1.1: Professional Farmers Organizations Development:* the Project will establish five hundred and fifty (550) PFOs by the end of the first five (5) years of the project interventions. These PFOs will be composed each, of three hundred (300) to five hundred (500) small farmers, on average, and will develop multi-purpose / multi-seasonal agri-business activities. In general, one village or cluster of village (between one thousand (1,000) to two thousand (2,000) families) will have one PFO. Each PFO will have a business Plan.
 - 5.1.2. *Sub-Component 1.2: Public-Private-Producers Partnerships:* the Project will develop twenty (20) 4Ps, with a minimum of one thousand (1,000) producers per 4P. The Project will make a call for proposals open to local, national, and multinational private firms/companies already in the business and with financial capacity as well as demonstrated market share.
 - 5.1.3. *Sub-Component 1.3: Farm Service Companies.* the Project will consolidate or establish one fully functional, autonomous and sustainable New Farm Service Centre (NFSC) per district, with PFOs and individual farmers as shareholders. This NFSC will be managed as a private company offering services to the PFO mainly supply of good quality seed, agrochemicals, improved technology, and packaging material and may also assist in matchmaking with end buyers/suppliers.

5.1.4. *Sub-Component 1.4: Institutional Support Services:* The Project will provide demand driven institutional services to PFOs/4Ps/FSCs, to meet the market demand and buyers' requirements. The PMU will enter into multiple results-based MoUs with the relevant private or public/Government departments (academic, research and extension services) for different activities with clear responsibilities and deliverables. The scope of work will emerge from the aggregated needs of PFOs/4Ps/FSCs and will be translated into work plans, timelines and cost estimates. The engagement plan will be developed by the PMU.

5.2. **Component 2: Skills development and Employment Promotion.** This Component shall consist of three mutually reinforcing sub-components as follows: (i) Skills Development; (ii) Employment Promotion; and (iii) Job placement of graduated students.

5.2.1. *Sub-Component 2.1: Vocation and entrepreneurship skill training.* The overall objective will be to improve or to develop the skills of individuals, staff or members, based on the active and effective roles of the individuals in the institutions supported and the personal needs expressed / assessed (backed by the business plan and capacity building plan of the institutions supported). Special focus will be given to the youth and women. The training needs will emerge from the business plans of PFOs/4Ps/FSCs and the capacity building investment will be incorporated in the same.

The overall implementation of Component 1 and consequently subcomponent 2.1 will be progressive (phasing approach). Each implementing partner in charge of Component 1 (agri-business development) will also be responsible for the implementation of subcomponent 2.1 (skill development for agribusiness entities). The implementing partner will either directly train the beneficiaries or (for specific areas) will engage service providers at provincial or national level. The implementing partner will be responsible for the quality and efficiency of the training and will consequently manage the contractual relationship with the 'skill development' service providers subject to No Objection from the PMU.

5.2.2. *Sub-Component 2.2: Employment promotion.* The Project will contribute (i) to create jobs (including self-employment) for the ultra-poor and poor households having limited access to land, with a specific focus on youth (50%) and women (25%), and (ii) to facilitate the employability and the active integration in the economy of newly graduated students. The Project will provide start up grants for this two objectives.

5.2.3. *Sub-Component 2.3: Job market integration / induction.* Each student will have the possibility to do two (2) internships of six (6) months each. The recruiting enterprise will be allowed to keep the same student for a second period of six (6) months only if it provides a formal offer of employment to the student. In case of non-compliance, the enterprise will no longer be eligible to participate in the programme. Each enterprise will have a maximum of two (2) students at the same time. Around one hundred and forty five (145) interns per district and per year will be eligible to this programme. Priority will be given to those coming from the poorest families.

5.3. **Component 3: Project Management, Policy, and Institutional Support.** An autonomous Project Management Unit will be established at Peshawar and five (5) additional regional offices will be set up to better manage the distance / geographic coverage / diversity of the project area. The PMU will report at least once a year to the Project Steering Committee (PSC). The PSC will determine the need for additional meetings as and when required. The cost allocation includes the running cost and equipment of the PMU, as well as a provision for the policy support, equipment, and MOUs with the relevant line departments.

II. Implementation Arrangements

6. *Lead Project Agency.* Ministry of Economic Affairs (MoEA) shall be the Lead Project Agency and shall have an overall responsibility for Project Implementation through the government of Khyber Pakhtunkhwa.

7. *Project Steering Committee.* The Project Steering Committee ("PSC") shall be headed by the Additional Chief Secretary of P&D Department, which shall provide the policy level guidance, oversight, and coordination. The PSC will grant approval of AWPB, and conduct regular progress reviews.

8. *Project Management Unit.* A PMU shall be established by P&DD and operate as an autonomous institution headed by a Project Director under the guidance of the steering committee, and shall be responsible for project planning and budgeting, coordination, monitoring, procurement, recruitment, financial management, reporting and annual audits. The PMU shall also assist government departments with policy development and implementation. The PCU shall ensure that gender, youth, environment, knowledge management and communication considerations are integrated into all aspects of Programme management and implementation. The Fund's no objection shall be received before the appointment or dismissal of the Project Director and other Key Project personnel.

9. *Implementing partners.* The Project will engage with different implementing partners, including Vocational and Management training institutes, agro-business firms / organizations, Farm Services Centres, Farmer Organisations / cooperatives / private and public service providers and relevant line departments.

10. *Project Implementation Manual.* A draft Project Implementation Manual (PIM) should be prepared and receive IFAD Non Objection Certificate (NOC). The PIM may be amended or otherwise modified from time to time only with the prior consent of the Fund. The PIM shall include, *inter alia*:

- (i) Qualifications, terms of reference and detailed implementation responsibilities of Programme parties;
- (ii) Recruitment and appointment procedures for key project personnel;
- (iii) Criteria for the performance appraisal of the project personnel and adequate internal control system;
- (iv) Targeting and selection criteria for participating beneficiaries;
- (v) Project operational, financial and procurement procedures, including an accounting procedure for bookkeeping and reporting, implementation and monitoring procedures; and
- (vi) Financial management mechanism and flow of funds for all outputs and activities.

Schedule 2

Allocation Table

1. *Allocation of Loan Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and the allocation of the amounts to each category of the Financing and the percentages of expenditures for items to be financed in each Category:

| Category | Loan Amount Allocated expressed in EUR | Percentage |
|---|--|--|
| I. Vehicles, Equipment & Materials | 790 000 | 100% net of taxes |
| II. Trainings, Studies and Services Providers | 17 290 000 | 100% net of taxes, government and beneficiaries contribution |
| III. Grants to beneficiaries | 41 040 000 | 100% net of taxes, government and beneficiaries contribution |
| IV. Operating costs | 7 570 000 | 100% net of taxes and government contribution |
| Unallocated | 7 400 000 | |
| TOTAL | 74 090 000 | |

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

- (i) Category I "Vehicles, Equipment & Materials" includes inter alia costs of equipment, materials, goods and vehicles for PMU and RCU offices to be financed from IFAD loan net of taxes.
- (ii) Category II "Trainings, Studies and TA/Service Providers" includes inter alia costs of Professional Farmers Organisations (PFOs) Development, Strengthening of Public-Private Partnerships, Farm Services Companies, Strengthening Institutional Services, Vocational and Entrepreneurship Training, Institutional support services & strengthening, Service Providers and Technical assistance.
- (iii) Category III "Grants to beneficiaries" includes inter alia costs of Leveraging PFOs, Private Sector and Farm Services Companies Investments and Start-up Capital for Self-Employment.
- (iv) Category IV "Operating costs" includes inter alia costs of PMU and RCUs salaries and allowances, offices running costs and staff travel as per government of Khyber Pakhtunkhwa's policies.

2. *Disbursement arrangements*

Retroactive financing. As an exception to section 4.08(a) (ii) of the General Conditions, specific eligible expenditures incurred as of the date it is approved by the Executive Board in the December 2021 session, until the date of entry into force of this Agreement shall be considered eligible up to an amount equivalent to one million Euros (EUR 1 000 000) for

activities relating to: recruitment of the PMU staff, undertake preparation of bidding documents, work on readiness for selection of partner organisations, hiring of staff and operational costs of PMU. Activities to be financed by retroactive financing and their respective category of expenditures and source of financing will require prior no objection from IFAD to be considered eligible. Pre-financed eligible expenditures shall be reimbursed to the Borrower once additional conditions precedent to the first disbursement of funds specified in Section E.2 are fulfilled.

Schedule 3

Special Covenants

In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Borrower to request withdrawals from the Loan Account if the Borrower has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Project:

1. *Planning, Monitoring and Evaluation.* The Borrower shall ensure that (i) a Planning, Monitoring and Evaluation (PM&E) system shall be established within twelve (12) months from the date of entry into force of this Agreement.
2. *Compliance with the Social Environmental and Climate Assessment Procedures (SECAP).* The Borrower shall ensure that the Project will be implemented in compliance with IFAD's 2017 SECAP.
3. *Anticorruption Measures.* The Borrower shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations.
4. *Sexual Harassment, Sexual Exploitation and Abuse.* The Borrower and the Project Parties shall ensure that the Project is carried out in accordance with the provisions of the IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse, as may be amended from time to time.
5. *Use of Project Vehicles and Other Equipment.* The Borrower shall ensure that all vehicles and other equipment transferred to or procured under the Project are dedicated solely to Project use.
6. *IFAD Client Portal (ICP) Contract Monitoring Tool.* The Borrower shall ensure that a request is sent to IFAD to access the project procurement Contract Monitoring Tool in the ICP. The Borrower shall ensure that all contracts, memoranda of understanding, purchase orders and related payments are registered in the Project Procurement Contract Monitoring Tool in the ICP in relation to the procurement of goods, works, services, consultancy, non-consulting services, community contracts, grants and financing contracts. The Borrower shall ensure that the contract data is updated on a quarterly basis during the implementation of the Project/Program.

Logical framework

| Results Hierarchy | Indicators | | | | Means of Verification | | | Assumptions |
|--|--|-----------|-----------|------------|---|---|----------------|---|
| | Name | Baseline | Mid-Term | End Target | Source | Frequency | Responsibility | |
| Outreach | 1 Persons receiving services promoted or supported by the project | | | | surveys, service providers' records, MIS system, COI survey | baseline, mid term and completion, yearly | PMU | A baseline survey is conducted; Project approach and timelines are adhered to; An efficient M&E system is developed and implemented |
| | Males - Males | | 262 500 | 588 750 | | | | |
| | Females - Females | | 87 500 | 196 250 | | | | |
| | Young - Young people | | 175 000 | 392 000 | | | | |
| | Total number of persons receiving services - Number of people | | 350 000 | 785 000 | | | | |
| | 1.a Corresponding number of households reached | | | | surveys, service providers' records, MIS system, COI survey | baseline, mid term and completion, yearly | PMU | |
| | Women-headed households - Households | | 87 500 | 196 250 | | | | |
| | Non-women-headed households - Households | | 262 500 | 588 750 | | | | |
| | Households - Households | | 350 000 | 785 000 | | | | |
| | 1.b Estimated corresponding total number of households members | | | | surveys, service providers' records, MIS system, COI survey | baseline, mid term and completion, yearly | PMU | |
| Household members - Number of people | | 1 440 000 | 4 350 000 | | | | | |
| Project Goal To contribute to poverty reduction, nutrition and food security of rural households in the Khyber Pakhtunkhwa Province | | | | | survey | baseline and completion | PMU | Security situation remains stable and allows implementation of project |
| | Beneficiary households reporting improved income from sales through PFOs | | | | | | | |
| | Households - Number | | 262 500 | 588 750 | | | | |
| Development Objective Income of rural households sustainably improved through climate-resilient, high-value agriculture and off-farm/non-farm employment opportunities | SF.2.1 Households satisfied with project-supported services | | | | COI survey | baseline and completion | PMU | A baseline survey is conducted; Project approach and timelines are adhered to; an efficient M&E system is developed and implemented |
| | Household members - Number of people | | 1 740 000 | 3 480 000 | | | | |
| | Women-headed households - Households | | 78 500 | 157 000 | | | | |
| | Households (%) - Percentage (%) | | 40 | 80 | | | | |
| | Households (number) - Households | | 314 000 | 628 000 | | | | |
| | SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers | | | | COI survey | baseline and completion | PMU | |
| | Household members - Number of people | | 1 650 000 | 3 850 000 | | | | |
| | Women-headed households - Households | | 15 000 | 30 000 | | | | |
| | Households (%) - Percentage (%) | | 38 | 89 | | | | |
| | Households (number) - Households | | 300 000 | 700 000 | | | | |

| | | | | | |
|--|--|--|-----------------------------------|-----|---|
| | 1.2.8 Women reporting minimum dietary diversity (MDDW) Women (%) - Percentage (%) 20 60 Women (number) - Females 10 000 220 000 Households (%) - Percentage (%) 10 28 Households (number) - Households 10 000 220 000 Household members - Number of people 800 000 1 760 000 Women-headed households - Households 2 500 55 000 | COI survey, assessments | baseline, mid-term and completion | PMU | A baseline survey is conducted; Project approach and timelines are adhered to; an efficient M&E system is developed and implemented |
| Outcome 1. Enhanced capacity of smallholder farmers for increased market access (Professional Farmer Organizations and Farm Service Centres) | 2.2.2 Supported rural enterprises reporting an increase in profit Number of enterprises - Enterprises 200 550 | outcome survey, MIS system, service providers' records, COI survey | baseline, mid-term and completion | PMU | Baseline established, farmers are willing to participate in PFO and FSC |
| Output 1.1 Support provided to Professional Farmers Organizations, Farm Service Centres and 4Ps and their members | 2.1.3 Rural producers' organizations supported Total size of POs - Organizations 112 000 220 000 Rural POs supported - Organizations 280 550 Males - Males 84 000 165 000 Females - Females 28 000 55 000 Young - Young people 56 000 110 000 | MIS system, service providers' records | baseline, yearly and completion | PMU | farmers are interested to participate, updated BISP data on poverty available and targeting guidelines developed |
| Output 1.2 Coaching of producers for increased capacity on business planning, production practices and market advice | 1.1.4 Persons trained in production practices and/or technologies Total number of persons trained by the project - Number of people 110 320 000 Men trained in crop - Males 82 500 240 000 Women trained in crop - Females 27 500 80 000 Young people trained in crop - Young people 50 000 160 000 Total persons trained in crop - Number of people 110 000 320 000 | MIS system, service providers' records | baseline, yearly and completion | PMU | Updated BISP data on poverty available and targeting guidelines developed, nothing is hindering the participation of any of the categories of persons |
| Output 1.3 Producer-Public-Private-Partnerships (4Ps) established | Producers engaged in 4P collaborations Males - Number 3 500 14 000 Females - Number 1 500 6 000 total producers - Number of people 5 000 20 000 Young - Number 2 500 20 000 partnerships - Number 5 20 | MIS system, service providers' records | baseline, yearly and completion | PMU | Availability of farmers willing and interested in entering into 4Ps |

| | | | | | | | | |
|--|--|--|-----------|-----------|---|-----------------------------------|-----|---|
| Output 1.4 Households provided with nutrition education | 1.1.8 Households provided with targeted support to improve their nutrition | | | | MIS system, service providers' records | baseline, yearly and completion | PMU | Nothing (security / customary laws) is hindering the participation of anyone (especially women) to attend the trainings. Trainings are scheduled in a time and location suitable for all beneficiaries. Persons trained do apply what communicated in the trainings. Value chains are nutrition sensitive |
| | Total persons participating - Number of people | | 300 000 | 700 000 | | | | |
| | Males - Males | | 85 000 | 175 000 | | | | |
| | Females - Females | | 215 000 | 525 000 | | | | |
| | Households - Households | | 300 000 | 700 000 | | | | |
| | Household members benefitted - Number of people | | 1 650 000 | 3 850 000 | | | | |
| | Young - Young people | | 150 000 | 300 000 | | | | |
| Outcome 2. Improved capacity for obtaining jobs and engage in entrepreneurship | 2.2.1 New jobs created | | | | outcome surveys, MIS system, service providers' records, COI survey | baseline, mid-term and completion | PMU | Updated BISP data on poverty available and targeting guidelines available |
| | Job owner - men - Males | | 30 000 | 63 000 | | | | |
| | New jobs - Jobs | | 40 000 | 85 000 | | | | |
| | Job owner - women - Females | | 10 000 | 22 000 | | | | |
| | Job owner - young - Young people | | 20 000 | 45 000 | | | | |
| Output 2.1 Vocational, technical and entrepreneurial skills trainings provided | 2.1.2 Persons trained in income-generating activities or business management | | | | MIS system, service providers' records | baseline, yearly and completion | PMU | all categories are interested and nothing is hindering their participation in the trainings |
| | Males - Males | | 6 000 | 12 000 | | | | |
| | Females - Females | | 9 000 | 18 000 | | | | |
| | Young - Young people | | 15 000 | 30 000 | | | | |
| | Persons trained in IGAs or BM (total) - Number of people | | 30 000 | 60 000 | | | | |
| Output 2.2 Provision of start-up capital for establishing business and self-employment | Start up provided for self employment | | | | MIS system, service providers' records | baseline, yearly and completion | PMU | Careful assessment of each households potential and endowments |
| | Males - Number | | 4 000 | 8 400 | | | | |
| | Females - Number | | 6 000 | 12 600 | | | | |
| | Young - Number | | 10 000 | 21 000 | | | | |
| | total number of persons - Number | | 20 000 | 42 000 | | | | |
| Output 2.3 Support to individuals entering the job market for the first employment | persons receiving support | | | | MIS system, service providers' records | baseline, yearly and completion | PMU | Careful assessment of each households potential and endowments |
| | Males - Number | | 7 000 | 17 500 | | | | |
| | Females - Number | | 3 000 | 7 500 | | | | |
| | young - Number | | 10 000 | 25 000 | | | | |
| | total persons - Number | | 10 000 | 25 000 | | | | |
| Outcome 3. Capacity for policy dialogue/reform strengthened (Farmer Services Centre Act, cooperatives act, seed act amended) | Policy 3 Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment | | | | policy documents, COI survey | baseline, mid-term and completion | PMU | Willingness of policy makers and other key stakeholders to provide enabling environment |
| | Number - Number | | 2 | 5 | | | | |
| Output 3.1 Policy development and reform supported | Policy 1 Policy-relevant knowledge products completed | | | | MIS system | baseline, yearly and completion | PMU | |
| | Number - Knowledge Products | | 2 | 5 | | | | |
| | Policy 2 Functioning multi-stakeholder platforms supported | | | | MIS system | baseline, yearly and completion | PMU | |
| | Number - Platforms | | 0 | 1 | | | | |

Integrated Project Risk Matrix

Overall Summary

| Risk Category / Subcategory | Inherent risk | Residual risk |
|---|--------------------|---|
| Country Context | Substantial | Moderate |
| <i>Political Commitment</i> | <i>Moderate</i> | <i>Low</i> |
| <i>Governance</i> | <i>Substantial</i> | <i>Moderate</i> |
| <i>Macroeconomic</i> | <i>Substantial</i> | <i>Moderate</i> |
| <i>Fragility and Security</i> | <i>Substantial</i> | <i>Moderate</i> |
| Sector Strategies and Policies | Substantial | Moderate |
| <i>Policy alignment</i> | <i>Moderate</i> | <i>Low</i> |
| <i>Policy Development and Implementation</i> | <i>Substantial</i> | <i>Moderate</i> |
| Environment and Climate Context | Substantial | Moderate |
| <i>Project vulnerability to environmental conditions</i> | <i>Substantial</i> | <i>Moderate</i> |
| <i>Project vulnerability to climate change impacts</i> | <i>Moderate</i> | <i>Low</i> |
| Project Scope | Substantial | Moderate |
| <i>Project Relevance</i> | <i>Substantial</i> | <i>Moderate</i> |
| <i>Technical Soundness</i> | <i>Moderate</i> | <i>Low</i> |
| Institutional Capacity for Implementation and Sustainability | Substantial | Moderate |
| <i>Implementation Arrangements</i> | <i>Moderate</i> | <i>Low</i> |
| <i>Monitoring and Evaluation Arrangements</i> | <i>Substantial</i> | <i>Moderate</i> |
| Project Financial Management | Substantial | Moderate |
| <i>Project Organization and Staffing</i> | <i>Moderate</i> | <i>Low</i> |
| <i>Project Budgeting</i> | <i>Substantial</i> | <i>Moderate</i> |
| <i>Project Funds Flow/Disbursement Arrangements</i> | <i>Moderate</i> | <i>Low</i> |
| <i>Project Internal Controls</i> | <i>Substantial</i> | <i>Moderate</i> |
| <i>Project Accounting and Financial Reporting</i> | <i>High</i> | <i>Moderate</i> |
| <i>Project External Audit</i> | <i>Substantial</i> | <i>Moderate</i> |
| Project Procurement | Substantial | Moderate |
| <i>Legal and Regulatory Framework</i> | <i>Substantial</i> | <i>Moderate</i> |
| <i>Accountability and Transparency</i> | <i>Substantial</i> | <i>Moderate</i> |
| <i>Capability in Public Procurement</i> | <i>Substantial</i> | <i>Moderate</i> |
| <i>Public Procurement Processes</i> | <i>Substantial</i> | <i>Moderate</i> |
| Environment, Social and Climate Impact | Moderate | Low |
| <i>Biodiversity Conservation</i> | <i>Moderate</i> | <i>Low</i> |
| <i>Resource Efficiency and Pollution Prevention</i> | <i>Low</i> | <i>Low</i> |
| <i>Cultural Heritage</i> | | <i>No risk envisaged - not applicable</i> |
| <i>Indigenous People</i> | | <i>No risk envisaged - not applicable</i> |
| <i>Labour and Working Conditions</i> | <i>Moderate</i> | <i>Low</i> |
| <i>Community Health and Safety</i> | <i>Moderate</i> | <i>Low</i> |
| <i>Physical and Economic Resettlement</i> | | <i>No risk envisaged - not applicable</i> |
| <i>Greenhouse Gas Emissions</i> | <i>Low</i> | <i>Low</i> |

| Risk Category / Subcategory | Inherent risk | Residual risk |
|--|----------------------|----------------------|
| <i>Vulnerability of target populations and ecosystems to climate variability and hazards</i> | <i>High</i> | <i>Moderate</i> |
| Stakeholders | Low | Low |
| <i>Stakeholder Engagement/Coordination</i> | <i>Low</i> | <i>Low</i> |
| <i>Stakeholder Grievances</i> | <i>Low</i> | <i>Low</i> |
| Overall | Substantial | Moderate |

| | | |
|--|--------------------|-----------------|
| Country Context | Substantial | Moderate |
| Political Commitment | Moderate | Low |
| <p>Risk:</p> <p>Pakistan was one of the first countries to endorse SDG in 2015 when the Parliament approved SDGs as the national development agenda. A major national social safety net programme called Benazir Income Support Programme (BISP) was initiated in 2008 which since its inception has been supported by successive governments. The budgetary allocations for BISP have been increasing consistently since the start of the programme despite fiscal constraints. The Government in 2018 introduced a comprehensive multidimensional poverty reduction strategy and launched a national poverty graduation Initiative called "Ehsaas". The Federal Government formulated a National Youth Development Framework (NYDF) in 2020 which focuses on social, economic and political empowerment of youth including skills development and youth entrepreneurship through soft loans. An IFAD finance National Poverty Graduation Programme had been included as integral part of Ehsaas. Under the strategy a new Ministry for Social Protection and Poverty Alleviation was created which is mandated to devise pro-poor policies and programmes and consolidate the existing policies and programmes.</p> | Moderate | Low |
| <p>Mitigations:</p> <p>To mitigate any risk, the IFAD country team will continue to support the government's efforts for agriculture, rural transformation and youth development. The partnership with the government resulted in the provision of 34% government contributions for scaling up and alignment with government poverty reduction, youth men and women skill development and employment, value chain and climate resilience agriculture development.</p> | | |
| Governance | Substantial | Moderate |
| <p>Risk:</p> <p>After the 18th amendment to the constitution in 2008 almost all key sectors related to IFAD's mandate and its administrative and fiscal responsibility are now provincial subjects. However, challenges remain in the development of a strong system for the delivery of development priorities in an efficient, equitable and transparent manner and through participatory development approaches. There are striking differences in resource allocation and management, availability of services and local government systems, leading to disparities in the pace and level of development across provinces and districts.</p> | Substantial | Moderate |

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| <p>Mitigations:</p> <p>The planning and development Department and Government line departments in Khyber Pakhtunkhwa are generally well placed in terms of human resources, technical and delivery capacity. However, financial constraints often result in sub-optimal performance. The project will assist the Government in addressing management and technical capacity gaps for improved and demand based service delivery with focus on shifting service delivery and support system to the community and the private sector. The project will particularly enhance capacity to respond to climate change and risk reduction and to respond to the changing demand for technologies for high value agriculture, value chain development and market demand based vocational skills development and employability of youth. The existence of a network of community organisations in the provinces, engagement of NGOs as service provider for social mobilisation and participatory development approach of the project will provide opportunities for inclusiveness, equity and transparency.</p> | | |
| <p>Macroeconomic</p> | <p>Substantial</p> | <p>Moderate</p> |
| <p>Risk:</p> <p>The country's macroeconomic situation has worsened since 2018, due to high fiscal and current account deficits and low levels of reserves. The medium-term growth outlook was forecasted to be impacted by COVID- 19. However, initial estimates for FY 2020/21 indicate a GDP growth of 3.94%. This surprising performance is attributed to smart lockdown policies, relief package for daily wage workers and low income HHs, support for the industrial, trade and agriculture sectors, cutting of policy rates etc. Some analysts estimate that since 2018, poverty is likely to have increased by about 10 million persons due to economic challenges and more recently owing to the COVID-19 pandemic</p> | <p>Substantial</p> | <p>Moderate</p> |
| <p>Mitigations:</p> <p>The project will mitigate the effects of the macroeconomic situation and the COVID 19 impact on the target population with a strong focus on poverty reduction through skill trainings and gainful employment opportunities for youth and value chain approaches and through identified opportunities for encouraging the participation of the private sector in the value chains.</p> | | |
| <p>Fragility and Security</p> | <p>Substantial</p> | <p>Moderate</p> |
| <p>Risk:</p> <p>Pakistan's security environment has improved since 2014 as a result of concerted counter terrorist and counter militant operations. The security situation in the province is generally stable but remains unpredictable with a few terrorist-related incidents recorded in the Newly Merged Districts (former FATA) of the province. Out of 35 districts of the province, about 4-5 newly merged districts along the border of Afghanistan remain unpredictable. Since 2014, a number of UN agencies including UNDP, UNICEF, WFP, FAO and UNHCR and WHO are present in Peshawar. International staff of UN agencies and diplomats are allowed to travel to the province subject to authorisation/NOC by the federal and provincial governments.</p> <p>Political Situation: Despite opposition attempts for a change in government, the position of the ruling party is expected to be stable. Recently the current PM took vote of confidence and has won the election of chairperson of the Senate. In view of the somewhat effective containment of the COVID 19 impact and the recent GDP growth, higher than expected, there is no immediate risk of any mass unrest.</p> | <p>Substantial</p> | <p>Moderate</p> |

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| <p>Mitigations:</p> <p>Security: The situation will be continuously monitored and appropriate mitigation measures will be put in place if deterioration of security should emerge in any district. The project will follow a phased approach and will have a mixed implementation methodology including partnership/sub-contracts with local organizations as well as direct implementation by project personnel where acceptability of partners is an issue or securing clearance to operate remains a challenge.</p> <p>UNDSS advisory will be followed and government security operates will be used for districts with substantial risks. Additionally, the experience of IFAD indicates that the engagement of local service providers for social mobilisation, a participatory approach and strong involvement of community networks provide opportunities for offsetting security risks to some degree.</p> <p>Political: Significant improvements have been made. Despite the the constraints due to COVID 19, the current government has successfully mobilised the diaspora to increase remittances, retired the highest ever foreign debts, improved the current account deficit, and achieved a higher GDP growth than expected and released pro poor policies and programmes. Agreements between donors and the Pakistan/provincial governments are always owned and honoured by the successive governments. The current government increased the pledge to the IFAD Replenishment. Therefore, there is no risk to the project and its implementation in case of change in government at Federal and Provincial level.</p> | | |
| Sector Strategies and Policies | Substantial | Moderate |
| Policy alignment | Moderate | Low |
| <p>Risk:</p> <p>The project is well aligned with the federal and provincial government policies and priorities and relevant SDGs. Project design and outcomes respond to the Government's poverty reduction strategy as announced in the National Poverty Graduation Initiative called "Ehsaas" in 2019 and the National Youth Development Framework (NYDF) of 2020. The project also responds to the provincial government priorities for high value agriculture development through value chain approach and youth and women development as articulated in relevant policies. There is, however, a notable risk of KP TEVTA not being able to design and deliver the courses that would address the existing and emerging supply gaps in the labour market. This could prevent the project achieving sustainable employment targets that justify the investments in the first place. Since a new government will take over after the election of 2023, there is also a risk of change in government priorities subsequently.</p> | Moderate | Low |
| <p>Mitigations:</p> <p>KP TEVTA shall be assisted to establish robust institutional arrangements to conduct labour market assessments periodically and keep its course offerings relevant to the demand of labour market. Also KP TEVTA shall be enabled to use modern approaches for skills testing and certification—in collaboration with NAVTEC, which is the highest regulatory body for technical and vocation education in Pakistan. The PSC shall include all key stakeholders to ensure the issues of labour market and employments are holistically discussed and followed up. IFAD's IFAD's past and on-going projects and programmes have supported and will support government priorities notably for poverty reduction and agriculture development. Generally, foreign funded project and commitments are not affected with the change in government.</p> | | |
| Policy Development and Implementation | Substantial | Moderate |

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| <p>Risk:</p> <p>Recognising its increased responsibilities after the 18th constitutional amendment, the provincial government formulated policies for youth, women empowerment, and agriculture. The agriculture policy is cognizant of the unique and diverse agro-climatic conditions of the province which provides great potential for the development of high value crops as well as the development of the livestock sector through the value chain approach and private sector involvement. Youth development policies, strategies and programmes gained focus during the last 10 years. However, a key challenge in Pakistan has been the execution of policies including concrete actions, associating reforms and strategies and regulatory frameworks etc.</p> | Substantial | Moderate |
| <p>Mitigations:</p> <p>The project will provide support for effective implementation of the relevant parts of the policies including the associating strategies, frameworks and capacity building. The strategic interests of smallholder farmers and livestock holders, women, and youth will be addressed by promoting their visibility through recognizing the critical role that they play in the value chains and addressing their needs and priorities. Market demand-based and competency-based trainings and focus of employability will be introduced through capacity building for KP-TVETA. The project shall focus on generating new, simple, and replicable approaches for policy implementation—working collaboratively with all key stakeholders. This will ensure that the successful approaches become visible and generate a strong traction for a wider adoption and implementation by the provincial government.</p> | | |
| <p>Environment and Climate Context</p> | Substantial | Moderate |
| <p>Project vulnerability to environmental conditions</p> | Substantial | Moderate |
| <p>Risk:</p> <p>Rural populations in the province are faced with inherent vulnerability to weather related environmental conditions such as increased variability of monsoons, impact of receding glaciers on the river systems, decreased capacity of existing water reservoirs, and extreme events including floods and droughts. The provincial government has a climate change policy and most climate-sensitive sectors have climate-compatible medium term plans and budget—which also include performance indicators and targets. Climate actions have been mainstreamed into policy landscape largely with assistance from donors. However, the relevant line departments i.e. agriculture, industry, livestock, etc. continue to lack technical capacity to implement provincial government's climate change agenda. Hence, there is material risk that the line departments and other parties i.e. PFOs, FSCs, Private Partners, and KP TEVTA etc. would not effectively mainstream climate aspects in implementing project activities.</p> | Substantial | Moderate |
| <p>Mitigations:</p> <p>The project will facilitate the provincial government in implementing the concept of green development envisaged in the climate change policy. Some proposed mitigation actions include the appropriate screening for climate smart agriculture, food and fruit processing facilities and other subprojects to be proposed by the PFOs, the promotion of sustainable land and water management practices, and the capacity building of government staff and beneficiaries for risk reduction and for building resilience. Provisions shall be included in the contractual agreements with implementing partners to ensure compliance with climate action in project activities. A Climate Change Specialist shall be part of the core team at PMU to ensure oversight of project planning, execution, and reporting from climate change perspective. Detailed guidelines shall also be included in PIM to facilitate the process.</p> | | |
| <p>Project vulnerability to climate change impacts</p> | Moderate | Low |

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| <p>Risk:</p> <p>The present and projected climatic patterns and trends for precipitation and temperature indicate that seasonal variations in temperature and precipitation will increase, resulting into more frequent and intensified extreme weather events. The climate change induced impacts include severe water stress; food insecurity due to decreasing agricultural and livestock production; the degradation of ecosystems and biodiversity loss. However, most of the proposed activities under the project are soft in nature and are not going to be substantially impacted by climate change.</p> | Moderate | Low |
| <p>Mitigations:</p> <p>The project will ensure that climate change resilience is made a central factor in the prioritization and selection of activities, in line with the provincial government's climate change policy. Support will be provided to equip the small holder farmers with knowledge, skills, crop choices and practices in different locations and agro-climatic condition to better cope with climate change induced challenges and with the introduction and promotion of climate smart agriculture technologies and services including efficient water use. The approval of interventions would be subject to an environmental screening process to ensure that the construction does not have any adverse social or environmental impact.</p> | | |
| Project Scope | Substantial | Moderate |
| Project Relevance | Substantial | Moderate |
| <p>Risk:</p> <p>The main risk under component 1 are: weak capacities and business orientation of farmer, limited access to finance for better technologies for the production and the promotion of value added agri-processed products, weak services, absence of facilitation for public private producer partnerships (4Ps). Under component 2, the key risk is the outdated TVET curricula resulting in a strong disconnect between the demand from various sectors for specific types of skilled labour and no focus on employability. For the last three decades, the development of the province, particularly NMDs, has been a high priority of the government, to offset the fallout of conflict in Afghanistan and as well as to consolidate the recent peace and development gains and to achieve the objective of a balanced regional development of the Five Year Plan 2018-23.</p> | Substantial | Moderate |
| <p>Mitigations:</p> <p>The project scope, approach and proposed activities were identified in consultation with the federal and provincial governments and with reference to their development priorities and are highly relevant to IFAD 11's business model and corporate priorities. The project builds on evidence based lessons from IFAD (SPPAP and ETI-GB) and other donor-financed projects and programmes. In line with the priorities of the provincial government and IFAD, the transformation potential of agriculture for enhanced incomes and employment will be pursued by addressing the critical issues in the farm, off-farm and non-farm value chains, including through professional and market oriented farmer organizations, private sector engagement and access to financial services.</p> <p>Youth, men and women will be a priority target group. The project will provide an opportunity for realizing the dividends of the "youth bulge" in terms of addressing critical challenges related to human capital development. In view of the current state of agriculture regarding productive employment and TVET challenges and barriers to rural youth employment and business development, the project adopts a multi-dimensional, coordinated and integrated approach to address diverse supply and demand constraints and keeping in view the diverse regional level market demands for labour. The project will specifically focus on youth employability for employment and self employment/entrepreneurship in agriculture and other emerging sectors in the province, through a range of activities tailored to the needs and interests of different target youth groups.</p> <p>The institutional capacity gaps will be addressed through the reorientation of existing government Farm Services Centres and the strengthening of the agriculture extension and research services and TVET for the provision of demand based services.</p> | | |
| Technical Soundness | Moderate | Low |

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| <p>Risk:</p> <p>The project is technically robust and is based on lessons learnt. Component 1 benefits from the Pakistan (ETI-GB), the Sri-Lanka (NADEP/SAP) and the Asian Pacific Farmer Programme (APFP Laos, Cambodia and Mongolia in particular). Lessons from Pakistan (SPPAP) are fed into the design of component 2. One of the potential risks that can be foreseen is that the innovative aspects of the project i.e. improving the agriculture sector productivity and competitiveness through the development of value chains and responding to climate change challenges and community-centric service delivery, are hindered due to skills and capacity gaps within the service providers and beneficiaries.</p> | Moderate | Low |
| <p>Mitigations:</p> <p>The project design has been kept simple in terms of number, type and range of activities as well as the implementation arrangements. The project will invest in capacity building of beneficiaries and extension services. The project will create an enabling environment for private sector involvement through farmers organisations, improving the quantity and quality of crops and livestock and developing better linkages with markets and value chain actors.</p> | | |
| Institutional Capacity for Implementation and Sustainability | Substantial | Moderate |
| Implementation Arrangements | Moderate | Low |
| <p>Risk:</p> <p>Inherent institutional capacity risks are moderate in the province. The planning and development department and line departments are reasonable well placed in terms of management capacities and exposure to participatory development approaches. However, start up delays are common and technical capacity and the skills level of public service delivery institutions may pose a challenge for the implementation of the projects approaches and interventions.</p> | Moderate | Low |
| <p>Mitigations:</p> <p>As per IFAD experience, the project is well placed under the Planning and Development Department which has a long history of planning and implementation of multi-sectoral participatory development projects. A Project Steering Committee headed by the Additional Chief Secretary of P&D Department, will provide the policy level guidance, oversight, coordination and will take corrective actions where warranted. The project management staff will be recruited on a competitive basis from the public and private sector.</p> <p>To mitigate the risk of start up delays, assistance will be provided for the formulation of the PC-I, parallel to the finalization of the project design so that the PC-I is approved well in time. The IFAD country team will provide frequent implementation support in the initial stage of the project. Additionally, adequate resources have been provided for technical capacity building. Additionally, adequate resources have been provided for policy support and capacity building for Farm Services Centres, agriculture extension services and TVET for the provision of demand based services</p> | | |
| Monitoring and Evaluation Arrangements | Substantial | Moderate |
| <p>Risk:</p> <p>Owing to skills and capacity constraints, the M&E systems may not be well-positioned to track performance in terms of outputs and instead focus on inputs, thereby contributing to the project delivery risk.</p> | Substantial | Moderate |

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| <p>Mitigations:</p> <p>An M&E system will be developed to provide project management, the Government and IFAD with reliable and timely information on project execution performance and results and to ensure efficient and effective project implementation. The M&E system will aim at: (i) Monitoring project execution (ii) Monitoring outreach and (iii) measuring and evaluating project results and monitoring the critical assumptions identified in the log frame. A Key element of the M&E system will be poverty graduation tracking and participatory monitoring and evaluation. BISP PSC data will be used as a benchmark to track the progress of poverty graduation of beneficiaries.</p> | | |
| Project Financial Management | Substantial | Moderate |
| Project Organization and Staffing | Moderate | Low |
| <p>Risk:</p> <p>-Hiring process is subject to political interference. This may result in competent HR not being selected and/or delays in recruitment. -Market for private enterprises that may want to become part of 4P arrangements is thin and there is risk of qualified partners not being available/selected.</p> | Moderate | Low |
| <p>Mitigations:</p> <p>i. Core staff of the PMU—Project Director, Finance Manager/FM Specialist, FM Specialist, M&E Specialist should be engaged within eight (8) weeks of the date of signing of the Financing Agreement. IFAD's representative should take part in the process of recruitment as an observer. ii. Well structured finance unit within the PMU that includes competent and qualified staff who are capable of carrying out project financial management as per the fund requirements. iii. Competent management—especially FM official should be hired in each PFO as one of the access condition for IFAD funds; iv. Post-qualification due diligence of staff should be mandatory for private partners to be engaged under P4R arrangements. All finance staff to undertake IFAD Online Finance Management practices and procedures course. In addition to that, finance staff should attend induction sessions on IFAD financial management requirements as conducted by IFAD Finance Officer.</p> | | |
| Project Budgeting | Substantial | Moderate |
| <p>Risk:</p> <p>Component 2 (Economic Graduation and Employment) is the largest component of the project. It is envisaged to be funded by the government through ongoing projects. TEVTA is the major partner but it has very limited development budget which can be a constraint. Second, it is not clear at this stage how the ongoing schemes shall be identified and leveraged to achieve project outcomes. There is also issue of role clarity vis-à-vis line departments i.e. agriculture, industries, social welfare, local government etc. under this component which needs to be resolved upfront.</p> | Substantial | Moderate |
| <p>Mitigations:</p> <p>i. PMU should get the approval of AWPB & Procurement Plan through the PSC (by 30 April each year). ii. AWPB/Procurement Plans should be prepared in consultation with implementing partners and these IPs should be supported by PMU/RPMUs to ensure proper estimation of funding requirements in the AWPB iii. Roles and responsibilities of line departments with reference to such contribution should be clearly stated in the notification/MOUs.</p> | | |
| Project Funds Flow/Disbursement Arrangements | Moderate | Low |

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| <p>Risk:</p> <p>Delays in the opening of account, ambiguities around the counterpart funding can result in implementation difficulties for the project. The government contribution shall comprise (a) "cash"—USD 9.1 million (23%) for payment of taxes and project management costs; and (b) USD 31.3 million (77%) that will be leveraged from ongoing development projects under the provincial Annual Development Plan. PFOs—which are implementing partners under component 1, need significant handholding to be able to manage FM function properly. In the absence of a competent FM function, the risk of funds not being used effectively is quite high. This could significantly impair prospect of project delivery.</p> | Moderate | Low |
| <p>Mitigations:</p> <p>i. Designated Accounts for the project will be opened within eight (8) weeks of the date of signing of the Financing Agreement;</p> <p>ii. Access conditions for release of funds to FOs/IPs shall be clearly established in MOUs/contractual agreements'. These conditions should be identified in the PIM as well.</p> <p>iii. Counterpart Fund requirements shall be clearly established. A formal MOU/Notification needs to be made by the provincial government for this purpose clarifying what will be the counterpart inputs/activities and how they would be measured and reported in project accounting system.</p> <p>iv. Checklists and timelines shall be established for release of payments against different types of claims and shall be strictly adhered to.</p> | | |
| <p>Project Internal Controls</p> | Substantial | Moderate |
| <p>Risk:</p> <p>Instances of non-compliance with applicable internal controls have been reported by the Auditor General of Pakistan in recent audit reports and therefore specific controls—established under Accounting Policies and Procedures Manual need to be emphasized for compliance. Supervision missions should specifically examine whether the project is in full compliance with these internal control requirements. The M&E processes within P&DD are weak and provincial internal audit arrangements don't cover P&DD.</p> | Substantial | Moderate |
| <p>Mitigations:</p> <p>i. Financial management procedures as part of the PIM need to be approved by the PSC and shared with IFAD within eight (8) weeks of the date of the signing of Financing Agreement;</p> <p>ii. No funds should be released to any PFO unless it meets all access conditions i.e. dedicated account or separate ledger for tractability of project funds in a PFO's account (as appropriate), deposit of its share, engagement of competent FM official, orientation training on accounting, record keeping, and financial reporting.</p> <p>iii. Post-qualification due-diligence should be carried out of all private partners selected through a competitive process for 4P arrangements before they are awarded contracts.</p> <p>iv. Specific internal controls such as monthly reconciliation of bank accounts, maintenance of Fixed Asset Register on prescribed format, monthly budget vs expenditure review etc. shall be mandatory.</p> <p>v. Internal Auditor shall review project transactions, processes, procedures, and performance at least semi-annually to provide assurance regarding the fiduciary controls, risk management and monitoring mechanisms in place.</p> <p>vi. FM manual needs to be finalized and the finance team exposed to related IFAD's requirements—including those relating to fraud risk awareness and mitigation; the FM officials at FOs.</p> <p>vii. A system of Quarterly Progress/Financial Monitoring shall be institutionalized covering all Implementing Partners.</p> | | |
| <p>Project Accounting and Financial Reporting</p> | High | Moderate |

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| Risk: In several cases, IFAD projects not using appropriate accounting software ran into financial reporting difficulties. The FM system also does not act as an effective decision support system for the project. Project must procure an accounting software the fully comply with IFAD's accounting and financial reporting requirements. | High | Moderate |
| Mitigations: I. An appropriate Accounting Software i.e. TOMPRO needs to be procured, installed and the finance team trained in its use. Financial reports should be auto-generated from the procured accounting software. ii. Integration of the PFOs/FSCs/Private Partners under 4Ps arrangements, expenditures in the PMU accounting software. Relevant procedures to be identified in the PIM. iii. PMU shall submit to IFAD; Quarterly Interim Financial Reports within 45-day of period end, annual unaudited financial statements within 4-month of year end and annual audited Financial Statements within 6-month of year end. iv. FM staff should be orientated to comply with IFAD's requirements in their work—including those relating to IFAD's Anti-corruption policy. | | |
| Project External Audit | Substantial | Moderate |
| Risk: Delays in submission of audit reports, weak-follow up with audit office resulting in backlog of audit findings, non-resolution of audit findings causing the amounts involved in those audit findings to convert into ineligible expenditure | Substantial | Moderate |
| Mitigations: I. PMU needs to engage with Director General Audit (KP), through P&DD for timely completion of audit. Scanned copies of the final audit report are encouraged to be sent as soon the report is ready to ensure on-time submission and to avoid delays resulting from mail services. Then the hard copy can follow to IFAD ICO in Islamabad. ii. Audit observations should be settled within six (6) months after the Audit Report has been shared with the P&DD to avoid backlog of unresolved audit findings. iii. Follow up meetings with the Auditors should be requested to settle any unsettled audit findings from previous years. | | |
| Project Procurement | Substantial | Moderate |
| Legal and Regulatory Framework | Substantial | Moderate |
| Risk: The legal and regulatory framework exists in the form of Public Procurement Rules of the Public Procurement Regulatory Authority of Pakistan and the Khyber Pakhtunkhwa Public Procurement of Goods, Works and Services Rules of Khyber Pakhtunkhwa Public Procurement Authority (KP-PPRA) for ensuring compliance to its various provisions and rules. The KP-PPRA only exercises regulatory functions, and procurement entities/projects are responsible to undertake the procurement. Inadequate capacities often lead to non compliance of rules and delays in procurement. | Substantial | Moderate |
| Mitigations: As per IFAD general conditions for financing, the procurement of goods, works and services shall be carried out in accordance with the provisions of the KP-PPRA procurement regulations, to the extent that such are consistent with the IFAD Procurement Handbook and Guidelines 2019. The PIM will contain clear indication of rules, regulations, policies and procedures to be adopted in order to ensure compliance with IFAD's Project Procurement Guidelines. | | |
| Accountability and Transparency | Substantial | Moderate |

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| <p>Risk:</p> <p>Risks related to Accountability and Transparency include: slow procurement processing and decision making with potential implementation delays; unclear defined roles in the contract management system with potential time and cost overrun and poor-quality deliverables.</p> | Substantial | Moderate |
| <p>Mitigations:</p> <p>IFAD will ensure the compliance of procurement principles as per IFAD's procurement handbook and guidelines through implementation support, monitoring and prior review thresholds. The IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations shall apply to the project procurement processes. Accountability for following the expedited approval processes and assigning staff with responsibility of managing each contract will be maintained and ensured through oversight by the IFAD country team in close coordination with the borrower's oversight agencies.</p> | | |
| Capability in Public Procurement | Substantial | Moderate |
| <p>Risk:</p> <p>Generally there are limited capacities in administration, and the management of contracts leading to mis-procurement and delays</p> | Substantial | Moderate |
| <p>Mitigations:</p> <p>Qualified and experienced procurement staff, including a Procurement Specialist and a Contract Monitoring Officer, will be recruited to carry out procurement activities. The staff will be provided focused training and assistance by the IFAD country office for capacity building.</p> | | |
| Public Procurement Processes | Substantial | Moderate |
| <p>Risk:</p> <p>There is a risk that delays in the the initiation and the completion of procurement processes, due to inefficient planning, bidding, contract award and contract management, may result in negative implications for project implementation performance and cost overruns.</p> | Substantial | Moderate |
| <p>Mitigations:</p> <p>The prevailing government rules and acts for public procurement generally conform to the IFIs', including IFAD's, procurement guidelines. The expedition of all stages of the procurement process for timely completion, compliance and oversight of procurement process, will be ensured and hands-on implementation support will be provided through implementation support missions by IFAD.</p> | | |
| Environment, Social and Climate Impact | Moderate | Low |
| Biodiversity Conservation | Moderate | Low |
| <p>Risk:</p> <p>There is a moderate risk of, or threat to the loss of biodiversity, availability of diversified nutritious food, ecosystems and ecosystem services, or the unsustainable use/production of natural resources.</p> | Moderate | Low |
| <p>Mitigations:</p> <p>The project is unlikely to have any adverse impact on biodiversity in the project area. The project will invest in eco friendly infrastructure and support the introduction of climate smart and sustainable technologies for agriculture and livestock. Communities will be consulted and sensitised on the need to conserve biodiversity and will be engaged in all such efforts.</p> | | |
| Resource Efficiency and Pollution Prevention | Low | Low |

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| Risk: There is a low risk of causing pollution to air, water, and land, and of inefficient use of natural resources that may threaten people, ecosystem services and the environment. | Low | Low |
| Mitigations: To mitigate any risk, the project plans to invest in various measures that will promote resource efficiency. These include efficient water use technologies for agriculture production, sustainable livestock production systems and climate and social risks mitigation actions. | | |
| Cultural Heritage | | No risk envisaged - not applicable |
| no cultural heritage sites in the project area | | |
| Indigenous People | | No risk envisaged - not applicable |
| no presence of indigenous people | | |
| Labour and Working Conditions | Moderate | Low |
| Risk: The risk that the project may cause exploitative labour practices like in-kind community contributions of labour left to the chronically, extreme and vulnerable poor (BISP Poverty Score Card Category 0-16) at the expense of their wage earning opportunities | Moderate | Low |
| Mitigations: The risk will be mitigated, as practiced in other IFAD financed project, through exempting the chronically, extreme and vulnerable poor (BISP Poverty Score Card Category 0-16) from any cash or in kind contributions. | | |
| Community Health and Safety | Moderate | Low |
| Risk: There are no envisaged risks of significant negative impacts on community health and safety. In fact, the project expects to have several positive impacts through climate smart and sustainable agriculture technologies, including the promotion of IPM and reduced use of pesticides. The project interventions are also expected to result in greater availability of high nutrition value foods in households and communities, which are a key driver of health. Exposure to spread of COVID 19 in group meetings and training may pose a minor risk. | Moderate | Low |
| Mitigations: For COVID 19, mitigation measures will include awareness creation and sensitisation for social distancing, wearing of masks etc. | | |
| Physical and Economic Resettlement | | No risk envisaged - not applicable |
| n/a | | |
| Greenhouse Gas Emissions | Low | Low |

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| Risk: The risk of any significant increase of greenhouse gas (GHG) emissions and thereby of contributing to anthropogenic climate change is minimal. | Low | Low |
| Mitigations: No specific mitigation measures are required. | | |
| Vulnerability of target populations and ecosystems to climate variability and hazards | High | Moderate |
| Risk: Pakistan is one of the most vulnerable countries in the world as a huge portion of its population depends on the on farm and off farm sectors. The effects of climate change are being felt in rural areas in and across ecosystems with adverse impacts on natural resources and the livelihoods that they support. This exposure to vulnerability is predicted to be exacerbated with impending impact of climate change. Declining water availability and soil degradation is impacting agriculture at a time when demand for agricultural products continues to rapidly rise due to population growth and improving diets. The poor are likely to be hit hard by climate change, and their capacity to respond to climate change is lowest. | High | Moderate |
| Mitigations: To reduce exposure to the inherent risks, the project will promote production technologies that reduce exposure to increased variability as well as investments in water resources management. Awareness raising and building resilience, particularly among the poor, will be a key capacity building intervention. | | |
| Stakeholders | Low | Low |
| Stakeholder Engagement/Coordination | Low | Low |
| Risk: Stakeholder engagement and coordination risks are low as the project will use the successfully tried and tested institutional arrangements for stakeholder consultation and coordination among and between implementation agencies and stakeholders. The province has long history of implementation of donor funded participatory integrated development projects | Low | Low |
| Mitigations: The project design and its institutional arrangements are based on extensive discussions with government and on lessons learnt. Key stakeholders include the government planning and development and line departments, NGOs/Rural Support Programmes, existing community organisations/groups and private sector engaged in agriculture value chains. The Project Steering Committee will facilitate the provincial level coordination and mechanisms have been put in place at operational/field level for inter departmental, NGOs/RSPs, private sector and community level coordination. | | |
| Risk: There is a minimum risk related to the selection of the target group and the participation of poor, smallholder farmers, women and youth in the project activities. | Low | Low |

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| <p>Mitigations:</p> <p>The selection of the target group and households, particularly the extreme, chronically and vulnerable poor, will be guided by the BISP Poverty Scorecard. A national Poverty Score Card based on Proxy Mean Testing was developed for the identification of poor households eligible for unconditional cash transfer. IFAD introduced this accurate and reliable targeting tool in the country which has a hallmark for targeting strategies for poverty reduction and smallholder agriculture development and is being adopted across the country by government and donors.</p> | | |
| <p>Stakeholder Grievances</p> | Low | Low |
| <p>Risk:</p> <p>The risk is low as the participatory development approach warrants that beneficiaries, target groups and stakeholders can lodge grievances and have corrective measures taken by the project.</p> | Low | Low |
| <p>Mitigations:</p> <p>The tried and tested participatory development model prevailing in the province and beneficiary feedback mechanisms through regular community organisations conferences and participatory M&E are affective tools for grievance redressal and corrective measure by the project. Additionally, most parts of the province has a traditional alternative dispute resolution system called Jirga for individual and community level grievance redressal and dispute resolution. However, environmental and social policies related complaints can be registered in writing by post or by email with PMU and Regional Project Management office who will examine and resolve the issue to the satisfaction of complainant within two weeks. Any project level grievance is not foreseen as it is being developed with the involvement of the KP government and project interventions will be implemented through community participation. However, in case of any issue during implementation, PMU and Project Steering Committee will be the right fora for its resolution. The complaint will have to be registered with PMU who will collect the required information, listen to the concerned parties and dispose of the complaint per merit within three weeks or refer it to PSC who will review it in detail and decided it within four weeks. Complaints can also be registered with IFAD by email (SECAPcomplaints@ifad.org) for a fair and timely resolution through an independent process</p> | | |