

# **Processing of Foreign Aided Projects**

# Sequence of Presentation

- Why separate discussion on Foreign Aid?
- Background of Foreign Aided Projects in AJK
- Terms/Definitions
- Approval Procedures
- Important Documents
- On-going Foreign Aided Projects
- Future Requirements

# Why separate discussion on Foreign Aid?

- Processing is different;
- Timely completion with the agreed Time & Cost is required;
- Progress is monitored by Donor and GoP;
- Due to the size of F.Aided Projects in ADP and the relative size of ADP, it has become a major challenge

# Background of Foreign Aided Projects in AJK

1. Disputed Status-Sovereign State
2. Bilateral Donors (Government to Government) vs Multilateral Donors (DFIs – Development Finance Institutions and International Organizations like UN)
  - Bilateral Donors: JICA, USAID, CIDA, SIDA, DFID, Saudi, Kuwait
  - Multilateral Donors: ADB, WB, IDB, UN System Org. e.g. UNDP, UNICEF, WHO, IFAD etc
3. Sovereign Guarantee for loans

# Types of Agreement

1. **Loan/Grant Agreement** is signed between Donor and Recipient Country (GoP)
2. **Project Agreement** is signed between Donor and Executing Agency (GoAJK)
3. **Subsidiary Loan Agreement** is signed between GoP (EAD) and GoAJK (P&DD)

# Communication Channels

- Request for Foreign Assistance (Loan or Grant) by any GLD is routed through P&DD (No department can contact EAD or any Donor directly);
- P&DD cannot contact any Donor or Country directly for financial assistance;
- GoAJK/P&DD contacts donor through EAD, GoP after concept clearance;
- Loan Agreement is signed in US\$, Euro, IDN or SDR (Special Drawing Rights) etc;
- US\$, Euro, IDN or SDR comes directly to SBP;
- Using conversion rate SBP transfers this money to GoAJK in rupee cover.

# Important Terms Regarding F.Aid in ADP

- F.Aid Component vs Local Component  
or  
Donor Share vs Counterpart Funds
- The ratio (30:70, 20:80 etc) is agreed up front;
- Who will pay against which item is also agreed;
- Donor share is not used for payment against taxes and duties;
- FEC - Foreign Exchange Cover:
  - » Its not necessarily F.Aid
  - » This is allocation that is required in foreign exchange for payment in dollars or foreign currency against imported items.

- Standard clause in agreements of F.aided projects:

*“Where there is conflict between AJK and donor rules, Donor rules will prevail and will be followed (procurement matters)”*

- 2 Sources of F.Aided Projects:

- i. Federal PSDP (Jagran II)

- ii. ADP

- a. F.Aided Projects executed by P&DD like FERRP, DCRIP, CDP etc

- a. F.Aided Projects executed by line Deptts like Education deptt is executing IDB assisted project and Nagdar, Dewarian HPPs are being executed PDO



# Project Preparation & Approval Process

- Concept Paper of the project is prepared
- After clearance from DWP, it is forwarded to PD&R for Concept Clearance
- EAD locates donor (match making)
- Project is designed in consultation with Donors and the document is called PAM or PAD
- PC-I is prepared in light of PAM/PAD
- After concept clearance from the competent forum, loan negotiation is done
- Loan signing after approval of PC-I
- Irrespective of the cost, if the donor share is more than 25% of project cost, the project will go to CDWP for approval

# Sanctioning Powers of Different Forums

AKDWP:	Rs 0-100 Million
AKCDC:	Rs 100-400 Million
CDWP:	Rs 400-3000 Million
ECNEC:	Rs 3000 Million and above

# Reporting Requirements

- To share progress regularly with Donors, reporting mechanisms and time frames are developed during negotiations
- Cash/Work plan
- SOEs – Statement of Expenditures sent periodically for financial reporting

# Miscellaneous

- Change in scope, time and cost cannot be done without the consent of the donor
- As a standard practice each f.aided project has its Steering Committee ....all stakeholder are member and is chaired by ACS (Dev.)
- Frequency of Supervision Mission varies from project to project
- Mid Term Review is important for taking mid course correction measures

# Important Considerations by Donors

Emphasis is on to ensure following cross cutting themes/safegaurds:

- Environment Protection
- Social Protection
- Gender Equality
- Transparency
- National Parks/Protected areas

# Horizontal vs Vertical Donors

**Horizontal Donor** provides funding in multiple sectors  
e.g., WB, ADB, IDB

**Vertical Donor** provide funding for specific areas e.g. UN Women (for Women Dev.), WFP (for Food Security), WHO (for Health), UNEP (for Environment), UNICEFF (for Children related projects)

# Important Documents

- PAD/PAM
- PC-I
- Credit/Loan Agreement
- Project Agreement
- Subsidiary Loan Agreement
- Aide Memoire

# Ongoing Foreign Aided Projects



# Foreign Funded Projects

(Million Rs.)

Sr.#	Name of Projects	Total Estimated Cost.		Alloc. 16-17	Donor Agency
		Total	F.Aid		
1	Basic Education for All (60 Primary School)	1224	1032	38	IDB
2	Rec. & Reh. Of 277 Flood Damaged School Building in AJK	3865	3500	37	
3	Flood 2014 Emergency Reconstruction and Resilience Project in AJK	6641	5977	550	ADB
4	Disaster and Climate Resilience Improvement Project	2500	2500	100	World Bank
5	Construction of 35 MW Nagdar Hydro Power Project District Neelum.	6845	5818	3	Exim Bank Turkey
6	40 MW Dowarian Hydro Power Project, District Neelum.	5973	5077	5	
<b>Total</b>		<b>27,048</b>	<b>23,904</b>	<b>733</b> <b>(F.Aid 500)</b>	

# **AJK Development Budgetary Proposals**

## Summary (ADP 2016-17)

(Billion Rs.)

<b>Category</b>	<b>Demand</b>	<b>Actual</b>	<b>Shortfall</b>
AJK Block Allocation	17.904	11.500	6.404
Foreign Aid Component	3.965	0.500	3.465
<b>Total</b>	<b>21.869</b>	<b>12.000</b>	<b>9.869</b>

# Budgetary Proposals 2017-18

(Billion Rs.)

S.#	Category	On-going	New	Total
1	<b>AJK-Block Allocation</b>			
	Local	12.821	3.674	16.495
	Foreign Aid.	6.896	0.600	7.496
	<b>Total</b>	<b>19.717</b>	<b>4.274</b>	<b>23.991</b>
2	<b>KA&amp;GB PSDP Projects</b>			
	Local	9.023	1.500	10.523
	Foreign Aid	2.300	0.00	2.300
	<b>Total</b>	<b>11.323</b>	<b>1.500</b>	<b>12.823</b>
<b>Grand Total</b>		<b>31.040</b>	<b>5.774</b>	<b>36.814</b>

# Foreign Aid Requirement 2017-18

Name of Project	Donor Agency	Foreign Aid requirement 2017-18
Basic Education for All	IDB	0.556
Reconstruction of 277 Flood damaged Schools		0.463
DCRIP	World Bank	1.000
FERRP	ADB	3.877
35 MW Nagdar HPP	Turkish Exim Bank	0.500
40 MW Dowarian HPP		0.500
AJK-CDP (Phase-II)	IFAD	0.600
<b>Sub-Total Total</b>		<b>7.496</b>
48 MW Jagran HPP-II		2.300
<b>G.Total</b>		<b>9.796</b>

**Thank You**