

From: [Faisal Israr](#)
To: [Shumaila Mansoor](#)
Cc: [Tanya Rzehak](#); [Abdul Haseeb](#)
Subject: FW: Approved: FATA Economic Revitalization Program (AID-391-IO-17-00004) FY 2021 Qtr 3 (April 1 - June 30, 2021)
Date: Friday, August 20, 2021 9:01:00 AM

Dear Shumaila,
USAID has approved FY 2021 Qtr 3 (Apr 1 - Jun 30, 2021) Pakinfo report.
Stay safe,
Faisal

From: Pak Info <usaidinfo@usaid.gov>
Sent: Friday, August 20, 2021 8:17 AM
To: Faisal Israr <faisal.israr@undp.org>; Wajiha Alamgir <wajiha.alamgir@undp.org>
Cc: wbari@usaid.gov; msfarooqi@usaid.gov
Subject: Approved: FATA Economic Revitalization Program (AID-391-IO-17-00004) FY 2021 Qtr 3 (April 1 - June 30, 2021)

Wasim Bari (wbari@usaid.gov) has approved reporting for FY 2021 Qtr 3 (April 1 - June 30, 2021) - FATA Economic Revitalization Program (AID-391-IO-17-00004).



Quarterly Progress Report

April- June 2021

FATA Economic Revitalisation Programme (FERP)

Contract Number: AID-391-IO-17-00004



WEBINAR
DIGITAL MARKETING TOOLS FOR SMES
Explore new avenues of E-commerce in the Digital Era

AGENDA

| No. | Agenda Points | Estimated Time |
|-----|--|----------------|
| 1. | Review from the Hosts: Quresh | 11:00 am |
| 2. | Welcome Note and Role of SMEEDA Mr. Muhammad Raheel Anwar, Provincial Chief, SMEEDA, Khyber Pakhtunkhwa | 11:00 am |
| 3. | Opening Remarks Mr. Mansaf Mubhammad, Program Officer, UNDP Pakistan | 11:20 am |
| 4. | Digital Transformation, Innovation and New Ideas Ms. Beenaq Tahir, Team Leader UNDP Innovation Act Lab Pakistan | 11:30 am |
| 5. | Significance of digital marketing for business growth & digital marketing solutions in e-commerce @ global context Mr. Anwar Mubhammad, CEO Mawana Logistics | 11:30 pm |
| 6. | Digital marketing & digital payment solutions for SMEs Ms. Quresh VJ Ahs Anil, Ahs Consulting Pvt Ltd | 12:30 pm |

Date: Tuesday, April 13, 2021
Time: 11:00 am - 01:00 pm



WEBINAR
REGULATORY REGIME FOR SMES
(The Case of Merged Areas)

Organized by Small & Medium Enterprises Development Authority (SMEEDA) in collaboration with United Nations Development Program (UNDP) & United States Agency for International Development (USAID)

OPENING REMARKS BY:
Wednesday, June 30, 2021
11:00 am To 02:00 pm
Ms. Nadia Jahangir Seth
General Manager, Policy & Planning
SMEEDA

WHO SHOULD PARTICIPATE?

- Relevant Provincial Government Departments
- Donors Agencies
- State Bank of Pakistan and Commercial Banks
- Chambers of Commerce & Industry, SMEs
- Startups and Students

THE PANELISTS

Mr. Fazal Amin
Director, Collection

Mr. Amir Muhammad
Director, Evaluation

Mr. Atfar Khan
Deputy Director

United Nations Development Programme

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List of Acronyms:

| | |
|----------------|---|
| AIM | Akhuwat Islamic Microfinance |
| ANSF | Afghan National Security Forces |
| BMST | Business management skills training |
| BU | Bahria university |
| CU | Concepts Unlimited |
| ECDF | Economic Coordination & Development Forum |
| FATA | Federally Administered Tribal Areas |
| FERP | FATA Economic Revitalization Programme |
| GoP | Government of Pakistan |
| IM Studies | Institute of Management Studies |
| IP | Implementing Partner |
| IFC | Investment Facilitation Portal |
| IRP | Islamic Relief Pakistan |
| IIUI | International Islamic University Islamabad |
| KP | Khyber Pakhtunkhwa |
| LoP | Life of Project |
| LEAs | Law Enforcement Agencies |
| MD | Merged District |
| MFP | Micro Finance Providers |
| M&E | Monitoring and Evaluation |
| MOU | Memorandum of Understanding |
| NATO | North Atlantic Treaty Organization |
| NW | North Waziristan |
| NCOC | National Command Operation Center |
| PPP | Public Private Partnership |
| P&DD | Planning and Development Department |
| RFP | Request for Proposal |
| SCCI | Sarhad Chamber of Commerce and Industry |
| SECP | Securities & Exchange Commission of Pakistan |
| SMEDA | Small and Medium Enterprise Development Authority |
| SW | South Waziristan |
| TiE | The Indus Entrepreneurs |
| ToR | Terms of Reference |
| TTP | Tehreek-i-Taliban Pakistan |
| UNDP | United Nations Development Programme |
| U. S | United States |
| USG assistance | United States Grants assistance |

Project Summary Sheet

| | |
|--------------------------------------|---|
| Title | FATA Economic Revitalisation Programme |
| Contract No | AID-391-IO-17-00004 |
| Project Award ID | 00088875 |
| Project ID: | 00107046 |
| Project Donor Name | United States Agency for International Development (USAID) |
| Implementing Partners | United Nations Development Programme (UNDP) |
| UNDP Partners | UNDP, Sarhad Rural Support Programme (SRSP), Islamic Relief Pakistan (IRP), Akhuwat Islamic Microfinance (AIM), National Logistic Cell (NLC), The Institute of Management Sciences, The Institute of Management Studies, Small and Medium Enterprise Development Authority (SMEDA), Concepts Unlimited, Bahria University and Islamic International University Consortium, The Indus Entrepreneurs (TiE), iConsult. |
| Location of Project | Khyber, North Waziristan, and South Waziristan Districts, Khyber Pakhtunkhwa, Pakistan |
| Project Budget | \$15,000,000 |
| Project Duration | 20/09/2017 – 17/09/2021 |
| Reporting Period | 01/04/2021 – 30/06/2021 |
| Name and Title of Focal Point | Tanya Rzehak, Programme Manager tanya.rzehak@undp.org |

I. Executive Summary:

The FATA Economic Revitalisation Programme (FERP) is contributing to the long-term economic growth of the Merged Districts (MDs) by creating sustainable livelihood opportunities in the area. This report presents the progress achieved in the third quarter of FY 2021 i.e., April to June 2021. During the reporting quarter, the project reached a total of 96 (66 women) beneficiaries. Since its inception, the project has directly benefitted 13,350 (3,005 women) individuals against the target of 15,116. The overall achievement stands at 90% against the life of the project target at the time of writing this report.

During the reporting period, the security situation in the merged districts remained unstable and worsened significantly towards the end of the quarter. A steady increase in terrorism incidents and resultant casualties occurred, perpetrated by non-state actors against Law Enforcement Agencies (LEAs) and Government officials.

Pakistan was struggling to contain the third COVID-19 wave at the beginning of the quarter. However, COVID-19 restrictions were eased by the government after a complete lockdown for fifteen days during Eid holidays in May 2021. Several implementing partner's employees were infected by the virus. A few UNDP staff were affected as well, and one UNDP consultant sadly lost the battle against COVID-19. The programme experienced minor delays in submission of grant processing documents, hiring of another consultant and impact assessment data conducted under output 3. However, this delay did not significantly affect project activities as UNDP is already conducting virtual meetings, training, and mentoring sessions.

The project has successfully closed three outputs by fully achieving its targets. The project achieved its targets under the outputs of immediate temporary employment opportunities (output 1), business opportunities for upscaling existing/new enterprises (output 2), and market-based employment opportunities provided for youth through skills training (output 5) during FY 2020. Details of the completed outputs were reported in the previous QPRs.

The project has so far completed incubation training (output 3) for a total of 901 (329 women) entrepreneurs and provided incubation grants to 490 (173 women) entrepreneurs. During the reporting quarter, 84 incubation grants were distributed among 39 women and 45 men entrepreneurs from the NMDs. Furthermore, post grant coaching sessions were provided to 381 grantees (155 women). So far, 934 group and individual mentoring sessions have been provided to these potential entrepreneurs.

UNDP continued to pursue possible options for the engagement of microfinance providers in North Waziristan and South Waziristan districts. However, so far, we have not been able to identify partners that are keen to engage. With the project extension, we will develop a plan to further pursue opportunities for microfinance or other priority area and discuss those with USAID.

Under the increased capacity of the government (output 6), UNDP's private sector partners FF Steels and Alpha Pipes shortlisted and interviewed candidates from UNDP's data base. Both organisations have shown commitment to providing apprenticeships to selected youth trained under the project. The project has also

shared a draft copy of MOU with Zakori Group and developed a data base of prominent private sector stakeholders from Peshawar in consultation with Sarhad Chambers.

Under the value chain development activity, UNDP's implementing partner International Consulting Associates (I-Consult) developed the value chain reports on apricot and apple sectors under the agribusiness value chain, marble sector under mines and minerals value chain; and door and windows manufacturing and silk manufacturing sectors under light engineering value chains. The selection criteria, scoring criteria and enterprise selection committee was also established during the reporting period. Among the forty SMEs to be supported, thirty SMEs are selected from the three districts: nine from North Waziristan, eleven from Khyber and ten from South Waziristan. The selection criteria for women led businesses was revised after consultation with USAID and mobilisation was carried out to select ten women led businesses. Implementation of quality certification has already been initiated, while the planning for the implementation of systems improvement, market linkages and study tours has also started.

UNDP arranged two webinars in partnership with SMEDA on Digital Marketing Tools for SMEs; and on Regulatory Regimes for SMEs. Additionally, UNDP's partner SMEDA have also finalised the prototype and main features of the Business Facilitation Portal in partnership with Sarhad Chamber of Commerce and Industry. UNDP also hired an individual consultant to complete the work related to the Economic Cooperation and Development Forum (ECDF) and provide technical and administrative support to the Planning and Development Department (P&DD) in the development of the Economic Development Plan and district Economic plans.

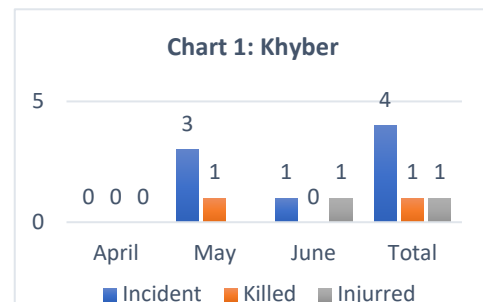
II. Background

The FATA Economic Revitalisation Programme was designed considering the complex socio-economic, political and governance context of the Merged Districts (MDs) of Khyber Pakhtunkhwa (KP). The programme aims to generate sustainable livelihood opportunities for the local population leading to the long-term economic growth of the tribal districts of KP. This programme adopts a three-track approach: (i) livelihood stabilisation by generating immediate short-term employment opportunities, (ii) local economic recovery for medium to long-term employment and (iii) sustainable employment creation and inclusive economic growth. Under this programme communities of the MDs are supported by helping them diversify their livelihoods through business development grants, market-driven skills training, access to micro-finance, innovation fund and developing market linkages.

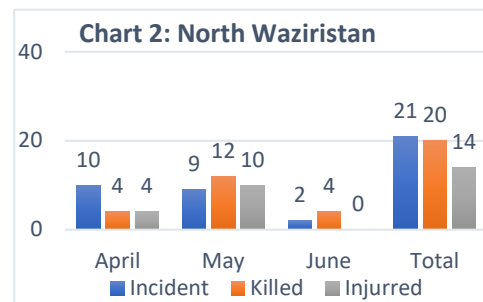
III. Situation Analysis

The security situation in the merged districts remained unstable during the reporting quarter. A remarkable increase in militancy and resultant casualties have been observed in the project implementing districts i.e., Khyber, North Waziristan, and South Waziristan districts. A number of incidents were reported, executed by non-state actors against Law Enforcement Agencies (LEAs) and government officials during the reporting period

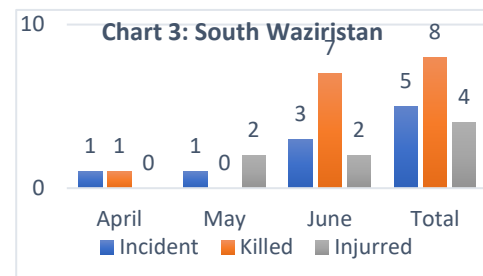
During the reporting quarter, the security situation in Khyber remained stable during the first month of the quarter. However, an increase in violent incidents has been observed towards the end of the quarter. The graph (ref: Chart 1) depicts a significant upward trend in violent incidents and resultant casualties against third quarter in the Khyber district.



The security situation in the North Waziristan district remained unstable throughout the third quarter, from April to June 2021. The graph (ref: chart 2) shows details of terrorism incidents and resultant casualties in North Waziristan district. The attack against the security escort of deputy commissioner NW is a case in point.



The security situation in the South Waziristan district remained unstable as a steady increase in terrorism incidents and resultant casualties occurred from April to June 2021 as shown in chart 3.



In addition to the worsening security situation in the MDs, unrest in adjoining settled districts has also been reported. Protest in Jani Khel area of Bannu and clashes of community with district administration in Central Kurram impacted the overall security environment during the reporting period

US Forces Withdrawal from Afghanistan

The situation in Afghanistan is at an inflection point with the withdrawal of U.S military from Afghanistan. The current situation depicts intense uncertainty on Afghanistan's future. Consequently, concern grows in Pakistan about the prevailing danger as Pakistan shares a long border with Afghanistan. Moreover, the Afghan peace process remains in a state of deadlock with the significant surge in violence.

Meanwhile, the Taliban has increased attacks across the country despite international appeals to de-escalate violence. There are concerns that how far Afghan National

Security Forces (ANSF) will be able to sustain itself once international forces leave Afghanistan.

Immediate Impact on Pakistan:

Pakistan's stakes in Afghanistan are rising as U.S. and NATO troops prepare to leave. All-out war after the withdrawal could push more Afghan refugees across the border. This will further exacerbate the burden that Pakistan is already bearing due to the very large refugee presence in the country.

A civil war in Afghanistan could have a spill over effect on Pakistan and can strengthen militancy in the border areas including the erstwhile FATA region. There are reports of Tehreek-i-Taliban Pakistan (TTP) becoming stronger and attempt to cause terror on Pakistani soil. If the situation worsens after the withdrawal of US troops in Afghanistan, Pakistan may face a volatile situation that will have a direct impact on all aspects of life, including organisations operations and their assets security in bordering areas of Pakistan.

Covid-19 Outbreak and Impact on the MDs:

Situation of COVID-19 is comparatively stable compared to previous quarters. In context of Pakistan positivity ratio of COVID-19 was reduced to 3.27%. According to the NCOC data, so far, out of its population of 210 million, nearly 18.228 million people, including health professionals and people above 30 years old have been vaccinated. And almost 3.53 million people are fully vaccinated.

Since merged districts are remote, the recorded impact of health problems from the pandemic are not significant, however, the economic effect on these districts due to loss of jobs, economic slowdown, closure of businesses, loss of livelihood is impacting the area.

IV. Progress Achieved from April to June 2021:

Interventions under different outputs and their implementation mechanisms as per the grant agreement are given below in detail.

Output 1: Immediate Temporary Employment Opportunities for most Recent Returnees Created (completed)

The project has successfully achieved its target for this output. The project has rehabilitated 90 economic infrastructure schemes by employing 3,210 individuals in the rehabilitation work that has created 34,787 working days for them by directly benefiting the local economy. The table below shows the results of the schemes:

| Indicator | Target | District-wise Achievement (100% completed) | | | |
|-----------|--------|--|----|--------|-------|
| | | NW | SW | Khyber | Total |

| | | | | | |
|---|--------|-------|------|-------|--------|
| Number of Economic Infrastructure Schemes completed | 90 | 30 | 30 | 30 | 90 |
| Number of working days created through USG assistance | 30,000 | 11977 | 9397 | 13413 | 34,787 |
| Number of individuals engaged in short term assistance activities | 2,572 | 904 | 900 | 1406 | 3,210 |

Output 2: Business Opportunities for Upscaling Existing/ New Enterprises Created (completed)

Similarly, the project has achieved its target of Business Management Skills Training (BMST) and business (in-kind) grants for output 2. The project exceeded the target of BMST (4,350) by training 4,381 (1,734 women) beneficiaries and distributed business kits among 3,855 (1,542 women) beneficiaries of BMST. As part of the training process, post-grant-assistance/coaching was provided to 3,855 beneficiaries (1,542 women). The table below presents the results achieved:

| Table 2: Business opportunities for upscaling existing/ new enterprises created | | | | | | | | | | |
|---|------------|--|-----|-----|-----|--------|-----|-------|-------|-------|
| Indicator | LoP Target | District-wise Achievement (100% Completed) | | | | | | | | |
| | | NW | | SW | | Khyber | | Total | | |
| | | M | F | M | F | M | F | M | F | T |
| Number of individuals/MSMEs trained on business management skills | 4,350 | 869 | 578 | 898 | 586 | 880 | 570 | 2,647 | 1,734 | 4,381 |
| Number of micro, small, and medium enterprises, including farmers, receiving USG assistance | 3,855 | 771 | 514 | 771 | 514 | 771 | 514 | 2,313 | 1,542 | 3,855 |

Trade wise distribution of training and in-kind grants is provided below:

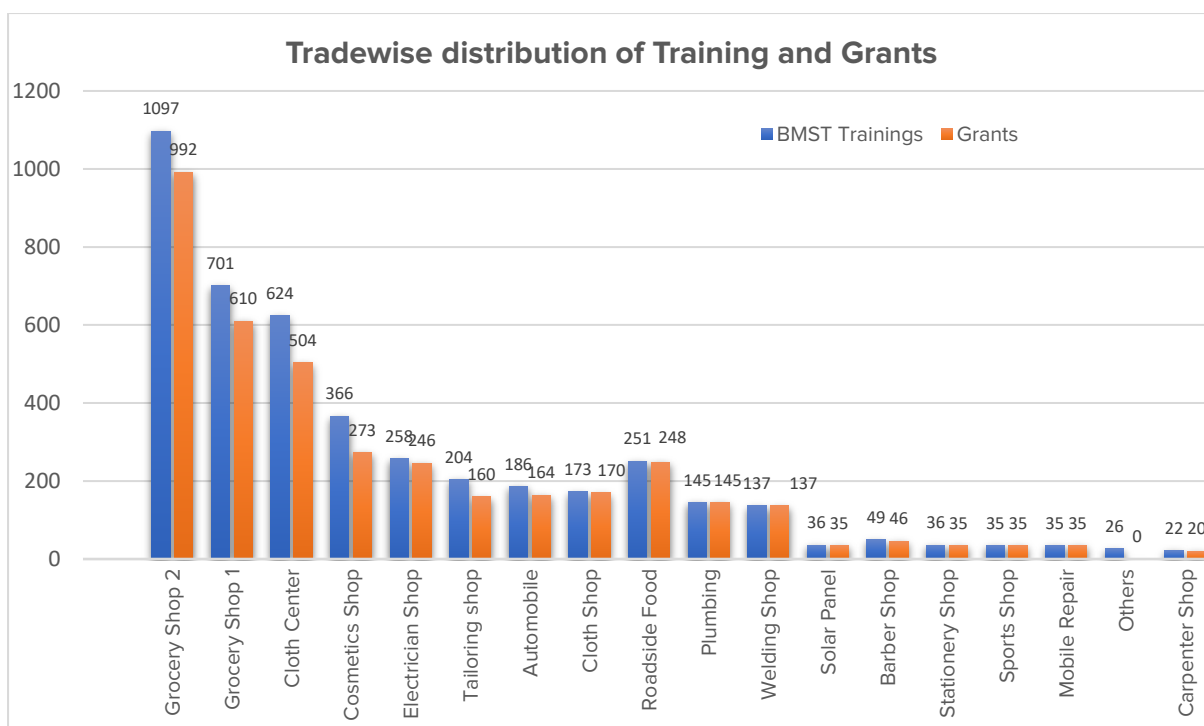


Chart 4: Trade wise distribution of Business Management Skills Training and Grants

Output 3: Innovative Enterprises from FATA Supported to Stay Operational after 6 months of Incubation (In Progress)

FERP has achieved the set targets for incubation training and grant assistance and has even increased support due to the high success rate and increased demand for innovative enterprises among the entrepreneurs of the MDs. The project completed the provision of incubation training to 901 (329 women) existing and aspiring entrepreneurs in the previous quarter. The focus of this quarter was to disburse grants to selected trainees, provide post grant coaching sessions to entrepreneurs needing assistance in keeping their newly established or scaled up businesses afloat and collect impact assessment data.

During this quarter, 84 incubation grants were distributed among 39 women and 45 men entrepreneurs from the MDs. The aim of providing grants to new and existing businesses is to lower the burden of financial risk associated with establishing new start-ups. The average grant size per entrepreneur is USD 1,500, depending on the business plan of the entrepreneur. To further ensure sustainability of new and scaled businesses, post grant coaching sessions were provided to 381 grantees (155 women 226 men). So far, 934 group and individual session have been provided to the entrepreneurs.

The following table presents progress achieved under output 3:

| Indicator | LoP Target | District-wise Achievement (Apr-Jun 2021) | | | | | | | | | Achieved until Jun 2021 |
|-----------|------------|--|---|----|---|--------|---|-------|---|---|-------------------------|
| | | NW | | SW | | Khyber | | Total | | | |
| | | M | F | M | F | M | F | M | F | T | |
| | | | | | | | | | | | |

| | | | | | | | | | | | |
|---|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|----------------|
| Number of entrepreneurs/MSMEs trained | 700 | - | - | - | - | - | - | - | - | - | 901 (329 w) |
| Number of entrepreneurs/MSMEs provided support through USG assistance | 350 | 19 | 14 | 12 | 25 | 14 | 0 | 45 | 39 | 84 | 490 (173 w) |
| Percentage of MSMEs operational after 6 months of the assistance ¹ | 50% | 75% | 86% | 21% | 91% | 22% | 48% | 39% | 75% | 53% | 53% |

UNDP conducted a follow-up exercise regarding the operation of the Micro Small and Medium Enterprises after 6 months of receiving incubation grants through the incubation partners. Out of the total 490 grantees, 212 (69 women) entrepreneurs of incubation grants including 45 from Khyber, 65 from North Waziristan, and 102 from South Waziristan were interviewed. Assessment findings, as represented in chart 4, indicated that:

- Out of 212 MSMEs, 90% (n: 191) are operational after six months of securing the assistance.
- 7% (n: 14) could not sustain their businesses. Two main reasons were COVID-19 pandemic; due to which MSMEs were not able to procure basic equipment or start their physical operations, and the volatile security situation in MDs, particularly for women, who received direct threats.
- 87% of interviewed entrepreneurs are satisfied with the quality of training and grants received.
- 67% of beneficiaries, who had no source of income before grant assistance, have now consistent, reliable, and sustainable income source and are now earning up to PKR 21,350 per month.
- 98% of beneficiaries reported an increase in income after the grant utilisation
- The average increase in the monthly income of the beneficiaries reported is 33%.
- 25% of women entrepreneurs reported an improved/enhanced economic stability.
- 21% of women who did not have any source of income before incubation grant are now earning and supporting their families.

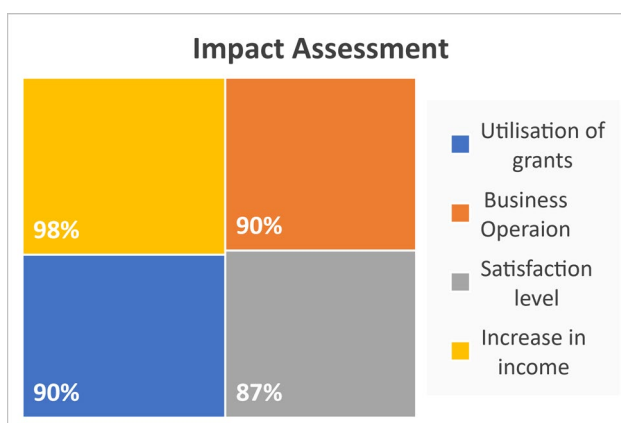


Chart 5: Impact assessment by IPs regarding operation of businesses after 6 months of securing support

¹ a) Though the project is supporting MSMEs through output 2 and output 3, however the progress in the given table is related to output 3 only.

b) Since it is an outcome level indicator, therefore, instead of quarter-bound progress, cumulative progress is presented in the table.

c) formula: %age = MSMEs in district operational after six months / Total MSMEs supported in district until end of reporting quarter x 100



Tabasum, a qualified beautician residing from SW, opened her Beauty Parlor

Tahira is supporting skilled women of NW in organizing exhibitions & selling their products

Shabana from SW is providing Pico services and cost-effective unstitched clothes

Output 4: Existing and New Entrepreneurs Have Increased Access to Micro-Finance (in progress)

The project has completed its target of disbursing loans to 2,509 beneficiaries (141 women) in Khyber district via two branches of UNDP partner Akhuwat Islamic Microfinance Institution (AIM). However, the progress is slightly behind the target due to difficulties in the identification of qualified microfinance providers willing to expand their services to North Waziristan and South Waziristan districts.

The following table presents the progress achieved:

| Table 4: Existing and new entrepreneurs have increased access to microfinance | | | | | | | | | | |
|--|------------|---|---|----|---|--------|-----|-------|-----|------|
| Indicator | LoP Target | District-wise Achievement (50% completed) | | | | | | | | |
| | | NW | | SW | | Khyber | | Total | | |
| | | M | F | M | F | M | F | M | F | T |
| Number of MSMEs who received loan from microfinance institutions, as a result of USG assistance (MSF-1.3.1c) | 5,000 | - | - | - | - | 2368 | 141 | 2368 | 141 | 2509 |
| Number of MFI staff trained to better facilitate the borrowers | 45 | - | - | - | - | 12 | - | 12 | - | 12 |
| Outreach sessions | 76 | - | - | - | - | 4 | 2 | 4 | 2 | 6 |

UNDP continued to pursue possible options for the engagement of microfinance providers in North Waziristan and South Waziristan districts. However, so far, we have not been able to identify partners that are keen to engage. With the project extension, we will develop a plan to further pursue opportunities for microfinance or other priority area and discuss those with USAID.

Output 5: Market-based Employment Opportunities Provided for Youth through Skills Training (completed)

The project has achieved its target by completing the provision of skills development training and tool kits distribution. The project has trained 2,356 (801 women) beneficiaries and disbursed start-up tool kits among 1,820 (801 women) successful graduates. Following the completion of training, 602 (212 women) post-training mentoring sessions were provided to 2,602 (1,068 women) trainees to further support them in their businesses and enable them to overcome the challenges they are facing in employing their learned skills. Moreover, 1522 youth have employed their skills and the start-up toolkits to create earning opportunities for themselves.

The project has formed 30 business associations constituted from the market committees formed under output 1. These business associations have been trained in advanced management skills and create linkages with large business concerns out of the districts to enhance the scope of business activities and to ensure economic development in the local markets.

The following table presents the results achieved:

| Indicator | LoP Target | District-wise Achievement (100% Completed) | | | | | | | | |
|--|------------|--|-----|-----|-----|--------|-----|-------|-----|-------|
| | | NW | | SW | | Khyber | | Total | | |
| | | M | F | M | F | M | F | M | F | T |
| No. of people receiving skills training and livelihood support based on analysis of market needs | 2,494 | 492 | 267 | 517 | 267 | 546 | 267 | 1,555 | 801 | 2,356 |
| Number of business associations formed | 30 | 10 | - | 10 | - | 10 | - | 30 | - | 30 |
| Number of tool kits/equipment provided | 1,750 | 338 | 267 | 303 | 267 | 378 | 267 | 1,019 | 801 | 1,820 |

138 youth dropped out of training for pursuing further education or started employment in security agencies (army or navy).*

Trade wise distribution of training and tool kits distributed is provided below:

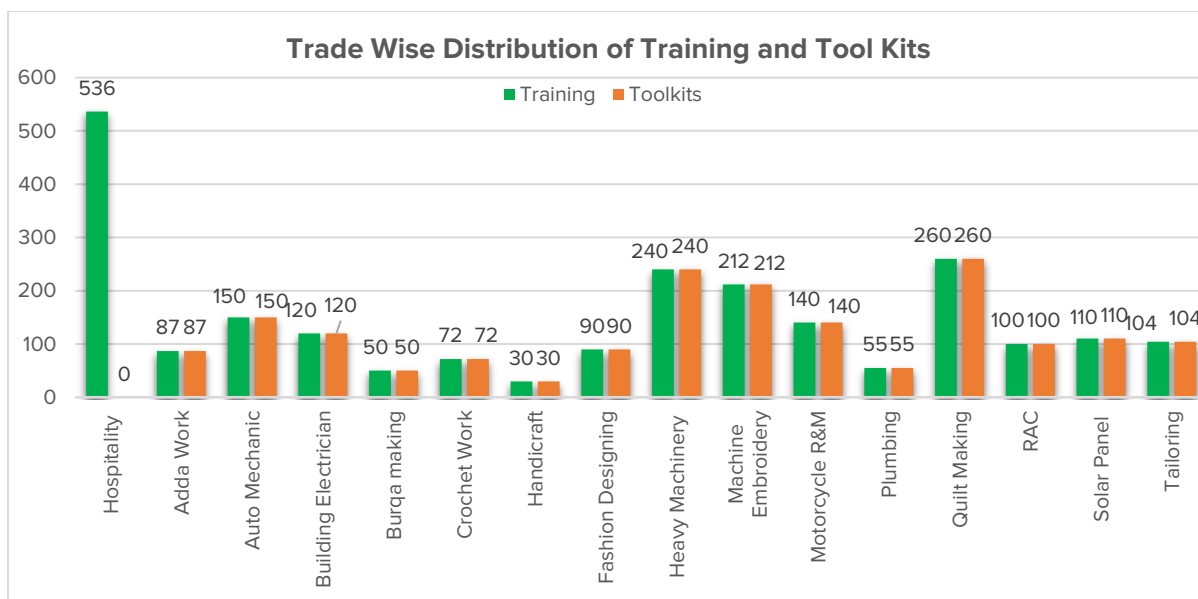


Chart 6: Trade wise distribution of skills development training and tool kits

Output 6: Increased Capacity of the Government to Monitor Economic Development in FATA and Undertake Market Assessments (in progress)

Activity 6.1: Market assessments Studies Conducted

UNDP has conducted three assessment studies. These studies serve as a guiding document for designing area-specific and sustainable, livelihoods, economic growth, and business development interventions not only for FERP but also for other projects to be designed in the future. The reports have already been shared with provincial and district governments, industries department, private sector, and UNDP partners.

Activity 6.2: Setting up Public-Private Partnerships (PPPs) and Private-Private Partnerships as a result of program assistance

UNDP is partnering with Alpha Pipes and Frontier Foundry Pvt. Ltd (FF Steels) for provision of employment opportunities for up to 30 youth trained by the project. 20 candidates (10 by each company) were invited for interviews during the reporting period. Five candidates were interviewed by FF Steels, the other candidates did not respond to the interview invitation. The selection panel will consider the final candidates for selection for an internship or potential job opportunities. Furthermore, a meeting was held with another potential partner i.e., Zakori Group. During the reporting quarter, a data base of prominent businesspersons from Peshawar and nearby areas was developed in consultation with Sarhad Chamber of Commerce and Industry (SCCI) and these businesses will be contacted for developing partnerships for providing recruitment opportunities to youth and philanthropic interventions.

UNDP's partner, International Consulting Associates to "Develop value chain strategies and execute an implementation plan for the development of value chains in the NMDs" developed value chain reports on: (i) Apple value chain for South Waziristan, (ii) Windows and doors value chain for North and South Waziristan (iii) Apricot value chain for North Waziristan (iv) Marble value chain for Khyber (v) Silk value chain for Khyber.

The reports were drafted based on the secondary data. I-Consult conducted field visits to the enterprises in the selected value chain for the collection of the primary data. The information incorporated in the reports was validated and final report was drafted and finalized.

I-Consult and UNDP developed the Enterprise Selection process flow along with the enterprise scoring criteria. The enterprise selection process is presented in the diagram below:

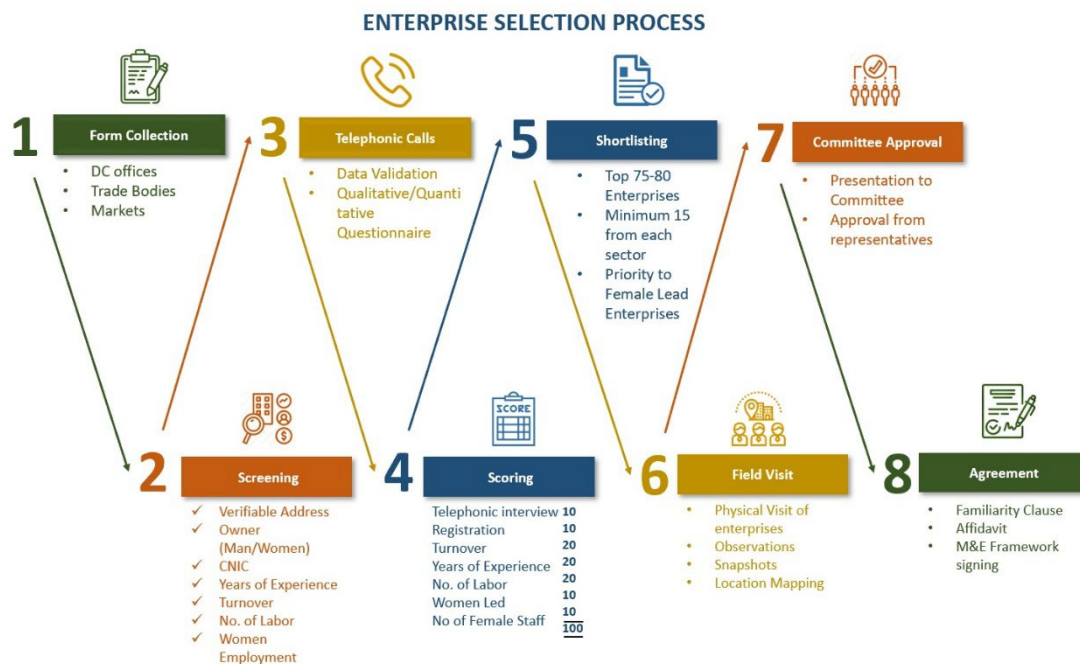


Chart 7: Enterprise Selection Process

To provide targeted assistance to SMEs, District Administration provided support for mobilisation of beneficiaries. Field visits were conducted within the districts to identify and select the SMEs for the implementation of different activities under value chains, including systems improvement, market linkage, quality certification and study tours.

The information received from prospective beneficiary enterprises was analysed. It was found that certain interventions are in high demand. Consequently, the shortlisted enterprises were approached to inquire about their second and third priority through telephonic communication.

A database was developed showing information of the all the enterprises whose forms were received. A scoring criterion was formulated, and the enterprises were scored on basis of different components of the business. Only 30 men owned enterprises could be provided the business support against 120 applications received. The enterprises were ranked based on their score.

An independent and inclusive enterprise selection committee was formed with representation from District Administration, SMEDA, private sector and others. Women representation in the committee was ensured. Enterprise selection committee meeting was arranged for Khyber, North Waziristan and South Waziristan. Due to COVID-19 restrictions, the meeting attendance was a combination of Zoom and in person.

The district Khyber enterprise selection committee members approved the selection of 8 enterprises from Mines and Mineral sectors and 3 enterprises from the Silk sector. However, 6 enterprises from Apple and 4 enterprises in Agribusiness sector and Light Engineering sector were selected from District South Waziristan respectively whereas 7 enterprises from Windows and Doors and 2 enterprises from the Agribusiness sector were selected from District North Waziristan.

Value Chain Activities Implementation Progress

Initiation of the Quality Certification: A team of consultants have completed their initial assessment visit to the individual enterprises in Khyber to gain better understanding of the process. Seven enterprises in Khyber are being provided certifications on ISO 9000 and ISO 45000 and implementation has already started. Similarly, four enterprises are finalized in North Waziristan and four in South Waziristan for the implementation of quality certification. The implementation with these eight enterprises will start in the next quarter.

System Improvements: An assessment was performed about the skillset of the human resource employee with the organization and their ability to use software. Based on the assessment various software were assessed for development of the systems and website of enterprises. The implementation of HR, Payroll systems and website development will take place in the next quarter.

Interprovincial Tours: Identification and initial discussion with the relevant enterprises in Sindh and Punjab have been initiated and SMEs from North Waziristan, South Waziristan and Khyber districts have been finalized. The actual tours to the provinces will take place in the next quarter.

Market Linkages: The major suppliers and buyers in the main cities and those near our target districts have been identified and initial discussion with these buyers has started.

Moreover, UNDP conducted a comprehensive exercise to identify women led businesses through online research, meeting with SMEDA, Chambers, trade bodies and other business communities. The selection criteria for women had to be revised according to the ground realities for the selection of women owned enterprises.

Meetings were conducted with the Women Chamber of Peshawar, SMEDA, prominent businesspersons and community organisations. Social media was also actively used for the mobilisation of women owned businesses. After the revision of selection criteria, there has been considerable interest in the interventions and several forms have been received from women owned enterprises. The meeting of enterprise selection committee for finalising 10 women led SMEs and interventions will be carried out in the next quarter.

Activity 6.3: Institutional capacity building of the government to better measure economic indicators in the merged districts.

UNDP in partnership with SMEDA is working on three broad areas, which are as follows:

1. Investment Facilitation Portal

UNDP in partnership with SMEDA is developing a KP Investment Facilitation Portal (KP-IFP) to be hosted at Sarhad Chamber of Commerce and Industry (SCCI) office. During the reporting period, SMEDA team maintained regular contact with Sarhad Chamber of Commerce and Industry, Peshawar and close liaison was maintained with the IT consulting firm regarding the development of the IFC Web Portal. In this regard two progress review meetings were held to review the IFC web portal development which was attended by President (SCCI), Vice president (SCCI), SMEDA officials, UNDP officials and IT consultant.

The web portal will serve as catalyst and will contribute to ease of doing business in Khyber Pakhtunkhwa. It will facilitate local and international investors in providing quick and timely facilitation and support in their queries related to investment in Khyber Pakhtunkhwa. The salient features of the web portal were discussed in detail during the first meeting.

During the second meeting, the team lead for the Investment Facilitation Center (IFC) web portal on behalf of the consultant firm, demonstrated the changes incorporated in the web portal, technical parameters, and features of the web portal. The private sector technical experts on behalf of Sarhad Chamber of Commerce and Industry and the president Sarhad Chamber of Commerce and Industry recommended a few improvements and changes in the web portal.

The IFC web portal has been completed in terms of layout, designing and technical parameters. The web portal has been improved considering recommendations from Sarhad Chamber of Commerce and Industry (SCCI), private sector experts of SCCI and SMEDA team. The web portal will be finalised once contents from relevant public sector departments are received and consultations with said departments are completed. In this regard SMEDA has planned a meeting with relevant departments in the mid of July 2021.

2. Webinars

Two webinars were held during the reporting period, as detailed below:

i) Webinar on Digital Marketing Tools for SMEs

Small and Medium Enterprises Development Authority (SMEDA) in collaboration with UNDP arranged a webinar on the facilitation of “Digital Marketing Tools for SMEs” on April 13, 2021.

The webinar was held to acquaint SMEs and strengthen their knowledge in digital marketing with a focus on e-commerce, online marketing, social media networks, Google Analytics, and other market research tools. The webinar also focused to help SMEs in leveraging available marketing tools and crafting an effective online marketing strategy and/or plan for their business/products.



Webinar in progress on Digital Marketing Tools for SMEs

A total of 56 participants including key government officials, donors, officials of commercial banks, and representatives from chambers of commerce, academia, trade associations, and SMEs from different sectors attended the webinar. Key panellists and subject matter specialists elaborated the major digital marketing tools that can be used by SMEs from merged areas, private sector representatives pinpointed the key challenges faced by SMEs and recommended doable initiatives for facilitating SMEs of merged areas in the digital era.

ii) Webinar on Regulatory Regime for SMEs

Small and Medium Enterprises Development Authority (SMEDA) in collaboration with UNDP arranged a webinar on “Regulatory Regime for SMEs (The Case of Merged Areas)” on June 30, 2021. The webinar was attended by over 50 participants from different relevant public sector departments, donors, commercial banks, academia, chambers, and associations attended the webinar.

This webinar was aimed to stock-take major laws extended into merged areas post-merger, understand challenges faced by SMEs in regulatory compliances, orient SMEs in compliance to the prevailing laws and recommend possible ways to the government of Khyber Pakhtunkhwa for ensuring an effective regulatory regime for economic growth in the merged areas.



Webinar in progress on Regulatory Regime for SMEs

The representatives from public sector departments highlighted the key regulations extended into merged areas after merger, benefits of these regulations to SMES and constraints faced by these departments regarding SMEs compliances. The private sector representatives shared their experiences regarding regulatory compliances, key challenges faced by SMEs and recommended doable initiatives for enhancing the ease of doing business and formulating SMEs friendly regulatory framework for merged areas.

As a way forward, SMEDA will compile the challenges and key recommendations and share them with all concerned departments. In addition, SMEDA will provide due support to these departments for effective and quick implementation of the proposed recommendations.

3. Development of Project Proposals under ECDF

UNDP hired the services of an individual consultant to develop actionable plans, strategies, proposals and PC1s for the government of KP from the recommendations of Economic Cooperation and Development Forum (ECDF) by working closely with the KP Planning and Development and other relevant KP Government departments, and with SMEDA. However, the consultant contracted COVID-19, and due to the severity of the illness, sadly passed away at the end of April 2021. UNDP hired another consultant in June 2021, to work closely with P&DD and SMEDA and complete the tasks under ECDF.

Regarding ECDF follow-up, the SMEDA KP team attended a meeting at Planning and Development Department during the reporting quarter and were informed that the Government of Khyber Pakhtunkhwa has started working on the preparation of District Economic Development Plans for each district. These plans will be prepared under the umbrella of the Economic Development Plan earlier developed and approved by the Government of KP with total cost of PKR 68.16 billion for NMDs and erstwhile FATA, prepared with cooperation of SMEDA and UNDP.

The Planning and Development department will conduct consultative sessions of all stakeholders including SMEDA to prepare these district economic development plans. For this purpose, the first meeting was held in June, that was attended by representatives of all major Government departments. In line with the umbrella plan, these district plans will cover seven major economic sectors and sub-sectors with identification of interventions divided into short to medium and medium to long term. UNDP will consult P&DD and provide support considering ECDF recommendations during the next quarter.

The following table presents the progress achieved under output 6:

| Table 6: Increased capacity of the government to monitor economic development and undertake market assessments | | | |
|---|-------------------|--------------------------|--------------------------------|
| Indicator | LoP Target | April – June 2021 | Achieved until Dec 2020 |
| No. of assessments/ studies conducted. | 3 | - | 3 |
| Number of public-private/private-private partnerships formed because of program assistance | 5 | - | 2 |
| No. of workshops held under the Economic Cooperation and Development Forum | 4 | - | 4 |

V. Monitoring and Evaluation

With the successful delivery of most of the project initiatives and completion of different activities-related processes, the M&E unit is focusing more on results monitoring and knowledge management rather than focusing on the processes monitoring. As mentioned in the previous quarter report, SDP has engaged the University of Peshawar / the Institute of Management Studies (IM Studies) as third party for monitoring. Under task order 1, the IM Studies initiated validation of different critical information and results shared by the business incubation training partners. The validation exercise started in February 2021 and continued until April 2021.

A. Monitoring

- **Performance Monitoring:**

The M&E unit continued to provide support to ensure that the programme team is well ahead of the information curve regarding the project results. During the reporting quarter, under output 3, incubation training and support initiative, grant processing mechanism was made robust so that the waiting period for releasing the grant tranches could be reduced and beneficiaries could be provided assistance with minimal time delays. IPs were regularly intimated to submit grant release documents in time. Grant processing procedures at UNDP's end were also expediated to further smooth the process. Under the value chain establishment initiative, M&E unit assisted the programme team in developing enterprises selection criteria. After initial landscaping it was found that a separate enterprises selection criterion would be required to ensure women participation in the activity. Hence, a separate criterion was developed for the inclusion of women-led firms.

As mentioned above, the Institute of Management Studies (IM-Studies) completed validation of the critical information and results shared by the implementing partners of business incubation partners. During the exercise, the IM Studies interviewed around 231 project beneficiaries and the focal persons of the implementing partners. The IM Studies also reviewed the personal files of the project beneficiaries as part of the Data Quality Assurance approach. Following are the findings of the IM Studies.

1. There is consistency in the information present in the personal files of the beneficiaries and the information shared with the UNDP through databases.
2. In few cases, incomplete documentation was found in beneficiaries' files. Missing documents included police clearance certificates, hard copies of beneficiaries' business plans, and proof of education. All these missing documents have now been completed.
3. Trends for utilization of business incubation grants drawn by the implementing partners and the IM Studies followed the same pattern.
4. Following the IM Studies report, SDP M&E team developed action plans and requested the respective implementing partners to address the issues identified in the reports. Once SDP received response from the IPs, the SDP M&E team conducted a monitoring mission to ensure compliance by the IPs.

- **Context Monitoring**

At the start of this quarter third COVID-19 wave was at its peak in Pakistan. With the positivity rate jumping to two digits in all the metropolitan centres of the country many of the project staff of our IPs were infected. Minor delays were experienced in submission of grant processing documents, beneficiary, and impact assessment data. However, this delay did not slow down the project activities.

- **Beneficiary Feedback**

UNDP received two complaints from two graduated incubation trainees via email. The aggrieved complained about not being selected for receiving financial assistance despite giving complete presentations. The project team contacted the relevant IP and investigated the claims. It was found that all the steps of the selection process were rigorously followed.

The SDP team conducted dedicated meetings with these beneficiaries and explained the reasons why they were not selected for the grant support. These beneficiaries were appraised about the extensive layers established to ensure a transparent and unbiased selection of the beneficiaries for the grant support.

VI. Communication

During the reporting period, UNDP carried out various outreach and communications activities to ensure project visibility and to highlight the generous support of the American people through USAID.

The UNDP's implementing partners and counterparts consistently referred to USAID in their official and public meetings, events and during the project activities, so that the stakeholders, communities, Government authorities, and beneficiaries are aware and acknowledge the support provided by the USAID. During the reporting period, major activities under the communication section included:



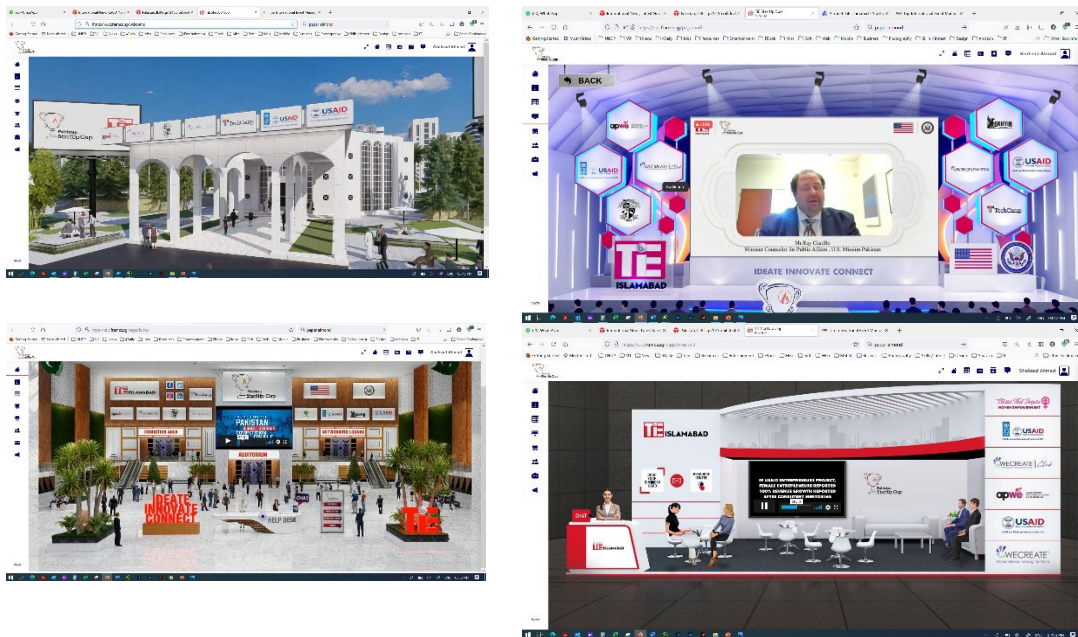
USAID branding and marking:

To raise awareness about the project, the team developed and distributed a project brief, which provided a snapshot of the project structure, duration, key objectives, and targets. It was shared with partners and other relevant stakeholders at various forums and events.

Implementing partners ensured USAID branding on all IEC material including training manuals, forms, banners, flyers, backdrops etc.

Events:

UNDP's implementing partners organized a virtual event where the generous contribution of USAID was highlighted. UNDP ensured that USAID, KP Government and partners logos were present.



VII. Major Challenges

The project faced the following challenges to date:

1. Pakistan was struggling to contain a third wave of coronavirus infections during the reporting quarter. The positivity rate declined towards the end of the quarter. However, minor delays were faced in submission of grant processing documents, beneficiary, and impact assessment data.
2. Limited private sector presence in the region is another challenge. To overcome this challenge, UNDP is establishing strategic partnerships with key Government and private partners. UNDP is designing an investment facilitation portal for facilitating private sector investment in KP which will directly contribute towards ease of doing business.
3. The absence of microfinance service providers in North Waziristan and South Waziristan remained a challenge due to which the overall target could not be achieved. UNDP is still negotiating with potential micro finance institutions, as well as looking at alternate options.
4. Currently, the banking services are limited in certain areas of the MDs, North Waziristan, and South Waziristan in particular. For inclusive economic growth, a viable banking network must be operational in the region. Islamic banking products,

branchless banking/kiosk and mobile banking should also be introduced in parallel to the regular bank system.

IX. Indicator Tracking Sheet

| Indicator | LoP Target | FY 20-21 Target | FY 20-21 Actual | Q1 (Oct-Dec 20) Target | Q1 Achieved | Q2 (Jan-Mar 21) Target | Q2 Achieved | Q3 (Apr-Jun 21) Target | Q3 Achieved | Q4 (Jul-Sep 21) Target | Q4 Achieved |
|---|------------------|-----------------|-----------------|------------------------|-------------|------------------------|-------------|------------------------|-------------|------------------------|-------------|
| Outcome 1.1: Percent of individuals with new employment following participation in USG-assisted workforce development programs (MSF: PPR EG.6-12) | 40% | - | - | - | - | - | - | - | - | - | - |
| Outcome 1.2: Percentage of female participants in USG-assisted programs designed to increase access to productive economic resources (assets, credit, income, or employment) (MSF: PPR GNDR-2) | 30% | 12% | 30% | 12% | 30% | 12% | 69% | - | - | - | - |
| Intermediate Outcome 1.1: Percentage of beneficiaries satisfied with the provision of short-term assistance | 70% | - | - | - | - | - | - | - | - | - | - |
| Intermediate Outcome 1.2: Number of individuals with improved skills upon completion of USG-assisted workforce development programs (MSF: 1.3.1b) | 2,494 | - | - | - | - | - | - | - | - | - | - |
| Intermediate Outcome 2.1: Number of households/families benefiting directly from USG assistance | 15,116 | 2,155 | 313 | 540 | 217 | 540 | 96 | 540 | - | 535 | - |
| Intermediate Outcome 2.2: Number of individuals with new employment following completion of USG-assisted workforce development programs (MSF: 1.3b) | 990 ² | - | - | - | - | - | - | - | - | - | - |
| Intermediate Outcome 2.3: Number of full-time equivalent jobs created because of USG assistance (MSF: 1.3c) | 115 | - | - | - | - | - | - | - | - | - | - |
| Intermediate Outcome 3.1: Number of Institutions assisted to form joint collaborations for economic growth | 4 | - | - | - | - | - | - | - | - | - | - |
| Output 1.1: Number of working days created through USG assistance | 30,000 | - | - | - | - | - | - | - | - | - | - |

² During DQA mission (dated 4th Nov. 2020), it was agreed between the USAID and the UNDP that IO 2.2 target to be reduced from 3,000 to 990 individuals. This decision is taken after developing common understanding regarding “workforce development programme”.

| Indicator | LoP Target | FY 20-21 Target | FY 20-21 Actual | Q1 (Oct-Dec 20) Target | Q1 Achieved | Q2 (Jan-Mar 21) Target | Q2 Achieved | Q3 (Apr-Jun 21) Target | Q3 Achieved | Q4 (Jul-Sep 21) Target | Q4 Achieved |
|--|------------|-----------------|-----------------|------------------------|------------------|------------------------|-------------|------------------------|------------------|------------------------|-------------|
| Output 1.2: Number of individuals engaged in short term assistance activities | 2,572 | - | - | - | - | - | - | - | - | | |
| Output 2.1: Number of individuals/MSMEs trained on business management skills | 4,350 | - | - | - | - | - | - | - | - | | |
| Output 2.2: Number of micro, small, and medium enterprises (MSMEs), including farmers, receiving USG assistance | 3,855 | - | - | - | - | - | - | - | - | - | |
| Output 3.1: Number of entrepreneurs / MSMEs trained | 700 | - | 397 | - | 217 | - | 180 | - | - | - | |
| Output 3.2: Number of entrepreneurs / MSMEs provided support through USG assistance | 350 | - | 229 | - | 163 | - | 66 | - | 84 | - | |
| Output 3.3: Percentage of MSM enterprises operational | 50% | - | 52% | - | 52% ³ | - | - | - | 53% ² | | |
| Output 4.1: Number of MSMEs who received loan from microfinance institutions, as a result of USG assistance | 5,000 | 2,491 | - | 623 | - | 623 | - | 623 | - | 622 | |
| Output 4.2: Number of MFI staff trained to better facilitate the borrowers | 45 | 33 | | 9 | - | 8 | - | 8 | - | 8 | |
| Output 5.1: Number of people receiving skills training and livelihood support based on analysis of market needs | 2,494 | - | | - | - | - | - | - | - | - | |
| Output 5.2: Number of business associations formed | 30 | - | | - | - | - | - | - | - | - | |
| Output 5.3: Number of toolkits/equipment provided | 1,750 | - | | - | - | - | - | - | - | - | |
| Output 6.1: No. of assessments/ studies conducted | 3 | - | | - | - | - | - | - | - | - | |
| Output 6.2: Number of private-private partnerships formed as a result of program assistance | 5 | 5 | 2 | 2 | 2 | 2 | - | 1 | - | - | |
| Output 6.3: No. of workshops held under the Economic Cooperation and Development Forum | 5 | 1 | 1 | - | - | - | - | - | - | - | |

³ This percentage is based on the analysis of two FERP indicators (2.2 and 3.2). Both of these indicators speak about provision of USG assistance for SMEs establishment.

