



## Project Implementation Report

(1 July 2021 – 30 June 2022)

<b>Project Title:</b>	Mainstreaming Climate Change Adaptation through Water Resource Management on Leather Industrial Zone Development the title of the project
<b>GEF ID:</b>	5666
<b>UNIDO ID:</b>	150052
<b>GEF Replenishment Cycle:</b>	GEF-5
<b>Country(ies):</b>	Pakistan
<b>Region:</b>	EAP - East Asia and Pacific
<b>GEF Focal Area:</b>	Climate Change Adaptation (CCA)
<b>Integrated Approach Pilot (IAP) Programs<sup>1</sup>:</b>	N/A
<b>Stand-alone / Child Project:</b>	Stand-alone
<b>Implementing Department/Division:</b>	AGR / RJH
<b>Co-Implementing Agency:</b>	N/A
<b>Executing Agency(ies):</b>	UNIDO
<b>Project Type:</b>	Full-Sized Project (FSP)
<b>Project Duration:</b>	48 months + 36 months
<b>Extension(s):</b>	Two (02)
<b>GEF Project Financing:</b>	USD: 3,310,000
<b>Agency Fee:</b>	USD: 314,45
<b>Co-financing Amount:</b>	USD: 14,700,000
<b>Date of CEO Endorsement/Approval:</b>	12/10/2015
<b>UNIDO Approval Date:</b>	10/1/2015
<b>Actual Implementation Start:</b>	3/4/2016
<b>Cumulative disbursement as of 30 June 2022:</b>	3,070,021
<b>Mid-term Review (MTR) Date:</b>	12/31/2020
<b>Original Project Completion Date:</b>	3/4/2020
<b>Project Completion Date as reported in FY21:</b>	3/4/2023
<b>Current SAP Completion Date:</b>	3/4/2023

<sup>1</sup> Only for GEF-6 projects, if applicable

<b>Expected Project Completion Date:</b>	3/4/2024
<b>Expected Terminal Evaluation (TE) Date:</b>	1/31/2024
<b>Expected Financial Closure Date:</b>	6/30/2024
<b>UNIDO Project Manager<sup>2</sup>:</b>	Mr. Ivan Kral

## I. Brief description of project and status overview

<b>Project Objective</b>		
<p>The main objective is to reduce vulnerability and building resilience through integration of Climate Change Adaptation into Urban Development and to establish dedicated Tannery Zone away from the main city for shifting the existing tanneries and their associated businesses currently scattered in urban areas of Sialkot. This project will focus on following points,</p>		
<ul style="list-style-type: none"> <li>i. Mainstreaming CCA and Gender Equality for Adaptation into Urban and Rural Development Planning.</li> <li>ii. Climate Change Resilience Building of Vulnerable Communities and Leather Business Owners.</li> <li>iii. Sialkot District and Sialkot urban plan implementation, dissemination of information, demonstration of safe, affordable and advance technology for wastewater treatment and water conservation in the pilot Sialkot Tannery Zone (STZ).</li> </ul>		
<b>Intervention Logic</b>	<b>Core Indicators</b>	<b>Expected Targets</b>
<b>Impact</b>		
Increased resilience to CC in the leather sector and urban development planning	Tons of COD, BOD and TSS <sup>3</sup> removed from waste water by 2026	<ul style="list-style-type: none"> <li>• COD ≥ 18,000</li> <li>• BOD ≥ 6,000</li> <li>• TSS ≥ 10,000</li> </ul>

<b>Baseline</b>
<p>Traditionally, Sialkot District is an industrial centre and produces sport equipment, surgical instruments, tanning, leather goods/garments and cutlery among them leather goods &amp; tanning industry is notable. The city is situated along the Indus basin and depends on the water resources coming from this river. This places Sialkot among the most vulnerable cities in Pakistan.</p> <p>Almost every year Sialkot faces floods, causing devastation and disruptions in daily life. Floods negatively affect the wellbeing of the population, the economic growth, and the social urgency for alleviating poverty prevailing in those affected areas. Furthermore, farm lands get contaminated by chemicals, untreated waste water and runoff from urban areas. Both, national and regional concerns must be taken into consideration and based on this, adequate solutions must be developed. Flood risk needs to be taken into consideration during design of the CETP, tanneries and especially for chemical storage in order to avoid possible contamination of agricultural land and also unnecessary damages to buildings and equipment.</p> <p>Presently, the government is ill prepared to handle the situation and the lack of urban planning combined with the rapid industrialization and urbanization of Sialkot, has caused a major threat to its environment. Toxic industrial and non-industrial waste poses a real threat to resources (e.g. soil, groundwater, etc.), as does the lack of effluent treatment facilities.</p> <p>The main barriers faced by the Sialkot leather processing industry, which currently located in 10 different clusters, scattered all around Sialkot and its suburbs concern:</p> <ul style="list-style-type: none"> <li>i. The technology for leather processing is obsolete and consumes more energy, raw material and time, but produces less profit. The technology in place also requires more maintenance, creates environmental hazards like noise, health and safety, etc. Additionally, the finished products do not fully comply with international quality standards.</li> </ul>

<sup>2</sup> Person responsible for report content

<sup>3</sup> Chemical Oxygen Demand (COD), Biological Oxygen Demand (BOD), Total Suspended Solids (TSS)

- ii. Individual tanneries are incapable to set up an appropriate Effluent Treatment Plant and develop the necessary infrastructure especially related to pollution control. A CETP for the planned tannery zone will reduce investment and operational costs for each tannery and will reduce the pollution load in discharged effluents in some parameters between 60-99%.
- iii. No treatment facilities for the discharged/disposed solid or liquid waste generated by tanneries, creating a very unhygienic and potentially toxic atmosphere in the entire area.
- iv. Due to limitations of space, even tanneries wanting to modernize and become more efficient in terms of production and environmental management, are unable to implement the necessary measures.
- v. Downstream industries of the leather industrial sector such as footwear, garment and leather goods depend on the tanning industry for supply of quality leather. The existing problems in Sialkot have put a limit to the growth of downstream industries, thereby depriving the country of the high potential for export earnings and employment.

One major step in addressing the problem of 250 (scattered) tanneries that do not have appropriate environmental facilities in place, is the construction of a concentrated tannery zone, i.e. the Sialkot Tannery Zone (STZ) in Sialkot and with it, the establishment of a CETP and common waste management system. This intervention is intended to contribute towards the greening of the leather production system in Pakistan to ultimately satisfy the prerequisites for the survival and growth of this export-oriented sector, which is vital for Pakistan's economy and for conserving the region's agricultural land.

The main purpose of this project is to move 250 (scattered) scattered tannery industry from the heart of the city to a single cluster (zone) with improved industrial and business facilities and further, to make Sialkot city clean and unpolluted from harmful chemicals and waste that are used in the tannery industry. The STZ establishment is a mega development project executed as a Public Private Partnership (PPP) and amounting to around 47 Million USD (costs are comprised of land, building of infrastructure, utilities, treatment facilities, and relocation of tanneries). The financing of the conveyance system, STZ infrastructure, civil works on the CETP and fees of various experts, etc. have been considered as co-financing for this project.

Overall Ratings <sup>4</sup>	FY22	FY21
Global Environmental Objectives (GEOs) / Development Objectives (DOs) Rating	<i>Satisfactory (S)</i>	<i>Satisfactory (S)</i>
<p>The project progress towards GEOs / development objectives are satisfactory, the overall goal of project is to introduce well established and affordable wastewater treatment technology. FY22 was very important for the project as it has achieved key milestones and also entered in completion phase. The marked achievements of the reporting year includes award of contract of CETP electromechanical works for USD: 2.88 million, completion of tendering process of chrome recovery plant, completion of green tannery designs and the most important is the start of shifting process of tanneries at STZ. The project authorities are confident to deliver the project within stipulated period of time i.e December 2023.</p>		
Implementation Progress (IP) Rating	<i>Moderately Satisfactory (MS)</i>	<i>Satisfactory (S)</i>
<p>The implementation progress is moderately satisfactory as some of the major goals / targets have been achieved while some are in progress. During the reporting period the shifting process of tanneries has started, which is a major achievement. However, due to delays explained elsewhere in the report, which are primarily related to COVID19 pandemic, the lengthy bidding process and global supply chain shocks, the construction and trial run phase of the CETP – the main activity of the project – will <u>not</u> be completed on time. To ensure this is completed in a manner that enhances sustainability, the project</p>		

<sup>4</sup> Please refer to the explanatory note at the end of the document and assure that the indicated ratings correspond to the narrative of the report

is expecting to request an extension beyond the current timeline. Please refer to section III.4 for further details.		
Overall Risk Rating	Moderate Risk (M)	Moderate Risk (M)
The status of overall risk rating is remained same comparing to FY21. During the reporting period the project authorities have taken several steps to overcome the identified risks which are illustrated in section III of this report, but still due to present socioeconomic conditions at both levels, globally & nationally, still the overall rating is moderate.		

## II. Targeted results and progress to-date

Please describe the progress made in achieving the outputs against key performance indicator's targets in the project's **M&E Plan/Log-Frame at the time of CEO Endorsement/Approval**. Please expand the table as needed.

Project Strategy	KPIs/Indicators	Baseline	Target level	Progress FY22
<b>Component 1: CCA and Gender Equality for Adaptation Mainstreamed into Urban and Rural Development Planning</b>				
Output 1.1.1: Support to mainstream CCA and gender equality into Punjab and Sialkot district urban development plan is provided	# of workshops <sup>5</sup> on CCA and gender equality delivered	0	3	Reporting Period: 01 Workshop was held on "Re-location & Construction of Green Tanneries at Sialkot Tannery Zone" which was attended by 60 participants from leather community of Sialkot. <i>(reference: Annex-I, workshop report)</i>  Total: 04 CSA Workshop, Flood Management Workshop, Climate Change Workshop and Green Tannery Designs Workshop. Total attendance: 290 (31 females) from tanneries, Environment Department, NGOs, District Government Academia, press media, NDMA & DDMA.
	# of reports with recommendations for improved urban development planning and CC provided to district authorities	0	1	Reporting Period: 01 The report titled "Green Tannery Designs" was disseminated to district authorities. The prime focus of this report is on practical designs of small tanneries i.e 1 kanal to 8 kannal incorporating the CC recommendations like # of plantation required per tannery, BAT & BEP techniques, flood protection measures, energy conservation & introduction of solar water heating, etc. that can be used for improved urban planning.  Total: 03 CSA Report, STZ Construction By-laws, Green Tannery Design Report provided to district authorities. These reports have analysed the baseline for the vulnerability assessment on Land use, hazards including temperature and precipitation, industries, environment and socio-economic for identification of potential interventions and made recommendations like, i) Rehabilitation of Dugri Drain, ii) Remodelling of Drains, iii)

<sup>5</sup> Workshops is used as a broad term to refer to events that include training, discussions, lectures/seminars and awareness raising.

Project Strategy	KPIs/Indicators	Baseline	Target level	Progress FY22
				Safe Flood Shelter, iv) Identification of beneficial and most suitable vegetation/tree species and providing plants to STZ, v) Analyse requirement and construction of bunds/dykes & Review of flood warning system, vi) Examine existing disaster management plan and inclusion of STZ as vital installation. Moreover, STZ Construction By-Laws & Green Tannery Designs are consider as guiding handbooks for all other present & future leather industry clusters of Pakistan that how to develop & operationalize leather / tannery zones in country by keeping in view the CCA measures and social & environmental compliance standards. <i>(reference: Annx-III, reports prepared under the project)</i>
Output 1.1.2: Flood management plan for the Sialkot Tannery Zone (STZ) and the pilot Dugri drain in Sialkot is documented and capacities are developed	# of flood management plans for STZ developed	0	1	Reporting period: 0 The district disaster management authority as an annual practice has updated district disaster management plan for the year 2021-2022 having focus on flood management during the monsoon season (July to September), in this plan they have also included STZ as a vital installation in the district, they have also identified safe shelter for STZ & surrounding areas, in case of flood emergency. <i>(reference: anxx-V, pg#49)</i>  Total: 01 Disaster Management Plan, which includes STZ.
	# of plans for Dugri drain management developed	0	1	Reporting period: 0 Cleaning & upgrading of Dugri Drain is ongoing in coordination with SIAL <sup>6</sup> in accordance with the prepared plan.  Total: 01 Plan for Plan for Annual Cleaning & Widening of Dugri Drain
	# of workshops for emergency preparedness delivered	0	1	Reporting period: 0  Total: 01 Workshop on Flood Management & Emergency Preparedness Plan for Sialkot Tannery Zone  Attendance: 64 (3 females ) from tanneries, NGOs, District Government, press media, NDMA & DDMA <i>(reference: anx- I, list of workshops)</i>
<b>Component 2: Climate Change Resilience Building of Vulnerable Communities and Leather Business Owners</b>				
Outcome 2.1 Awareness among targeted community groups and leather business owners on the need to introduce CCA concepts/practices is raised				
Output 2.1.1: Information on CCA measures for STZ is provided to target groups and their needs are understood by project stakeholders	# of awareness raising materials on CC matters disseminated	0	5	Reporting period: 02 The project disseminated the already prepared materials to tanners i.e Urdu Translated Booklet on H <sub>2</sub> S Gas Safety (60 copies) and The framework for sustainable leather manufacturers (10 copies).  Total: 06 (i) Safety Charts on Hydrogen Sulfide Gas, (ii) Booklet in Urdu language on "How to Deal with Hydrogen Sulfide Gas", (iii) Reducing the pollution loads in

<sup>6</sup> Sialkot International Airport Limited (SIAL)

Project Strategy	KPIs/Indicators	Baseline	Target level	Progress FY22
				<p>Leather Processing demonstrating – A Case Study of Cleaner Technologies in Kanpur, India</p> <p>(iv) Best Available Techniques Reference Document – Review of EU normative documents and legislation and their relevance for the tanning industry in developing countries</p> <p>(v) Introduction to Treatment of Tanney Effluents</p> <p>(vi) The Framework for Sustainable leather manufacturers- Second Edition</p> <p><i>(reference: Anxx-IV list of awareness raising material)</i></p>
	# of workshops to understand community concerns and planned CCA actions for STZ delivered	0	1	<p>Reporting Period: 01</p> <p>Awareness session arranged on Guidelines on shifting &amp; construction of tanneries in Sialkot Tannery Zone. Attendance: 115 from Tanneries, Environment Department &amp; District Govt.</p> <p>Total: 06</p> <p>Workshops with topics related to CCA actions were held to raise awareness on CCA measures amongst community surrounding STZ and leather business owners. CSA, CC, EIA, Environmental Compliance, Shifting Plan, Awareness session on Guidelines on shifting &amp; construction of tanneries in Sialkot Tannery Zone. Attendance: 350 from tanneries, villagers from surrounding areas of STZ, Environment Dept, NGOs, Academia.</p>
Output 2.1.2: Community led trainings and actions to overcome CC through water and energy conservation and flood management are delivered	# of workshops on CCA delivered by community leaders who were trained as trainers	0	3	<p>Reporting period: 00</p> <p>Total: 01</p> <p>Awareness Session arranged by rescue 1122 to give safety briefing to their team members on how to deal with hydrogen sulphide gas in tanneries based on the training and materials provided to trainers.</p> <p>Attendees: 11 rescue persons of rescue 1122.</p>
	# of workshops on dealing with floods and other natural disasters delivered to the community around STZ	0	2	<p>During reporting period: 0</p> <p>Total: 01</p> <p>Component of CSA workshop. Attended by 39 people from leather sector, Environment Dept, Forest Dept, Agriculture Dept, Irrigation Dept, local community.</p> <p>In this workshop the participants were briefed on Baseline Profiling &amp; Vulnerability Assessment of Hazards in which the hazardous like Precipitation, Floods and Seismicity and the possible solutions &amp; pre-readiness measures were also discussed in detail in Adaptation Plan &amp; Interventions.</p> <p>As the shifting of tanneries have started in STZ, the project authorities have planned to organize some more workshops after hiring of community mobilizer.</p>
	# of trees planted in the planned STZ green belt	0	50,000	Reporting Period: 1 100

Project Strategy	KPIs/Indicators	Baseline	Target level	Progress FY22
	area as part of the Clean and Green Punjab initiative			Total: 13100
Output 2.1.3: The needs of different target groups to build their resiliency are communicated to each other	# of CC awareness workshops delivered	0	3	Reporting period: 01 Workshop on Energy Efficiency Methodology & Action Plan for Solid Waste Management in STZ was held which was attended by 21 participants from leather businesses.  Total: 05 Workshops held on CSA, CC, EIA, Environmental Compliance, Energy Efficiency attended by 217 from leather sector, NGOs, surrounding community of STZ, academia, Environment Dept, District Govt.
Output 2.1.4: Guidelines on best practices and project knowledge disseminated to similar clusters and development projects	# of publications on best practices and project knowledge disseminated	0	3	Total: 03 STZ Construction By-laws, Typical Tannery Design Guidelines and Green Tannery Designs were prepared under the project and shared with Government Counter parts for their awareness. <i>(reference: Anx-III, List of reports)</i>
<b>Component 3: Sialkot District and Sialkot urban plan implementation, dissemination of information, demonstration of safe, affordable and advance technology for water treatment and water conservation in the pilot Sialkot Tannery Zone (STZ)</b>				
Outcome 3.1: Water availability for agricultural use around the STZ is increased				
Output 3.1.1: Various alternatives, especially water harvesting and appropriate effluent treatment technology, documented and discussed with all STZ stakeholders	# of studies on common effluent treatment technologies conducted and discussed with STZ stakeholders	0	2	Reporting Period: 01 3W Systems prepared a report on improvement of the performance of CETP at STZ and related technologies. Findings and recommendations were discussed with the directors & management of STAGL. <i>(reference: Anx-VI, Suggestions and Improvements with Technical Justification for CETP at Sialkot Tannery Zone 3W Systems)</i>  Total: 04 (i) Assessment of Waste Water & Energy Efficiency leading towards compliance of LWG Standards. (ii) CETP Report & Design, (iii) EIA of CETP (iv) Report - Suggestions to improve performance of CETP by 3W systems.
	# of Typical Tannery Design guidelines with various alternatives prepared and discussed with STZ stakeholders	0	1	Reporting Period: 0 As the shifting process of tanneries have started, the project partners disseminated the Green Tannery Design Guidelines prepared for the tanners with a plot size of 1 to 8 kannaal. Furthermore, project has also arranged consultative session to have detailed discussion on these tannery design guidelines and to resolve the issues of tanners. 175 people attended from leather/tanning sector of Sialkot, District Govt.  Total: 02 Typical Tannery Design Guidelines & Green Tannery Design Guidelines have been prepared and then discussed with STZ stakeholders – feedback was incorporated into the final guidelines.
Output 3.1.2: Assistance provided with the preparation of ToR, tender, technical evaluation and supervision of work and	% of ToRs, tenders and tender evaluations related to CETP tender produced with UNIDO support	0	100%	Reporting period: 100% UNIDO supported STAGL in preparing the detailed design CETP, BoQs, tender documents and technical and financial evaluations of the CETP civil and electro mechanical works.

Project Strategy	KPIs/Indicators	Baseline	Target level	Progress FY22
installation of Central Effluent Treatment Plant (CETP) including technology for one CETP module				Total: 100%
	# of CETP modules constructed (civil works) and equipped under UNIDO supervision	0	1	Reporting period: 0 During the reporting period is as under, -Civil & General Electrical Works, with funding approved by federal government through export development fund. The Contract for Civil Works has been awarded (Rs.387.7 million) and civil works are under way. So far 20% of the civil works has been completed.  With the funding of GEF under the guidance / supervision of UNIDO, the Works Order has been released to the Lowest Bidder for Electro-Mechanical Works of CETP (USD: 2.88 million). The manufacturing of local & imported items are under way. The inspection of local & imported items which are manufactured are under way. The inspection reports are attached herewith as Annx-VII.
	# of workshops delivered to relevant staff on CETP operation, maintenance and management	0	2	Reporting period: 0 Further workshops will be delivered closer to finalization of CETP.  Total: 01 Workshop on Combined Effluent Treatment Plant for Sialkot Tanney Zone. Attended by 72 persons including 12 females. Title /theme of workshop ,attendance and stakeholder representation please (reference, Anx-I, list of workshops)
Output 3.1.3: Practical training for improved production efficiency, lower environmental footprint and pollution reduction technologies is delivered to relevant stakeholders	# of workshops on technical adaptation themes/processes, UNIDO benchmarking toolkit or RECP technology delivered	0	4	Reporting Period: 03 Two (2) Workshops were held on the Guideline for Shifting & Construction of Tanneries in STZ in accordance with green tannery designs which is based on UNIDO's typical tannery design guidelines, BAT/BEP. These workshops were attended by 175 persons from leather community of Sialkot and District Government. One (1) workshop was held on Energy Efficiency & CO <sub>2</sub> reduction which is attended by 21 persons from leather sector & academia. (reference: Anx-I, list of workshops)  Total: 08 Starka Report, Best Acceptable Techniques/ Best Environment Practices (BAT/BEP), Chrome Recovery Plant, Best Acceptable Techniques / Smart Environment Management practices (BAT/SEMP), Green Tannery Designs, Guideline on Shifting & Construction of Tanneries in STZ, Energy Efficiency & CO <sub>2</sub> reduction.
Output 3.1.4: Support is provided to verify and build capacities on using the Dugri Drain as a treated water discharge system that benefits agriculture	# of reports verifying possibilities for discharging treated water into the Dugri drain documented and presented to stakeholders	0	1	Reporting period: 0  Total: 03 In order to deal with the possibilities for discharging treated water into the Dugri drain the project has so far produced 03 reports, these are, CSA of STZ, EIA of STZ and EIA of CETP at STZ (reference: Anx-III, List of reports)



Project Strategy	KPIs/Indicators	Baseline	Target level	Progress FY22
	# of workshops delivered for communities and STAGL on appropriate Dugri Drain maintenance	0	1	Reporting period: 0  In Total: 03 CSA Workshop, , EIA of CETP at STZ. It is attended by 81 persons from tanneries, local community, Environment, Irrigation, Forest & agriculture Departments and academia. <i>(reference: Anx-I, list of workshops)</i>
Output 3.1.5: Feasible by-products from leather industrial waste and required technology are identified	# of reports with feasible by-products from leather industrial waste developed for tanney management staff	0	1	Reporting Period: 01 Study / report was prepared to discuss & recommend various feasible options of by-products from leather industrial waste developed. The by-products options identified by this report are, composting items for agriculture use, hair for recovery of proteins rich in keratin, the product obtained overlaps in chemical/physical terms with the keratin hydrolysates on the global market (technical and cosmetics industries) and is also suitable for use in farming as a fertilizer, organic protein which is rich in organic material and minerals for production of valuable solid fertilizer and waste to energy options. <i>(reference: Anx-VIII, Report of Siga Group)</i>  Total: 01 Solid Waste Study by Siga <i>(reference: Anx-III, List of reports)</i>
	# of reports with possible technologies for minimizing solid waste	0	1	Reporting Period: 01 In reporting period the project has hired an international firm to investigate the type of wastes generated by tanneries present in Sialkot city, on basis of their findings they have proposed various technologies to minimize the waste, e.g. composting, anaerobic digestion, combustion techniques, hair recovery through hydrolysis techniques, recovery of organic protein through calcian baths technique. <i>(reference: Anx-VIII, Report of Siga Group)</i>  Total: 01 Solid Waste Study by Siga
Output 3.1.6: Water management practices and technologies are demonstrated to tanneries	# of practices proposed to tanneries to reduce water use	0	5	Reporting Period: 00 During the reporting period efforts were made to strengthen the implementation of introduced measures through green tannery designs as now the shifting of tanneries process in STZ has started. In this regard the project partners have disseminated the prepared designs & techniques to tanneries which are under construction at STZ. Moreover, during the reporting period it is also noted during field visits to the tanneries already operating in Sialkot city that some tanneries are also implementing the proposed practices like water metering, batch rinsing or washing, utilization of high-pressure nozzles for cleaning.  Total: 07 The following practices have been proposed to all tanneries affiliated with STZ (i) Centralized Water Supply System, (ii) water metering, (iii) batch rinsing, (iv)

Project Strategy	KPIs/Indicators	Baseline	Target level	Progress FY22
				high pressure water nozzles for cleaning of floors drums & equipment, (v) installation of overhead tanks, (vi) use of small taps, (vii) recycling/reuse of soak & lime floats.
	# of water management workshops delivered to tanneries	0	1	Reporting period: 0  Total: 04 Introduction of Cleaner Production and Incorporating Best Available Techniques and Best Environmental Practices (BAT/BEP) for Sialkot Tannery Zone, Workshop on Best Available Techniques / Smart Environmental Management Practices Leading towards Compliance of LWG Standards in Sialkot and Two Consultative Session on Common Chrome Recovery Plant. These sessions were attended by 174 persons from leather sector, academia and local journalists. (reference: Anx-I, list of workshops)
<b>Component 4: Quality Control Monitoring and Evaluation</b>				
Outcome 4.1 Quality control and efficient monitoring and evaluation measures are embedded into the project				
Output 4.1.1: Monitoring and evaluation conducted	# of Inception reports prepared and discussed with stakeholders	0	1	Reporting period: 0 Total: 01
	# of PSC meetings conducted and PIRs and annual reports prepared	0	8	Reporting Period: 0 Total: 04
	Mid-term and independent terminal evaluation completed on time	No	Yes	Reporting period: No Total: Yes
	Project Final Report completed within 2 months of project closure	No	Yes	Reporting period: No Total: No

### III. Project Risk Management

1. Please indicate the overall project-level risks and the related risk management measures: (i) as identified in the CEO Endorsement document, and (ii) progress to-date. Please expand the table as needed.

	(i) Risks	(i) Risk level	(i) Mitigation measures	(ii) Progress to-date	New defined risk <sup>7</sup>
1	Investment and Operational costs for common facilities (e.g. CETP, solid waste conversion, etc.)	<i>Modest Risk (M)</i>	The project partners will develop an appropriate business plan to cover necessary operational costs for common facilities. Experience gained from similar projects and facilities will be used to find and establish an appropriate model. An early action to request additional funds from GoP for the necessary utilities by STAGL.	<u>Reporting Period:</u> STAGL in collaboration with UNIDO is continuously monitoring the present economic situation and preparing / implementation strategies to cope with this risk. STAGL already tapped Rs. 40 million from EDF, Govt. of Pakistan for initial trial runs of CETP and	<input type="checkbox"/>

<sup>7</sup> New risk added in reporting period. Check only if applicable.


				<p>funding for the establishment of common facilities like CRP, CFTC, Grid Station and solid waste management under export development fund of Govt of Pakistan.</p> <p>Moreover, implementing the STZ business model STAGL BoD, after giving the approval of shifting of tanneries in STZ, have decided and imposed the operational charges of STZ these charges includes fee heads like general cleaning, electricity for street lights, staff salaries, common facility O&amp;M .</p> <p>Furthermore, UNIDO is also trying to seek additional funds to develop a good training package for CETP. In this regard UNIDO has submitted a project proposal under “Cooperation UNIDO – China in ASP”.</p> <p>On the other hand STAGL &amp; UNIDO have developed typical &amp; green tannery designs for the tanneries to be housed in STZ and provided these designs &amp; guidelines to the tanneries who have started the construction of tanneries in STZ. The design &amp; guidelines have special focus on BAT/BEP so that pollution at site could be moderated and operational cost of CETP will reduced in result of these efforts.</p> <p>Furthermore, in this regard with efforts of UNIDO &amp; STAGL the STZ project is included in Punjab Green Development Scheme “Pilot / Demonstration Resource Efficiency &amp; Cleaner Production Investments in key Industrial Sectors”. The</p>	
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				PMU of this scheme is under establishment phase. It is expected that under this scheme STZ will receive some technical & financial assistance for implementation of RECP.	
2	"Costs overrun" on baseline project - particularly on account of civil works of CETP and equipment	Modest risk (M)	To safeguard against this risk to the best possible extent, the project design provides a provision for a detailed design, tender documents and estimates review prior to initiation of the bidding process. Also implementation of CETP can be in several phases to reduce this risk.	<p><u>Reporting Period:</u> High inflation and currency devaluation have increased costs of raw materials and imported components. The project authorities were vigilant and already foreseen the deteriorating economic conditions and took many steps to cope, which includes;</p> <ul style="list-style-type: none"> <li>- in order to minimize the cost escalation in civil works of CETP, STAGL procured 75% of the total steel required for the project.</li> <li>- in order to minimize the cost escalation in electromechanical works of CETP, STAGL locked the prices and opened the LCs for imported components part. Regarding local components STAGL paid handsome amount of mobilization advance to contactor against guarantees, so that contactor can purchase all the required raw-materials for fabrication i.e steel, pipes, etc.</li> <li>- Moreover to cope with the duties &amp; taxes STAGL-UNIDO prepared two plans i.e (1) to seek exemptions of duties &amp; taxes on imported components, for which the complete case is prepared and submitted to government counter parts. (2) as a plan-B, in case if exemptions could not be materialized in time, STAGL requested EDF to re-appropriate Rs.149 million which were surplus in EDF</li> </ul>	■

				<p>approved heads for grid station, because STAGL has receive Rs. 200 million from PGDP program of Govt. of Punjab.</p> <p>- STAGL is also preparing a case of "Cost Escalation in Civil Works of CETP, CRP &amp; CFC" to seek additional funding from EDF, as the cost were escalated due to delays in approvals from TDAP/EDF side.</p>	
3	<p>"Cost overrun" - Establishment of leather industry park is a challenging project and requires a lot of coordinating and involvement of many stakeholders. Slow response of some key actors may hinder the timely project implementation</p>	<p>Low risk (L)</p>	<p>All project stakeholders are committed and understand the project objective. UNIDO has a wide-ranging experience in implementing similar projects and leather industry parks, which should help to overcome possible problems regarding project planning and implementation. Additionally a Project Management Unit will be created to ensure the smooth execution and coordination of the project activities, to update and ensure participation of all stakeholders, and to take into account all needs of all groups involved (industry, agriculture, communities, women, NGOs, etc.)</p>	<p><u>Reporting Period:</u> The project authorities have maintained close coordination with all project stakeholders for timely completion of overall project. In this regard the project has regular PSC meetings in which all stakeholders have participated. The record of all PSC meetings are attached herewith as annex-IX. Moreover, the project authorities are continuously updating its project stakeholder on progress and challenges. During Reporting period project authorities have 6# of meetings with TDAP/EDF, 4# of meeting with PSIC<sup>8</sup> &amp; PnD<sup>9</sup> regarding implementation of PDGP program, 3# of meeting with district government, 2# of meeting with MoCC/GEF focal person. The outcomes of these meetings are as follow,</p> <p>- STAGL received Rs. 300 million from Govt. of Punjab under PGDP program for establishment of grid station and supply of natural gas to STZ.</p> <p>- In order to minimize the delays on approvals &amp;</p>	

<sup>8</sup> Punjab Small Industries Corporation

<sup>9</sup> Planning & Development Department Govt of Punjab

				<p>release of payments from TDAP/EDF, all parties signed a legal agreement for better project management and with well-defined illustration of duties/scope of all three counter parts.</p> <p>- District government take special interest in STZ project and provide administrative support for timely execution of activities. They recommend provincial govt. for timely release of grant to STZ under PGDP program, moreover, they have participated in awareness seminars regarding shifting of tanneries in STZ and encourage tanners to start shifting process.</p>	
4	<p>Social - Reluctance by the tannery owners to shift towards a climate resilient development, due to additional costs involved.</p>	<p>Modest Risk (M)</p>	<p>Through awareness raising and capacity building activities the project will show the benefits of moving toward cleaner &amp; greener production and will attempt to eliminate the hesitation and doubts by introducing the incentives that come along with cleaner production. Furthermore, the STZ establishment's financial contributions will cover some of the costs associated with the establishment of the facilities and will</p> <p>Therefore reduce the monetary pressure for the land owners.</p>	<p><u>Reporting Period:</u></p> <p>The project authorities are continuously forming strategies to minimize the shifting burden on tanner and to assist them in all stages of shifting. In this regard the steps taken during reporting period are,</p> <p>- Preparing and disseminating detailed designs of tanneries which includes architectural &amp; structural design under green tannery design initiative. This intervention saved 2% to 3% cost of construction of tanners on account of engineering consultancy fee charged by individual designers.</p> <p>-providing free of charge guidelines by STAGL's engineering team during construction of tanneries in STZ.</p> <p>- Receiving Rs. 300 million from Govt. of Punjab under PGDP program for establishment of grid station and supply of natural gas to STZ, which reduces over</p>	

				<p>development charges of members / tanners.</p> <p>-Moreover, under PGDP program Rs. 158 million is allocated as a soft loan to tanners for relocation of tanneries, which will be available during FY22/23</p> <p>-STZ project is also included in RECP scheme under PGDP program, it is expected that STZ will get some technical &amp; financial assistance under this scheme to implement RECP/BAT/BEP within tanneries and it will attract tanners to shift at STZ.</p> <p>Furthermore due to vigorous demand of environmental compliance from international buyers, it is in favour of tanners to shift at STZ because being small enterprises they could not afford to implement environmental standards like ETPs, solid waste management, chrome management, etc.</p> <p>Soon after giving permission by STAGL regarding shifting, STZ has received welcoming response and many early birds have started construction activities at STZ. Other tanners from other cities e.g Karachi, Kasur, Gujranwala approached STAGL to get plots at STZ and some of them have already acquired plots in STZ.</p> <p>The shifting of tanneries at STZ is considered as a mandatory plan not as a voluntary plan, because all the present tanneries in Sialkot have given a supplementary time by Environmental Tribunal of Govt of Punjab, to operate out the STZ, until the STZ</p>
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				<p>infrastructure will be completed.</p> <p>STAGL in collaboration with UNIDO is paying special focus on raising awareness on the benefits of STZ. In this regard during reporting period two seminars / workshops have been arranged to motivate the tanners to start the shifting process and to discuss the issues faced by tanners regarding construction of tannery units at STZ as per provided designs. These awareness session was found very useful by providing the guidance to tanners regarding shifting &amp; construction of tanneries at STZ. These session not only encouraged / motivated the tanners to start the construction of tanneries but it also created an opportunity to addresses the queries / technical issues of plot holders related to site.</p>	
5	Climate - The natural disaster in form of floods may interrupt the project's progress	Substantial risk (S)	An integral component of the project is the incorporation of a flood management plan and building resilience in target communities and areas to minimize the losses in the event of a flood.	<p><u>Reporting Period:</u></p> <p>In order to protect the project from natural disasters the project authorities have maintained the policies adopted earlier which includes,</p> <ul style="list-style-type: none"> <li>- Inclusion of STZ in District Disaster Management Plan for 2021/22.</li> <li>- Cleaning &amp; De-silting of dugri drain in coordination with SIAL.</li> <li>- Implementing all flood protections measure during preparation of tannery designs which were present STZ construction by-laws.</li> <li>-Formation / strengthening of flood protection bunds across dugri drain during monsoon season.</li> </ul>	<input type="checkbox"/>



6	Significant Impacts & Delays occurred due to COVID-19 pandemic, nationwide smart lockdowns and travel restrictions.	High (H)	<p>To overcome the impacts and delays the project partners have to develop a comprehensive strategy / plan. Regarding trainings and awareness workshops / seminars online platforms will be identified and used. Moreover for consultative sessions and stakeholder meetings online platforms will be introduced.</p> <p>The project partners should also arrange awareness activities for project stakeholders on prevention &amp; safety from COVID19 pandemic. The COVID19 pandemic also significantly effects the sustainable business growth of leather sector hence the project will facilitate the identification of some measures to restructure the business process in order to maintain the sustainable business growth.</p>	<p><u>Reporting Period:</u>  During reporting period till February 2022 the country remained under significant influence of COVID19.</p> <ul style="list-style-type: none"> <li>- Due to travel restrictions, it was difficult to arrange physical meetings. To cope with this situation project uses online platforms to manage / arrange meetings, the 4<sup>th</sup> PSC meeting was also held virtually through online platforms.</li> <li>- The most effected part of project is trainings and workshops. During last reporting period it was observed that trainings through online platforms were not effective and very low participation was observed. Therefore, this year project authorities manage to arrange 3# of workshops as an outdoor activities by complying COVID19 SOPs/rules.</li> <li>-Moreover, project authorities paid more focus on progress of infrastructure activities e.g completion of tendering process of CETP, CRP and CFC, ordering of CETP electromechanical parts of CETP, shifting / construction of tanneries in STZ. And the project authorities remained successful to complete the tendering process of CETP, CRP, ordering of electromechanical portion of CETP and start the shifting process of tanneries in STZ</li> </ul>	<input type="checkbox"/>
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2. If the project received a sub-optimal risk rating (H, S) in the previous reporting period, please state the actions taken since then to mitigate the relevant risks and improve the related risk rating. Please also elaborate on reasons that may have impeded any of the sub-optimal risk ratings from improving in the current reporting cycle; please indicate actions planned for the next reporting cycle to remediate this.

N/A

3. Please indicate any implication of the **COVID-19** pandemic on the progress of the project.

During reporting period until February 2022, the country remained under significant influence of COVID-19. Govt. has imposed smart lockdowns, restrictions of indoor activities and travel limitations. Unfortunately, due to lockdowns in 2020 and 2021 many activities, especially civil works construction and manufacturing of equipment was interrupted and delayed. This has an effect on the work plan and it is expected that some key components will be finalized later than expected. Therefore, the project no cost extension is required to complete all planned outputs.

COVID-19 had the following effects on project progress:

**Effluent Treatment Construction:** Due to lockdown and also supply chain interruption there is a delay in construction. Due to technological requirements, it was not possible to catch lost time even with more workforce.

**Coordination & Approval with Project Stakeholders & Govt. Authorities.** During reporting the project faced difficulties to manage timely coordination & various approvals from government authorities. Many physical meetings were cancelled or delayed due to nationwide smart lockdowns, ban on indoor gatherings, travel restrictions and due to illness of officials. The 4th PSC meeting which was scheduled in January 2021 was postponed and was held in September 2022.

However project authorities remained successful to arrange some critical physical meetings and as an alternative used online platforms to conduct virtual meetings. Some examples are pre-bid meeting of bidders for electromechanical works of CETP, technical evaluation of committee regarding CETP electromechanical Works, 4th PSC meeting, progress follow up meetings with TDAP & EDF, etc.

**Workshops/ Seminars/ Awareness/ Consultative Sessions/ field trainings**

Due to Govt. bans on indoor gatherings the activities like workshops, seminars were difficult to organize. During the reporting period most of the planned trainings / workshops / seminars and consultative sessions have been postponed. Moreover, considering previous case of interventions through online platforms, project has also faced the problems like capability / ability of target groups & organizers to use such platforms.

**Commencement of Female internship batch**

The STZ internship programs was planned to be held in summer vocations, however due to accumulated syllabus the institutions have postponed the summer vocations and did not participate in scheduled internship program. Therefore for the time being this activity of project was put on hold. As now the government has removed all limitations on operations of institutions the project authorities have decided to re-organize internship program in winter vocations.

4. Please clarify if the project is facing delays and is expected to request an **extension**.

Project is facing delays in main component construction of CETP due to several reasons. Firstly, it is pertinent to mention here that the bidding of CETP electromechanical works (to be purchased with GEF funds) was successful only on its second attempt. In first attempt the international bidding process was unsuccessful because of receiving higher prices as compared to available budget i.e. USD: 5.0 million dollars, whereas available budget is only USD: 2.2 million dollars. The second attempt of competitive bidding succeeded with approach to engage local contractors in collaboration with foreign suppliers, but heavily delayed the procurement process (multiple complex technical evaluations and clarifications). Once the contract was finally awarded, lockdowns imposed because of COVID19 meant that contractors were unable to continue with construction and delivery of technology. Additionally, as most of the important components (machinery / equipment) of CETP are manufactured abroad, many international suppliers from Europe are involved, which were also impacted by COVID 19. Moreover, during manufacturing, some of the

components related to electronics and special metals are facing shortages in international market as a post COVID19 impact.

Despite of these issues the project remained successful to place all orders and now most of the components are close to being delivered. The delivery of imported components should start from September 2022 and it should be completed by February 2023. After each delivery at port approximately one more month will be required for custom clearance and inland shipments. The project authorities are expecting to complete the installation works by June 2023 and then the training and trial runs for at least 6 months will be started which will lead to successful commissioning of CETP. Trial runs and successful commissioning of the CETP is also subject to shifting of tanneries at STZ so that they generates wastewater for CETP. To this end, the shifting of tanneries is also underway, but has also been delayed by COVID 19 and is expected to take time.

With this in mind, the project is expected to request an extension, likely until the end of Q1 2024. The eventual date and work plan, risks, etc. will be discussed and decided upon in consultation with national stakeholders during the annual PSC meeting later this year.

**5. Please provide the main findings and recommendations of completed MTR, and elaborate on any actions taken towards the recommendations included in the report.**

**1. What are the main findings of the MTR?**

The project faces no risk to its relevance as of MTR, as the project was found to be highly relevant to the development context of the tannery industry in Sialkot and to the priorities of the federal and provincial governments, the UN and GEF.

The project's Effectiveness and Progress towards Results was assessed and found to be Moderately Unsatisfactory. For Outcome 1, the project has informed and engaged various district management authorities involved in urban planning, disaster resilience including DDMA and irrigation department. Additionally, the project is also developing a Flood Risk Management Plan for the STZ and planted 10,000 in and around the STZ against a target of 50,000. Under Outcome 2, the project has undertaken several certificate and non-certificate trainings and capacity building activities pertaining to CCA measures and CP technologies. However, the lack of documented training and capacity building strategy along with quantifiable indicators in the project's logical framework combined with a lack of systematic follow up with participants hinders the effectiveness of the project's activities. Local communities around the STZ have not been engaged yet as those activities have been delayed until the shift to the STZ. Outcome 3 pertaining to the procurement of the electro-mechanical and civil works components of the CETP, faced a major procurement setback, thereby delaying the project by three years and increasing the cost of its civil works component by 18.75 percent. Training and capacity building activities regarding water conservation practices/technologies and solid waste recycling and reutilization have also been impacted due to the delay to the shift to the STZ.

While the project has made gains towards incorporating resilience in the urban planning and also raised awareness and capacity with regards to cleaner production practices, operationalization of the CETP, a major project component, is still to be realized and has already faced financial challenges. Accordingly the likelihood of Sustainability for the project's outcomes was found to be Moderately Unsatisfactory.

The project's Efficiency was assessed to measure how economically its resources/inputs have been converted to results. With the exception of CETP procurement, the project's financial management was seen to be efficient in terms of timeliness and selection of activities. The procurement of the CETP has run into challenges after the unsuccessful international tendering process of the electro-mechanical components of the CETP conducted by UNIDO, as the bid price of USD 4.97 million was 126 percent higher than the available budget of USD 2.2 million allocated by GEF. As a result, the electro-mechanical components of the CETP had to be retendered with STAGL taking over the procurement process of both the electro-mechanical as well as the civil works components of the CETP with the support and technical assistance of UNIDO. Consequently, in January 2020, GEF extended the project till December 2023, a delay of 03 years. Accordingly, the MTR found the project's efficiency to be Moderately Unsatisfactory. While high levels of co-financing have been realized and the GEF project expenditure also stands at 99.1%, the MTR team found the Financial Management to be Moderately Unsatisfactory due to the sub-optimal financial planning for CETP procurement.

Overall, the MTR team found the project staffing to be sufficient and the PMU to be responsive to the project needs. In particular, the placement of the PMU within STAGL has ensured project delivery in a consultative

manner with the tannery industry of Sialkot. The PSC has also been effective in delivering its mandate by mobilizing funds through co-financing and in taking charge of the tendering process of the electro-mechanical components of the CETP. In conclusion, the MTR found the Project Management to be Satisfactory.

The MTR found the project's Result-based Work Planning, Monitoring and Evaluation Systems, and Reporting to be Moderately Satisfactory. It is recommended that the Logical Framework is reviewed to rectify the gaps identified by the MTR. These include the inclusion of SMART indicators and resolving any duplications in outputs. Furthermore, with the exception of Gender Mainstreaming, it is advisable that outputs related to community engagement/awareness be removed from the project design and incorporated into a subsequent/parallel STAGL project, e.g. PGDP. This will ensure that the project's limited human and financial resources are focused on the delivery of other major outputs, such as CETP establishment.

While high levels of co-financing have been realized and the GEF project expenditure also stands at 99.1%, the MTR team found the Financial Management to be Moderately Unsatisfactory due to the sub-optimal financial planning for CETP procurement. Financial assumptions made at the time of project design must be reviewed periodically to ensure that they are reflective of the ongoing reality, and additional financing should be arranged well in time, if deemed necessary. Due to the delay, the CETP's civil works component faced delay and, as a result, an 18.75 percent cost escalation. It will be crucial to ensure smooth and timely operationalization of the CETP so that further cost escalations do not occur.

With a few exceptions, the project has mainstreamed sound environmental safeguards in its activities. Accordingly, the environmental and social safeguards incorporated by the project are found to be Moderately Satisfactory. As part of its implementation of CCA measures, the project has planted 10,000 trees within the STZ to reduce the effects of climate change and pollution effects. However, it is well behind its logframe target of planting 50,000 trees. Moreover, with advice from WWF and Hagler Bailly Pakistan, STAGL plans to establish a wetlands for further improvement in quality of treated effluent. However, the location of the CETP is in the vicinity of Sialkot International Airport (SKT) with runway edge as close as 3.5 km from the CETP. The large volume of water at plant may attract birds common in the area. Therefore, any tertiary treatment for further treatment of waste water using wetlands should be avoided.

The MTR team has provided a set recommendations to course correct and mitigate risks to the outcomes and results of the project.

#### **Recommendations for STAGL PMU:**

1. **Common Effluent Treatment Plant (CETP):** To ensure sustainable operations of the CETP, the MTR team recommends that:
  - a. Key stakeholders, especially STAGL, make a concerted effort to ensure the **timely establishment and operation of the CETP** as on the one hand, there is a risk some larger tanneries may lose interest in the STZ and expand operations at their current facility. On the other hand, some tanners may start operations in the STZ without proper CCA practices causing damage to the environment.
  - b. STAGL remain vigilant of the construction of the civil and electro-mechanical components of the CETP between separate contractors to ensure harmonization and compatibility, and utilize the services of a **third party expert** to oversee the operation.
  - c. A comprehensive plan for spare parts availability and **operations and maintenance** of the electro-mechanical equipment being imported be put in place.
  - d. The proposed tertiary treatment of waste water using **wetlands** should be avoided at all cost as it risks attracting birds which could disrupt the Sialkot International Airport's flight operations.
2. **Waste to Energy Plant:** STAGL has started reviewing different technologies for setting up a waste to energy plant in the future, and the close circuit pyrolysis option has been shortlisted. However, the company proposing this option has a dismal record of delivering on its promises to other similar projects of the Government of Punjab. It is therefore recommended that STAGL practices vigilance if it decides to proceed with this option.
3. **Engagement with Women in the Community:** Since the project is working as a trendsetter, it is important that under its Gender Mainstreaming activities, the project starts promoting women's broader engagement in the industry immediately to establish a ready foundation for Gender

Mainstreaming upon operationalization of the STZ. It is recommended that, at the very least, the project undertakes a detailed Gender Assessment and design a Gender Strategy for the STZ.

#### **Recommendations for UNIDO:**

1. **Supervision of CETP Establishment:** An international expert environmental engineer on behalf of UNIDO/GEF assess the macro-level impacts on the environment of the proposed CETP process and its siting.
2. **Solid Waste Management:** It is recommended that a detailed Waste Amount and Characterization Study (WACS) be conducted before finalizing available treatment options.
3. **Stakeholder Engagement:** The current project and the UNIDO-implemented project in Karachi (UNIDO ID: 160069) have had informal and unofficial coordination. It is recommended that the two projects develop a regular coordination mechanism to exchange observations and lessons learned.
4. **Capacity Building:** To further enhance the effectiveness and sustainability of the capacity building and awareness-raising component of the project, the following measures are recommended: a) Development of a capacity building strategy or framework under which the remaining such activities are undertaken; b) Development of a sustainable exit strategy for capacity building component as there is a high risk of discontinuation of activities upon project closure; and c) Incentivizing participation of tanneries across the industry by linking them to tangible benefits.
5. **Gender:** It is also recommended that some gender balance is sought within the PMU senior/program staffing as there is a complete absence of women staff.
6. **Monitoring and Reporting:** It is recommended the project logical framework is reviewed to rectify the gaps identified including resolution of duplications in outputs and inclusion of gender indicators. Additionally, in accordance with the revised logical framework, a monitoring framework be developed comprising of a monitoring matrix, risk assessment and impact assessment methods, outlining who, what, when, where and how data is collected and analyzed.

#### Progress on Recommendations:

**Timelines of Establishing CETP:** The construction activities of CETP has been started in 2021. The Civil Works with funding of Government of Pakistan is in progress and as scheduled it is will be completed by March 2023. On the other hand, the contract for Electromechanical Works has been successfully award after completion of competitive bidding process. The progress is satisfactory and on track. There are no delays on this part and the machinery will start arriving after August 2022 till March 2023 and installation & commission will be completed by June 2023.

**Supervision of CETP Establishment:** UNIDO & STAGL both are very carefully monitoring & supervising this activity. STAGL has formed a special construction committee comprising of BOD members of STAGL along with PMU STZ. They are continuously monitoring the progress on day to day basis and put their all efforts & resources to expedite the work. Moreover, third part monitoring consultant is also hired to ensure the quality of work done and to supervise construction activities to be completed in stipulated time period.

On the other had UNIDIO has also hired & provided international experts who have reviewed the detailed specifications of electromechanical works and provided valuable inputs. Furthermore, well renowned international third parties have been engaged to inspect the quality of all imported components.

**Waste Assessment & Utilization:** In year 2020-2021, UNIDO has hired an international firm for the study of wastes generated by tanneries. In this study they have performed field surveys to assess the quantities & characterization of different types of waste generated during leather manufacturing. On basis of this they have proposed different strategies to re-utilize this waste inform of by-products and waste to energy. The pre-feasibility study for waste-to-energy solutions in STZ concludes that there is potential for waste-to-energy (WtE) solutions for both liquid and solid waste that may yield substantial economic and environmental benefits. In STZ solutions include a biogas facility with integrated electricity and heat production in connection with the planned central effluent treatment plant (CETP) for liquid waste while solid waste is proposed treated in an incineration plant (with no incineration of chrome). The findings of this study has disseminated to stakeholders through workshops.

**Capacity Building Framework & Capacity-Building Activities:** The revision of the LogFrame has provided the framework for capacity building activities to ensure alignment to project objectives. The project

has used following knowledge sharing activities / products to develop and improve the skills of local stakeholders and prepare them to shift in Sialkot Tannery Zone. Following learning modalities have been employed,

(a) Self-paced courses which were delivered online courses and made available for common user through UNIDO's eLearning platform and ITC SME Trade Academy

(b) Blended training course by combining the IT enabled training and classroom orientations.

Regarding the participation of tanners & leather community in arranged workshops/ trainings/awareness & consultative sessions, so far project has received healthy attendance in accordance with the targets set out for each session. However, UNIDO is now focusing on more certificate courses as an incentive to workforce attending courses.

**Logical & Monitoring Frame Work:** In UNIDO headquarters, a dedicated M&E expert has been hired. In 2021, the logical & monitoring frame work of project has been reviewed and revised in consultation with stakeholders. The revised logical & monitoring frame was presented to project steering committee in 4th PSC meeting in September 2021 and after due deliberation it got approved and now under implementation. For reference attached here with as annexure -XV.

**Gender Mainstreaming & Engagement of Women Staff:** The project has adopted two phase strategy for gender mainstreaming in leather sector, i.e (i) internship program for female students of Environmental Sciences (ii) induct female workers in common facility cum training centre of STZ, for training and further placement in tanning units.

The project has already successfully implemented internship programs for female students and two batches have already completed the internships. In order to implement the second phase of gender mainstreaming strategy i.e promoting women's broader engagement in the industry immediately to establish a ready foundation for Gender Mainstreaming, through induction of female workers in STZ Common Facility cum Training Centre (CFTC). The project has completed the detailed designing of CFC and tender documents were submitted to authorities to accord approval for initiation of tendering process.

**Review of Financial Assumptions:** UNIDO is also well aware about the financial challenge and trying to seek some additional funds for the project to develop a good training package for CETP and submitted some proposal to donor agencies. Moreover, UNIDO is also interested to further extend the partnership with STZ for this purpose some proposals for new interventions are under preparation.

**Exit Strategy:** To develop an exit strategy with a sustainable plan, UNIDO has formally asked STAGL to initiate the final project evaluation report. Regarding this, the project partners have planned to hire experts to evaluate & present the results. The output of this report is to devise an exit strategy with future sustainable recommendations. It is expected to be completed by December 2023.

#### IV. Environmental and Social Safeguards (ESS)

1. As part of the requirements for **projects from GEF-6 onwards**, and based on the screening as per the UNIDO Environmental and Social Safeguards Policies and Procedures (ESSPP), which category is the project?

Category A project

Category B project

Category C project

(By selecting Category C, I confirm that the E&S risks of the project have not escalated to Category A or B).

In spite of the project not undergoing the ESSPP screening, both the Environmental and Social Impact Assessments (EIA and SIA – see annex- XVI and XVII) conducted by the project serve to guide the overall project in mitigating related risks.

Please expand the table as needed.

	E&S risk	Mitigation measures undertaken during the reporting period	Monitoring methods and procedures used in the reporting period
(i) Risks identified in ESMP at time of CEO Endorsement	N/A	N/A	N/A
(ii) New risks identified during project implementation (if not applicable, please insert 'NA' in each box)	N/A	N/A	N/A

## V. Stakeholder Engagement

1. Using the previous reporting period as a basis, please provide information on **progress, challenges and outcomes** regarding engagement of stakeholders in the project (based on the Stakeholder Engagement Plan or equivalent document submitted at CEO Endorsement/Approval).

The project authorities are well aware that for successful implementation of project activities smooth coordination of the multitude stakeholders are required. In case of STZ project there are more than 500 direct members of STZ which belongs to leather manufacturing community of Sialkot and other parts of country. Moreover it has government & private project partners like, EDF & TDAP - Ministry of Commerce Govt of Pakistan, Ministry of Climate Change, Environment Protection & Industries Department Govt. of Punjab, District Government, Private Institutions, The World Bank, NGOs WWF, etc. STAGL & PMU being the executing agency is the pivotal point for such coordination. During the reporting period the project maintained key stakeholder engagements in following project areas:

**Shifting of Tanneries:** (STAGL, UNIDO, District Govt., EPD-Punjab, STZ members / plot holders, WWF)

Progress & Outcomes: The shifting process of tanneries have been started. More than 15 units have started construction activities and so far about 3 units are reached at level of trial runs. While other tanners are in planning process.

Moreover to encourage tanners' district govt. along with EPD participated in awareness derives & guidance sessions, with their participation the tanners gained more confidence as the project is backed and support of government bodies.

Challenges: Due to post COVID19 economic impacts the tanners' financial situation has weakened, therefore they have more expectations with STAGL and Government to provide them some additional financial & technical support for construction of tanneries in STZ.

**Co-funding / financial assistance:** (PSIC, Industries Department Punjab, District Govt., Planning & Development Department – Punjab, EDF, and TDAP, UNIDO)

Progress & Outcomes: Due to frequent coordination meetings with Planning & Development Department – Punjab, Industries Department and district government they all recommended to Government of Punjab to convert Rs. 340 million loan approved for the project under PGDP program, into grant. Moreover soon after approving conversion of loan into grant the government also immediately released the payments of Rs. 300 million for establishment of grid station and supply of natural gas.

The project authorities also maintained coordination / engagement with EDF & TDAP. The project is facing some delays on according approvals for release of payments due to absence of well written SOPs / scopes of parties. In this regard the project authorities conducted series of meeting with EDF & TDAP at all levels and as a result all three parties i.e EDF, TDAP & STAGL signed a legal agreement with clear scope of parties, responsibilities and SOPs.

During reporting period STAGL maintained close liaison with STZ members and have arranged two

seminars and several corner meetings to update the progress and discuss the financial issues. As a result of these sessions STAGL BOD and STZ members have concluded to collect additional development charges i.e Rs. 100000 per kannal to cover the financial gaps in infrastructure works of STZ.

**Challenges:** Communication processes takes time, getting timely meetings with stakeholders has also been an issue for gathering information to feed into the process for approval. Moreover, due to political instability and frequent transfers in Ministry of Commerce – EDF & TDAP the implementation on legal agreement between TDAP, EDF & STAGL is pending due to which the activities under EDF program are facing prolonged delays.

**Infrastructure Activities, CETP, CRP, CFC:** (STAGL, UNIDO, International Experts, TDAP, EDF, Contractors / bidders.)

**Progress & Outcomes:** The main purpose of establishment of STZ is to provide centralized common facilities to tanners for social & environmental compliance. In this regard the three major common facilities are CETP, CRP and CFC. During the reporting period, project authorities coordinated with stakeholders to accord approvals for tendering, award of works, etc. During tendering process, the project also maintained close coordination with bidders through pre-bid meetings and technical & financial negotiations. As a result of this the authorities awarded contract of electromechanical works of CETP and completed the tendering process of CRP.

**Challenges:** Streamlining the various stakeholders and their processes to enable project activity preparation, contracting, and timely start of work was a challenge for Component 3 of the project. The country has been under influence of COVID-19 pandemic till February 2022, during this period the coordination were slow. However online platforms provides an alternative but some delays in submission of bids and clarifications were observed.

**Workshops/ Trainings:** (STZ members, STAGL, UNIDO, District Govt. Institutions)

**Progress & Outcomes:** To maintain effective knowledge management among project stake holders, the project paid special focus to arrange regular sessions. During reporting period two big awareness sessions were arranged to disseminate information and provide guidance regarding construction / shifting of tanneries in STZ. Moreover these sessions support to develop consensus among tanners / STZ members to impose some more development charges on each member to cover the financial gaps in infrastructure works of STZ. Further to it, one session was arranged to disseminate information / findings of the study report of Energy Efficiency & CO2 reduction in tanneries. In these sessions international experts also provided training on tools to calculate CO2 emissions in tanneries and how to keep track on it.

**Challenges:** Due to COVID-19 restrictions and lockdowns, interactions have been curbed up till March 2022, which has created an unexpected challenge for stakeholder engagement. Most of the planned trainings / workshops / seminars and consultative sessions have been postponed due to COVID19 restrictions. However, when it was possible the project authorities have arranged some consultative sessions & workshop by observing proper SOPs.

2. Please provide any feedback submitted by national counterparts, GEF OFP, co-financiers, and other partners/stakeholders of the project (e.g. private sector, CSOs, NGOs, etc.).

The feedback of project stakeholders can be observed by their regular participation in STZ meetings, seminars, workshops and training programs. As mentioned above, following outcomes may be considered as a feedback from project stakeholders,

- getting timely payments of Rs. 300 million from PSIC through PGDP program for establishment of grid stations & supply of natural gas.
- STAGL along with STZ members have decided to collect additional development charges i.e Rs. 100000 per kannal to cover the financial gaps in infrastructure works of STZ.
- Accord approvals and awarded contract for electromechanical works of CETP.
- Despite of COVID19 pandemic & restrictions arranged two awareness sessions on shifting of tanneries in which more than 170 people participated and One training workshop which gathers 36 people.



3. Please provide any **relevant stakeholder consultation** documents.

Minutes of 4<sup>th</sup> PSC meeting (Annexure-X)  
Minutes of Meetings / Activity Report (Annexure-XI)  
Activity Reports of Consultative Sessions / Workshops / Awareness Sessions (Annexure-I)

## VI. Gender Mainstreaming

1. Using the previous reporting period as a basis, please report on the **progress achieved on implementing gender-responsive measures and using gender-sensitive indicators**, as documented at CEO Endorsement/Approval (in the project results framework, gender action plan or equivalent),.

During the reporting period, the project adopted two phase strategy for gender mainstreaming in leather sector, i.e (i) internship program for female students of Environmental Sciences (ii) induct female workers in common facility cum training centre of STZ, for training and further placement in tanning units.

The project has already successfully implemented internship programs for female students and two batches have already completed the internships. Whereas, for reporting period, the STZ internship programs was planned to be held in summer vocations, however due to accumulated syllabus, because of shut down of institutions during COVID19 pandemic, the institutions have postponed the summer vocations and did not participated in scheduled internship program. Therefore for the time being this activity of project was put on hold. As now the government has removed all limitations of operations of institutions the project authorities have decided to re-organize internship program in winter vocations.

In order to implement the second phase of gender mainstreaming strategy i.e promoting women's broader engagement in the industry immediately to establish a ready foundation for Gender Mainstreaming, through induction of female workers in STZ Common Facility cum Training Centre (CFTC). The project has completed the detailed designing of CFC and tender documents were submitted to TDAP to accord approval for initiation of tendering process.

## VII. Knowledge Management

1. Using the previous reporting period as a basis, please elaborate on any **knowledge management activities / products**, as documented at CEO Endorsement / Approval.

STAGL in collaboration with UNIDO, has used following knowledge sharing activities / product to develop and improve the skills of local stakeholders and prepare them to shift in Sialkot Tannery Zone. Following learning modalities have been employed,

- (a) Self-paced courses which were delivered online courses and made available for common user through UNIDO's eLearning platform (<https://leatherpanel.org/>)
- (b) Awareness & Training Sessions,.

During the reporting period the project has shared UNIDO's worldwide experience & knowledge. In this context UNIDO distributed documents in booklet form on i) Best Available Techniques Reference Document –Review of EU normative documents and legislation and their relevance for the tanning industry in developing countries. ii) on Reducing the pollution loads in Leather Processing demonstrating – A Case Study of Cleaner Technologies in Kanpur, India, and iii) The framework for sustainable leather manufacture (2nd Edition), which were circulated among project stakeholders. iv) Effluent Treatment Plant for Tanneries V) URDU translated version of How to Deal with H<sub>2</sub>S Gas.

Moreover during reporting period the project has organized three (03) seminars / workshops to disseminate information regarding green tannery designs, guidelines of shifting & construction of tanneries in STZ, energy efficiency & reducing carbon foot prints. In these session altogether more than 170 people /

stakeholders participated. The project also arrange a training session for tanners on CO2 calculation tools for tanneries and how to track carbon foot prints in tanneries.

This year UNIDO has developed very useful e-Learning course “Leather Testing Methods”. The intention of this course is to develop fundamental knowledge in leather testing matters. Furthermore, UNIDO also upgraded the course of First Aid at the workplace. The project has scheduled a two day training session on “Leather Testing Methods”, which will be held on 26<sup>th</sup> July, 2022.

**2. Please list any relevant knowledge management mechanisms / tools that the project has generated.**

(attached herewith)

Anx-III ( Reports prepared under UNIDO)

Anx-I ( Details of Workshop / consultative session so far held)

Anx-II ( Details of Training)

Anx -IV ( Details of Literature Distributed)

Anx - XI (Brochure )

<https://stagl-skt.com/>

<https://scci.com.pk/sialkot-tannery-zone/>

## VIII. Implementation progress

**1. Using the previous reporting period as a basis, please provide information on progress, challenges and outcomes achieved/observed with regards to project implementation.**

### **Common Effluent Treatment Plant**

Since beginning of the project STAGL & UNIDO are continuously pushing their resources to establish CETP at STZ, which is key to the success of Sialkot Tannery Zone. They estimated and planned that the ultimate flow of CETP will be 12,000 m<sup>3</sup>/day, while in first phase it is decided to construct 4000 m<sup>3</sup>/day of treatment plant based on Activated Sludge Process with advance catalytic oxidation as pre-treatment for hydrogen sulphide. The process adopted has already proven in other international leather zones. The construction of CETP is divided into two parts,

1. Civil & General Electrical Works, with funding approved by federal government through export development fund, government of Pakistan.
2. Electromechanical Works, with the funding of GEF under the guidance / supervision of UNIDO.

#### CETP Civil Works:

Progress: STAGL has awarded the civil works of CETP to lowest bidder “M/s Chaudhary Engineers Associates” and signed a formal contract agreement for the execution of Civil Woks of CETP in the previous reporting period. During this reporting period, so-far fifteen percent (15%) of the civil works has been completed at site.

Challenges: Due to the need to raise the level of CETP tanks, the designer revised the civil structure of CETP until August 2021. In order to save the time the civil construction activities which were possible and did not required any changes were carried out side by the revisions. The activity faced some delays due to non-payment from TDAP/EDF side and as a result of this the civil cost has been escalated.

#### CETP Electromechanical Works:

Progress: During the reporting period, In light of the final evaluated bid prices, the consultant has recommended that M/s 3W Systems (Pvt.) Ltd. and Solutions Engineering (Pvt.) Ltd is the lowest Bidder and shall be considered for Award of Contract.

These technical & financial negotiations were then placed in BOD meeting of STAGL and after due diligence the BOD of STAGL has approved the negotiations with lowest bidder and on 3<sup>rd</sup> November, 2021, the letter of award was released to contractor, also attached herewith as annexure- XIV. The final contract prices are

as under,

Foreign / Imported Component (USD) Without Duties, WHT & Sales Tax Including Delivery at Site	: 1,518,041. 00/-
Local Component (Rs.) Including all applicable Govt Taxes	: 200,701,776.00/-

*Above prices are including delivery at STZ site, Erection, Installation, Commissioning & Testing*

: The status of various activities are as under,

Sub-activities	Status
Local Currency Components	Mobilization Advance was released to contractor. Complete Raw Material was inspected by STAGL and report is attached herewith as Annexure- VII The delivery of embedded pipes were made by contractor.
Foreign Currency Components	All LCs have been established by STAGL. The inspections of manufactured items will be started by mid of June 2022. The delivery of imported items will start from August 2022 and it will be completed by February 2023. The installation & commissioning of items is estimated to be completed by June 2023 and trial runs will be started. The inspection reports of manufactured items are presented in Annexure-VII.
Shop Drawings	Submitted & approved
Mechanical Tech Submittal	Submitted & approved
Electrical Tech Submittal	Submitted & Approved
Control Logics of CETP	Submitted & Approved

**Challenges:** Currently under GEF-UNIDO funds, USD: 2.2 million was kept for electromechanical works of CETP. Whereas the contract price of CETP electromechanically Works is USD: 2.6 million. The gap of USD: 400,000 will be fulfilled by STAGL's own funds. Moreover, regarding Duties & Taxes on Imported Component of CETP, Government has policy to give relief / exemptions on Custom Duty and Sales Tax on imported components purchased from the funds of Foreign Grants. The estimated amount of Custom Duties & Taxes on Imported Component of CETP at STZ will be around USD: 771,339 /-. And as a foreign grant project it was not considered in project cost. During the tendering process it was realized the Govt. of Pakistan has ended all the relaxation / exemptions on duties & taxes. The arrangement of duties and taxes is also a big challenge.

High inflation and currency devaluation have increased costs of raw materials and imported components. Due to these factors, the cost of Civil Works of CETP has also been escalated to Rs. 90 million.

To overcome the above deficits STAGL has devised following way-forward plan,

- STAGL has tapped additional funding of Rs. 340 million from Govt. of Punjab under PGDP. This additional funding will assist STAGL to manage the financial gaps.
- Moreover, STAGL BOD has decided to develop and sell newly purchased land of 108 kanal to the applicants, so that financial gaps could be covered.
- Regarding duties & taxes the project device two plans, i.e, (1) to seek exemptions of duties & taxes on imported components, for which the complete case is prepared and submitted to government counter parts. (2) as a plan-B, in case if exemptions could not be materialized in time, STAGL requested EDF to appropriate Rs. 149 million which were surplus due in EDF approved heads for grid station, because STAGL has receive Rs. 200 million from PGDP program of Govt. of Punjab.

### **Chrome Recovery Plant**

Chromium (III) salts, applied is absorbed by the hides and skins under process in traditional chrome tanning

and the balance is discharged as waste in the effluent. The chromium discharged as waste signifies a big loss as well as an environmental hazard. The chromium (III) salts discharged in environment has ability to oxidize into Hexavalent chromium (chromium (VI)). Chromium VI is the most dangerous form of chromium. Keeping in view the above mentioned factors, it is planned to construct a chrome recovery plant having capacity of 60m<sup>3</sup> / day. The spent chrome liquor will be collected from tan yard of each tannery, bring it to Common Chrome Recovery Plant, recover the spent chrome and re-use it in tanneries. The chrome free effluent will then transferred to CETP for further treatment.

Progress: Tender was launched in January 2022, and only one bid was received which was found technically acceptable. Financial evaluation was conducted, but as it was 268% higher than the estimated cost, discussions are taking place to find a solution.

Challenges:

The funds for establishment of chrome recovery plant were co-financed by EDF – Govt of Pakistan and PSIC under PGDP – Govt of Punjab. According to it the sole bid received is almost 268% higher than the estimated cost and recommended that the bid may be rejected subject to final decision of the procurement agency/committee. Further, the consultant has proposed some course of actions on which STAGL & consultant are working. STAGL has to arrange additional funds because of price escalation and are preparing case of price escalation for submission to EDF for additional funding.

### **Shifting of Tanneries in STZ**

Progress: In [insert month] The shifting of tanneries was put on hold to complete Green Tannery Designs which include basic architectural & structural plan of tanneries and to start the construction activity of CETP, so that till completion / operationalization of CETP the tanneries could also start their working in zone. During the reporting period both mile stones have been achieved, therefore in 2021/22 the management of STZ allowed tanners to start the construction activities at STZ.

Moreover to motivate the tanners and to sort out the issues related to construction of tanneries at site, STAGL has also arranged two awareness sessions. The STAGL management, apprized the audience about the current infrastructure status of zone along with the steps taken for social & environmental compliance in coordination with UNIDO-GEF and Government of Pakistan (EDF & EPD).

Outcome:

These awareness session was found very useful by providing the guidance to tanners regarding shifting & construction of tanneries at STZ. This session not only encouraged / motivated the tanners to start the construction of tanneries but it also created an opportunity to addresses the queries / technical issues of plot holders related to site.

The shifting of tanneries at STZ is underway, some of the early birds (tanners) have started the construction of boundary walls and earth filling, while many of them are in planning phase. So far three (03) tannery units have completed 80% of the construction activities and reached at the stage of trial runs.

Challenges: The construction activities of tanneries in STZ has been slowed down due to current escalation in prices. The project authorities have taken following steps to assist tanners:

- Providing detailed designs of tanneries which includes architectural & structural design under green tannery design initiative. This will save 2% to 3% cost of construction of tanners on account of engineering consultancy fee charged by individual designers.
- Providing free of charge guidelines by STAGL's engineering team during construction of tanneries in STZ
- Receiving Rs. 300 million from Govt. of Punjab under PGDP program for establishment of grid station and supply of natural gas to STZ, which reduces over development charges of members / tanners.
- Moreover, under PGDP program Rs. 158 million is allocated as a soft loan to tanners for relocation of tanneries.

### **Solid Waste Assessment, Utilization and Reducing Carbon Foot Prints**

Progress: UNIDO hired an international consultancy firm to address the solid waste utilization, energy aspects of the leather value chain supporting, transforming the leather processing industries toward low emissions, reducing carbon foot prints and development of climate resilient paths.

The report has been prepared with the support of UNIDO under the Leather Processing Industries towards Low Emissions and Climate Resilience Development Paths project (GEF ID 9585).

This report consists of three parts:

1) Energy efficiency opportunities at the following selected tanneries, i.e leather field, leather village and sheikh of Sialkot. 2) Appraisal of Waste-to-Energy opportunities at STZ. 3) Calculations on reduced carbon emissions given successful implementation of recommendations given in sections 1) and 2).

*Energy Efficiency Opportunities*

The energy audits conducted at the selected tanneries all show a clear potential for profitable energy efficiency measures. The overall results are presented in Table,

Tannery	kWh / year	\$ / year	\$ Investment	Payback years
Leather Field	1 616 029	89 729	162 879	1.8
Leather Village	237 240	20 848	42 876	2.1
Sheikh of Sialkot	1 303 211	36 978	94 148	2.5
Total	5 569 876	220 286	477 475	2.5

The most profitable measures are Installation of variable frequency drives, Oxygen trim control, •Installing economizers on steam boilers, Condensate collection and return, Thermal insulation of pipelines for steam and hot water.

These mostly have payback periods of less than two years, depending on the tannery. Mid-range measures in terms of profitability include reusing boiler blowdown water for hot water supply, compressor modernization, thermal insulation of valves and flanges and installation of photovoltaics. Long-term measures focus mainly on solar collectors for preheating water for hot water supply and steam boilers.

*Waste-to-energy Opportunities*

The pre-feasibility study for waste-to-energy solutions in KLA and STZ concludes that there is potential for waste-to-energy (WtE) solutions for both liquid and solid waste that may yield substantial economic and environmental benefits in both areas. In STZ solutions include a biogas facility with integrated electricity and heat production in connection with the planned central effluent treatment plant (CETP) for liquid waste while solid waste is proposed treated in an incineration plant (with no incineration of chrome).

*Carbon Emission Reductions*

The last section of the report estimates carbon emission reductions from the proposed solutions. There are substantial carbon emission reductions that can be achieved given implementation of the recommendations in this report both for energy efficiency projects and for WtE solutions.

The detailed report is attached herewith as annexure-VIII.

Challenges: As 95% of the tanneries of Sialkot are considered as small enterprises to further implement the findings/recommendations of this report the project needs more technical & financial resources to hire experts for collaboration with tanneries.

**Common Facility Cum Training Center**

The tanning industry of Sialkot is mostly made up of SMEs, which are looking to STAGL for provision of technical assistance on modern techniques of finishing. Hence this common facility cum training center will provide training to the workers on modern Eco-friendly technique of leather finishing could be implemented. Moreover, to start promoting women’s broader engagement in the industry immediately to establish a ready foundation for Gender Mainstreaming upon operationalization of the STZ, STAGL has decided to induct female works in STZ Common Facility cum Training Centre (CFTC) for light works involved in finishing of leather like, toggling, spray machine, packing, cutting , etc.

Progress: During the reporting period, STAGL has hired a local consultant to prepare the engineering estimates and tender documents. The funds for the civil construction of CFTC are approved under EDF funding line. Therefore, STAGL has submitted the engineering estimates, civil design and tender documents to TDAP/EDF for review and approval. The tendering process of CFTC will be started soon after receiving the approval from TDAP/EDF.

Challenge: The process of according approval from TDAP took prolonged time, during this period the prices of construction material has been increased significantly due to current inflation in country. It is a challenging and time taken activity for STAGL to get additional funding from EDF.

## 21 MW Grid Station of STZ

For the establishment of grid station, GEPCO<sup>10</sup> has served a demand note amounting to Rs. 376 Million. Federal government through EDF has approved Rs. 330 million for establishment of 21MW grid station. Accordingly, STAGL deposited the 1st instalment of demand notice to GEPCO which is Rs. 131 million in September 2020, whereas the 2nd instalment of demand notice which is Rs. 50 million has deposited in December 2021. Moreover, the project also received co-funding from PSIC under PGDP program and paid 195 million to GEPCO in February 2022.

**Outcome:** GEPCO has completed the tendering process and started the civil works of Grid Station. So far the contractor has completed the boundary wall of grid station.

**Challenge:** GEPCO is the electricity distribution company of Government and have slow in-house operational processes. Therefore, usually they delay the construction work of Grid Stations. It is challenge for STAGL to maintain close coordination with GEPCO and complete the activity in stipulated time period.

## Co-financing from PSIC<sup>11</sup> under PGD<sup>12</sup> Program and conversion of loan into grant.

The project maintained close liaison with i.e Industries Department / PSIC - Govt. of Punjab for the preparation and approval of PC-I to utilize the tapped funding of Rs. 500 million from PGDP-world Bank supported program. As a result of these efforts in 38th PDWP meeting held on 21-05-2021 the govt. of Punjab has approved the PC-I for development schemes of STZ, the details of these schemes are as follow,

- Construction of 21 MW Grid Station : Rs. 200 million
- Supply of Natural Gas to STZ : Rs. 100 million
- Construction of Common Chrome Recovery Plant : Rs. 40 million
- Relocation and Cleaner Production Loan (RCPL) to Tanner : Rs. 158 million  
( for 1 Kanal to 4 Kanal @ 4% for 5 Years)

**Progress:** During reporting period the project remained successful to convert the soft loan in to grant of Rs. 340 million for construction of grid station, supply of natural gas and construction of chrome recover plant.

**Outcome:** During reporting period the government also released payments of Rs. 300 million to STAGL. The GEPCO has started the civil construction works of grid station.

**Challenges:** For the supply of natural gas, the total amount of demand notice prepared by SNGPL is Rs. 112 million, where Rs. 100 million is provided by PSIC and remaining Rs. 12 million by STAGL. However, when STAGL received the co-financing from PSIC, due to time delay the price has been escalated and SNGPL revised the demand notice i.e Rs.143 million. Now STAGL has to arrange additional funds of Rs 31 million from its own resources.

## Workshops and Awareness Sessions

### Reporting Period

Sr. No.	Title of Workshop / Awareness Sessions	Main topic	Dates	Number of participants
1.	Stakeholder consultative session on "Re-location & Construction of Green Tanneries at Sialkot Tannery Zone".	To discuss the issues faced by tanners regarding construction of tannery units at STZ as per provided designs and to motivate the tanners to start the shifting process.	8 <sup>th</sup> September, 2021	60
2.	Awareness session on Guidelines on shifting & construction of tanneries in Sialkot Tannery Zone	To discuss the issues faced by tanners regarding construction of tannery units at STZ as per provided designs and to motivate the tanners to start the shifting process.	10 <sup>th</sup> November, 2021	115

<sup>10</sup> GEPCO: Gujranwala Electric Power Company (Government Owned Electricity Distributor)

<sup>11</sup> PSIC: Punjab Small Industries Corporation

<sup>12</sup> PGDP: Punjab Green Development Program

3	Workshop of Energy Efficiency Methodology & Action Plan for Solid Waste Management in STZ	Energy efficiency opportunities at the following selected tanneries, i.e. leather field, leather village and sheikh of Sialkot. Appraisal of Waste-to-Energy	28th February 2022	21
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For complete till to date workshop details please refer to annexure-I.

#### List of Trainings during Reporting Period

S. No.	Title of Training / Workshop / Dissemination programme	Expert / Faculty / Trainer	Main topic of training	Dates	Number of participants
1	Workshop of Energy Efficiency Methodology & Action Plan for Solid Waste Management in STZ	Sigra Group	CO <sub>2</sub> Calculation Tools for tanneries	28th February 2022	9

For complete till to date trainings details please refer to annexure-II.

2. Please briefly elaborate on any **minor amendments**<sup>13</sup> to the approved project that may have been introduced during the implementation period or indicate as not applicable (NA).

Please tick each category for which a change has occurred and provide a description of the change in the related textbox. You may attach supporting documentation, as appropriate.

<input checked="" type="checkbox"/>	Results Framework	<i>Results framework adapted based on recommendations from MTR.</i>
<input type="checkbox"/>	Components and Cost	NA
<input type="checkbox"/>	Institutional and Implementation Arrangements	NA
<input type="checkbox"/>	Financial Management	NA
<input type="checkbox"/>	Implementation Schedule	NA
<input type="checkbox"/>	Executing Entity	NA
<input type="checkbox"/>	Executing Entity Category	NA
<input type="checkbox"/>	Minor Project Objective Change	NA
<input type="checkbox"/>	Safeguards	NA

<sup>13</sup> As described in Annex 9 of the *GEF Project and Program Cycle Policy Guidelines*, **minor amendments** are changes to the project design or implementation that do not have significant impact on the project objectives or scope, or an increase of the GEF project financing up to 5%.

<input type="checkbox"/>	Risk Analysis	NA
<input type="checkbox"/>	Increase of GEF Project Financing Up to 5%	NA
<input type="checkbox"/>	Co-Financing	NA
<input type="checkbox"/>	Location of Project Activities	NA
<input type="checkbox"/>	Others	NA

### 3. Please provide progress related to the **financial implementation** of the project.

#### Main expenditures during reporting period:

Most GEF funds (USD 1,652,900) were allocated to the project output 3.2, activity 3.2.8: common effluent treatment plant electromechanical works / machinery.

#### Details of Co-Financing (only relevant to reporting period)

Sr#	Activity Description	Total Estimated Amount Rs. million	Funds Sponsor Agency / Sector	Progress during reporting period
1	Civil Works of CETP	410	EDF = Rs. 320 million STZ = Rs. 90	The Civil works of CETP are completed by 15%. It is estimated that by March 2023 the civil works will be completed.
2	Electro-Mechanical Works of CETP	480	GEF UNIDO = Rs. 380 million STZ = Rs. 100 million	Electromechanical Works are in progress, with the funding of GEF under the guidance / supervision of UNIDO. The project released the Work Order to Lowest Bidder for Electro-Mechanical Works of CETP. (USD: 2.88 million). The manufacturing of local & imported items are underway. The inspection of local & imported items which are manufactured are under way. The delivery of imported items will start from August 2022 and it will be completed by February 2023. The installation & commissioning of items is estimated to be completed by June 2023 and trial runs will be started.
4	Establishment of Grid Station (21MW)	550	EDF = Rs. 330 million PSIC = Rs. 200 million	During the reporting period the civil works of grid station has started.
5	Supply of Natural Gas to STZ (external) from sambrial chowk to STZ site	143.5	STAGL = Rs. 43 million STAGL = Rs. 100 million	STAGL has deposited Rs. 100 million to Sui Northern Gas Supply Company. The remaining Rs.43 million will be deposited in next financial year (FY22-23) and after that pipe laying will be started.
6	Construction of CRP	270	EDF = 40 PSIC = 40	During the reporting period the detailed design, engineering estimates and tender documents have completed. Moreover, the tendering process was also completed during reporting period.



		<b>Total</b>	Rs. 1,853.5	
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The table below shows the total co-financing to date compared to the CEO Endorsement

Sources of Co-financing	Name of Co-financier (source)	Type of Cofinancing	Expected Cofinancing Amount (\$) (as per CEO endorsement)	Actual Cofinancing Amount (\$)
Private Sector	Sialkot Tannery Association Guarantee Limited (STAGL) through STZ project	Cash	13,950,000	10,179,259
Private Sector	Sialkot Tannery Association Guarantee Limited (STAGL) through STZ project	In-kind	500,000	500,000
GEF Agency	UNIDO	In-kind	200,000	200,000
GEF Agency	UNIDO	Cash	50,000	50,000
<b>Total Co-financing</b>			<b>14,700,000</b>	<b>10,929,259</b>

### IX. Work Plan and Budget

1. Please provide an updated project work plan and budget for the remaining duration of the project, as per last approved project extension. Please expand/modify the table as needed.

Outputs by Project Component	2022		2023	GEF Grant Budget Available (US\$)
	Q3	Q4	Q1	
<b>Component 1 – CCA and Gender Equality for Adaptation Mainstreamed into Urban and Rural Development Planning</b>				
Outcome 1: Regulatory and strategic urban planning frameworks to improve industrial-community co-existence, resiliency against climate change and gender equality are strengthened				
Output 1.1: Support to mainstream CCA and gender equality into Punjab and Sialkot district urban development plan is provided				3600
Output 1.2: Flood management plan for the Sialkot Tannery Zone (STZ) and the pilot Dugri drain in Sialkot is documented and capacities are developed			<input checked="" type="checkbox"/>	3500
<b>Component 2 – Climate Change Resilience Building of Vulnerable Communities and Leather Business Owners</b>				
Outcome 2: Awareness among targeted community groups and leather business owners on the need to introduce CCA concepts/practices is raised				
Output 2.1: Information on CCA measures for STZ is provided to target groups and their needs are understood by project stakeholders	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		500
Output 2.2: Community-led trainings and actions to overcome CC through water and energy conservation and flood management are delivered	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		5500
Output 2.3: The needs of different target groups to build their resiliency are communicated to each other	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	500
Output 2.4: Guidelines on best practices and project knowledge disseminated to similar clusters and development projects		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	16000
<b>Component 3 – Sialkot District and Sialkot urban plan implementation, dissemination of information, demonstration of safe, affordable and advance technology for water treatment and water conservation in the pilot Sialkot Tannery Zone (STZ)</b>				

<b>Outcome 3: Water availability for agricultural use around the STZ is increased</b>				
Output 3.1: Various alternatives, especially water harvesting and appropriate effluent treatment technology, documented and discussed with all STZ stakeholders				
Output 3.2: Assistance provided with the preparation of ToR, tender, technical evaluation and supervision of work and installation of Central Effluent Treatment Plant (CETP) including technology for one CETP module	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	661540
Output 3.3: Practical training for improved production efficiency, lower environmental footprint and pollution reduction technologies is delivered to relevant stakeholders		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	13000
Output 3.4: Support is provided to verify and build capacities on using the Dugri Drain as a treated water discharge system that benefits agriculture			<input checked="" type="checkbox"/>	5200
Output 3.5: Feasible by-products from leather industrial waste and required technology are identified			<input checked="" type="checkbox"/>	7700
Output 3.6: Water management practices and technologies are demonstrated to tanneries			<input checked="" type="checkbox"/>	5500
<b>Component 4 – Quality Control Monitoring and Evaluation</b>				
<b>Outcome 4: Quality control and efficient monitoring and evaluation measures are embedded into the project</b>				
Output 4.1: Monitoring and evaluation conducted		<input checked="" type="checkbox"/>		1,014,200

## X. Synergies

### 1. Synergies achieved:

#### (Reporting Period)

#### **Govt. Of Punjab – Punjab Small Industries Corporation under PGDP program by World Bank**

Progress: During reporting period the project remained successful to convert the soft loan in to grant of Rs, 340 million for construction of grid station, supply of natural gas and construction of chrome recover plant.

Outcome: Due to this collaboration the project get financial stimulus to overcome the gaps in various infrastructure activities, specially this financial aid will assist to re-appropriate approved EDF funds of Rs. 149 million for payment of duties & taxes of imported components of CETP.

#### **Government of Pakistan through Export Development Fund**

Outcome: EDF has approved Rs.1170 million for various activities of STZ including civil works of CETP. EDF rules and regulations are flexible which allows to re-appropriate funds and also to get price escalation if both are well justified. Hence this collaboration of project with EDF has created an opportunity to get additional funding on account of justified price escalation or re-appropriate approved funds to complete the started activities.

#### **Collaboration with GEF-UNIDO Project**

The project created synergies with GEF-UNIDO other project for transforming the Leather Processing Industries towards Low Emissions and Climate Resilient Development Paths in Karachi. In this regard a joint study was launched during the reporting period on Solid Waste Utilization, Energy Audits and Reducing Carbon Footprints. For this purpose an international consultancy firm has been hired to conduct field surveys, audits and draft a report. Under this activity in total six tanneries have been selected, three from each station i.e Sialkot & Karachi. The hired firm has sent their local experts for primary data collection and field surveys. The final report has been prepared and disseminate among project partners.

Impact / Outcomes: Through this collaboration both projects can share their experiences in terms of project planning, implementation and can also take advantages of lesson learnt from previous experiences. Moreover, this study will provide the tools and guidelines for tracking Leather Environmental Footprint and Carbon Footprint Calculation for sustainable environmental management and regulation in STZ.

#### **Partnership with ILO-WWF Project**

The partnership with ILO-WWF project continued during reporting period, ILO-WWF project has shared valuable inputs regarding the post audit of tanneries of Sialkot in domain of implementation of energy conservation and cleaner production techniques. Based on the findings of post audit results STZ PMU is devised the strategy for field audits of study “Energy Efficiency & Reducing CO2 footprints”. Moreover, the provided post audit results are also helpful to identify the key areas and gaps to develop a program on implementation of BAT/BEP under UNIDO’s Toolkit.

#### **National Institute of Management, Govt. of Pakistan**

National Institution of Management, has mark STZ as an important entity of the country and has selected for in-land study tour for mid-career bureaucrats. In 2019 they sent the first batch of bureaucrats. Now, on 1st December, 2021 the 2nd in-land study tour of mid-career bureaucrats has visited STZ. The purpose of this study tour is to visit major public installations of Pakistan, which will assist Government for future partnership, planning and decision making.

This delegation was comprised of 13 bureaucrats. The management of STZ briefed them about the importance of STZ project and different features of STZ.

Outcome: The delegation applauded the initiative of SCCI & STAGL. This activity creates an opportunity for the project to remain highlighted in government bureaucracy and also build connections for further assistance of the project from government side.

### 3. Stories to be shared (Optional)

N/A

## EXPLANATORY NOTE

1. **Timing & duration:** Each report covers a twelve-month period, i.e. 1 July 2021 – 30 June 2022.
2. **Responsibility:** The responsibility for preparing the report lies with the project manager in consultation with the Division Chief and Director.
3. **Evaluation:** For the report to be used effectively as a tool for annual self-evaluation, project counterparts need to be fully involved. The (main) counterpart can provide any additional information considered essential, including a simple rating of project progress.
4. **Results-based management:** The annual project/programme progress reports are required by the RBM programme component focal points to obtain information on outcomes observed.

Global Environmental Objectives (GEOs) / Development Objectives (DOs) ratings	
<b>Highly Satisfactory (HS)</b>	Project is expected to achieve or exceed <u>all</u> its major global environmental objectives, and yield substantial global environmental benefits, without major shortcomings. The project can be presented as “good practice”.
<b>Satisfactory (S)</b>	Project is expected to <u>achieve most</u> of its <u>major</u> global environmental objectives, and yields satisfactory global environmental benefits, with only minor shortcomings.
<b>Moderately Satisfactory (MS)</b>	Project is expected to <u>achieve most</u> of its major <u>relevant</u> objectives but with either significant shortcomings or modes overall relevance. Project is expected not to achieve some of its major global environmental objectives or yield some of the expected global environmental benefits.
<b>Moderately Unsatisfactory (MU)</b>	Project is expected to achieve <u>some</u> of its major global environmental objectives with major shortcomings or is expected to <u>achieve only some</u> of its major global environmental objectives.
<b>Unsatisfactory (U)</b>	Project is expected <u>not</u> to achieve <u>most</u> of its major global environmental objectives or to yield any satisfactory global environmental benefits.
<b>Highly Unsatisfactory (HU)</b>	The project has failed to achieve, and is not expected to achieve, <u>any</u> of its major global environmental objectives with no worthwhile benefits.

Implementation Progress (IP)	
<b>Highly Satisfactory (HS)</b>	Implementation of <u>all</u> components is in substantial compliance with the original/formally revised implementation plan for the project. The project can be presented as “good practice”.
<b>Satisfactory (S)</b>	Implementation of <u>most</u> components is in substantial compliance with the original/formally revised plan except for only few that are subject to remedial action.
<b>Moderately Satisfactory (MS)</b>	Implementation of <u>some</u> components is in substantial compliance with the original/formally revised plan with some components requiring remedial action.
<b>Moderately Unsatisfactory (MU)</b>	Implementation of <u>some</u> components is <u>not</u> in substantial compliance with the original/formally revised plan with most components requiring remedial action.
<b>Unsatisfactory (U)</b>	Implementation of <u>most</u> components is <u>not</u> in substantial compliance with the original/formally revised plan.
<b>Highly Unsatisfactory (HU)</b>	Implementation of <u>none</u> of the components is in substantial compliance with the original/formally revised plan.

Risk ratings	
Risk ratings will assess the overall risk of factors internal or external to the project which may affect implementation or prospects for achieving project objectives. Risk of projects should be rated on the following scale:	
<b>High Risk (H)</b>	There is a probability of greater than <b>75%</b> that assumptions may fail to hold or materialize, and/or the project may face high risks.
<b>Substantial Risk (S)</b>	There is a probability of between <b>51%</b> and <b>75%</b> that assumptions may fail to hold or materialize, and/or the project may face substantial risks.
<b>Moderate Risk (M)</b>	There is a probability of between <b>26%</b> and <b>50%</b> that assumptions may fail to hold or materialize, and/or the project may face only moderate risk.
<b>Low Risk (L)</b>	There is a probability of up to <b>25%</b> that assumptions may fail to hold or materialize, and/or the project may face only low risks.