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**THIS ACTION IS FUNDED BY THE EUROPEAN UNION**

**ANNEX II**

to the Commission Implementing Decision on the financing of the annual action plan in favour of the Islamic Republic of Pakistan for 2023

**Action Document for Post-Flood Rural Economic Recovery of Green Productive Assets in Khyber Pakhtunkhwa**

**ANNUAL PLAN**

This document constitutes the annual work programme within the meaning of Article 110(2) of the Financial Regulation, within the meaning of Article 23 of the NDICI-Global Europe Regulation.

# 1 SYNOPSIS

## 1.1 Action Summary Table

<b>1. Title CRIS/OPSYS business reference Basic Act</b>	Post-Flood Rural Economic Recovery of Green Productive Assets in Khyber Pakhtunkhwa OPSYS number: ACT-61900 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
<b>2. Team Europe Initiative</b>	Yes Pakistan: Building Back Better through Green Jobs Creation
<b>3. Zone benefiting from the action</b>	The action shall be carried out in Pakistan, Khyber Pakhtunkhwa province
<b>4. Programming document</b>	Multi-annual indicative programme for Pakistan 2021-2027
<b>5. Link with relevant MIP(s) objectives / expected results</b>	Contribution to MIP's priority area 1 (Green Growth) by promoting clean energy security and sustainable natural resources management in Khyber Pakhtunkhwa province
<b>PRIORITY AREAS AND SECTOR INFORMATION</b>	
<b>6. Priority Area(s), sectors</b>	MIP Priority area 1 – Green Inclusive Growth: OECD DAC Codes 230 and 140
<b>7. Sustainable Development Goals (SDGs)</b>	Main SDG (1 only): 7 – Affordable and Clean Energy Other significant SDGs (up to 9) and where appropriate, targets: 1 – No Poverty 5 – Gender Equality 8 – Decent Work and Economic Growth 10 – Reduced Inequality 11 – Sustainable Cities and Communities 13 – Climate Action
<b>8 a) DAC code(s)</b>	23220 Hydro-electric power plants (50%)

	31220 Forestry development (40%) 32130 - Small and medium-sized enterprises (SME) development (10%)				
<b>8 b) Main Delivery Channel</b>	23000 Developing country-based NGO				
<b>9. Targets</b>	<input type="checkbox"/> Migration <input type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input checked="" type="checkbox"/> Biodiversity <input type="checkbox"/> Education <input type="checkbox"/> Human Rights, Democracy and Governance				
<b>10. Markers</b> <b>(from DAC form)</b>	<b>General policy objective @</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>	
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Aid to environment @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Disaster Risk Reduction @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Inclusion of persons with Disabilities @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Nutrition @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>	
	Biological diversity @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Combat desertification @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Climate change mitigation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Climate change adaptation @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	<b>11. Internal markers and Tags:</b>	<b>Policy objectives</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
		Digitalisation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
digital connectivity digital governance digital entrepreneurship digital skills/literacy digital services		YES <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	NO <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>		
Connectivity @		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
digital connectivity energy		YES <input type="checkbox"/> <input type="checkbox"/>	NO <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>		

	transport	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	health	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	education and research			
	Migration @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Covid-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>BUDGET INFORMATION</b>				
<b>12. Amounts concerned</b>	<p>Budget line (article, item): 14 02 01 31 (NDICI South and East Asia)</p> <p>Total estimated cost: EUR 50 million</p> <p>Total amount of EU budget contribution: EUR 50 million</p> <p>The action is part of the TEI Building Back Better through Green Jobs Creation, complementing ongoing initiatives in the province by Germany (strengthening climate adaption and resilience, including energy efficiency), and Italy (agricultural value chains).</p>			
<b>MANAGEMENT AND IMPLEMENTATION</b>				
<b>13. Type of financing</b>	<p><b>Direct management</b> through:</p> <ul style="list-style-type: none"> <li>- Grants</li> <li>- Procurement</li> </ul>			

## 1.2 Summary of the Action

In the aftermath of the most devastating floods in its history, Pakistan is going through a compounded political and economic crisis that puts the country in a critical situation. The destruction brought by the floods has taken a heavy toll on an economy already struggling with the rise of interest rates and global commodity prices, leading to decades-high inflation and dwindling foreign exchange reserves. Total damages from the floods exceed USD 14.9 billion, while total economic losses stand at USD 15.2 billion. Estimated needs for rehabilitation and reconstruction are at least USD 16.3 billion, including a build-back-better premium.

In response to the floods, the Resilient Recovery, Rehabilitation, and Reconstruction Framework (4RF) – prepared with the support of the EU, World Bank, UN, and ADB – is the Government of Pakistan’s strategic policy and prioritisation document which will guide the recovery, rehabilitation and reconstruction of the country.

Designed under the MIP 2021-2027 Priority Area 1 – Green Inclusive Growth and in full alignment with the 4RF, the action will make a significant contribution to reactivating the rural economy in the province of Khyber Pakhtunkhwa (KP) with a focus on the main productive assets for the rural population in the province. The project will restore in a climate-resilient manner renewable energy and irrigation infrastructures built under previous EU funded programmes and seriously damaged by the 2022 floods; it will also expand the same kind of green productive assets to other mountainous areas with untapped potential for economic development based on improved provision of energy and water for irrigation. Previous EU interventions in the province reached 1.9 million people and established successful community-managed electrification schemes and irrigation infrastructures while strengthening SMEs in agricultural value chains.

The Overall Objective of this action is to contribute to post-2022 floods climate resilient socioeconomic recovery through sustainable water resources management in the most affected and poorest districts of Khyber Pakhtunkhwa province, based on the ‘building back better’ principle.

The first outcome will be to restore, expand, and strengthen in a climate resilient and environmentally sustainable manner the provision of renewable energy and water for irrigation in rural communities in mountainous areas in KP through a sustainable water resources management approach. This first outcome will materialise through the rehabilitation and ex-novo construction of community-based hydropower plants (output 1.1) and irrigation systems (output 1.2), designed to be climate resilient and managed in a sustainable and profitable way by rural communities in close coordination with the provincial government. Slope areas in the rural communities benefitting from strengthened productive assets (energy and water) will be integrated in community-level sustainable natural resources management and disaster risk reduction plans, and reforested with local multipurpose tree species (Output 1.3). Finally, provincial water and power policies will integrate long-term climate change adaptation and resilience as well as environmental protection when it comes to water and power public infrastructures (Output 1.4).

The second action outcome is to increase rural communities’ economic resilience to climate change by fostering energy-enabled SMEs development, with a specific focus on most vulnerable populations including women and youth. For this, existing small local business will be reinforced in their capacities to run and expand sustainable and profitable economic initiatives tapping into the opportunities created by increased electricity and water availability (output 2.1).

The action contributes mainly to SDG (7 – Affordable and Clean Energy, and significantly to SDGs 1 – No Poverty, 5 – Gender Equality, 8 – Decent Work and Economic Growth, 10 – Reduced Inequality, 11 – Sustainable Cities and Communities, 13 – Climate Action.

The action will contribute to the implementation of the EU Gender Action Plan 2021-2025 GAP III, in particular to its thematic area of engagement “Strengthening economic and social rights and empowering girls and women” and “Addressing the challenges and opportunities of green transition and digital transformation”.

Finally, the action is part of the TEI Building Back Better through Green Jobs Creation<sup>1</sup>, complementing ongoing initiatives in the province by Germany (strengthening climate adaption and resilience, including energy efficiency), and Italy (agricultural value chains). It also contributes to the Global Gateway connecting goods, people and services in a sustainable way in relation with climate and energy.

## 2 RATIONALE

### 2.1 Context

Pakistan is the 5<sup>th</sup> most populated country in the world, with a rapidly growing population of 231 million (2021 WB) and an annual per capita income of USD 1,505 (2021, WB). Nearly 39% (2018, MPI, UNDP) of Pakistanis live in multidimensional poverty, with the highest rates of poverty in the provinces of Khyber Pakhtunkhwa and Balochistan, and a constant 25% of the population has not had access to electricity for the last two decades. Pakistan is placed 8<sup>th</sup> among the most affected countries by extreme weather events from 2000 to 2019 (Global Climate Risk Index 2021), and it is also a major country of origin, transit and destination of refugees and migrants. Women's situation remains a challenge with the country ranked 145 out of 156 countries for economic participation and opportunity according to the Global Gender Gap Index (GGGI) 2022 and the second worst country in the world in terms of gender parity (according to the 2022 World Economic Forum's Global Gender Gap Index report). In parallel, the increasing youth bulge provides the country with a potential demographic dividend while at the same time representing a challenge in terms of employment and service provision.

After the COVID-19 pandemic, which resulted in a real GDP contraction of 1.3% in 2020, Pakistan suffered in 2022 the worst floods in its history. The floods put under water 75,000 square kilometres, affected 33 million people, took the lives of 1,712, and damaged or destroyed 2.2 million houses in 94 calamity-hit districts (out of a total of 170 districts in the country). As a result, estimates indicate an increase in multidimensional poverty from 37.8% to 43.7%, meaning that an additional 1.9 million households (around 12.1 million people) will be pushed into multidimensional poverty, experiencing significantly increased deprivations in access to adequate health, sanitation, maternal care, electricity, as well as loss of assets.

Floods left an adverse gender-specific impact in areas such as women's health and wellbeing. A Protection Analysis Update in October 2022<sup>2</sup> reported high rates of vulnerability among girls and women nationwide as a result of the impacts of the floods on basic services. The floods reduced available support services in a context of increased demand for them. Heightened tensions, fear and uncertainty coupled with loss of income might be leading to increased violence against women and girls.

The EU reacted immediately to the floods starting with a Declaration of Crisis approved on 17 October 2022 and covering retroactively from 1 October 2022 to 30 June 2023. In response to the dire humanitarian situation, the EU and its Member States mobilised EUR 215 million by March 2023. The EU took also a major role – in close coordination with Asian Development Bank, World Bank, and the United Nations system – in support to the Government of Pakistan to complete in a record time the Post Disaster Needs Assessment (PDNA) and the subsequent Resilient Recovery, Rehabilitation and Reconstruction Framework.

The 4RF is the Government of Pakistan's strategic policy and prioritisation document to guide the reconstruction of the country. According to the PDNA-4RF, overall damages are estimated at EUR 13.62 billion, equivalent to 4.8% of 2022 GDP, while recovery and reconstruction needs are projected to reach at least EUR 14.62 billion, equivalent to 1.6 times the budgeted national development expenditure for 2022-2023.

The destruction wrought by the floods is taking a heavy toll on an already struggling economy. Worsening external conditions including the rise of interest rates and global commodity prices, particularly energy, are leading to decades-high inflation and dwindling foreign exchange reserves, with an increasing risk of sovereign default. The conditions associated to the ongoing IMF USD 7 billion Extended Fund Facility programme put an additional strain on Pakistan, which faces the enormous challenge of ensuring macroeconomic stabilisation while supporting relief and economic recovery and reducing inequality.

On the top of this economic crisis, political instability has been on the rise since the ouster in April 2022 of former Prime Minister Imran Khan through a no-confidence motion. At a crucial moment for the future of Pakistan and in the wake of new legislative elections, rehabilitation efforts are being deployed in a climate of tension between the main political parties that might affect democratic governance, resource allocation, participation of civil society and integration of minority groups.

<sup>2</sup> UNHCR (2022) Pakistan Protection Analysis Update, Global Protection Cluster. Available at: [https://www.globalprotectioncluster.org/sites/default/files/2022-11/pakistan\\_protection-analysis\\_oct\\_2022\\_final\\_0.pdf](https://www.globalprotectioncluster.org/sites/default/files/2022-11/pakistan_protection-analysis_oct_2022_final_0.pdf)

The AAP 2023 for Pakistan has been designed in response to these compound challenges, taking into account that the dramatic impact of the floods represents at the same time an opportunity for building back better and trigger the systemic changes required to address Pakistan's vulnerabilities to natural hazards and their intersection with other shocks. The EU as well as Germany, France and Italy will in a Team Europe approach focus on tackling together the challenges of developing a Green Economy for the country and advancing on the necessary Inclusive Governance and Transparency. This will contribute to the implementation of the Global Gateway, responding to Pakistan priorities as outlined in the 4RF (i.e. post-floods recovery and green economic development, strengthening rule of law, increasing private investment), and serving EU interests and values (European investment and trade, peace, democracy and security, inequality reduction, and gender equality).

In line with the 4RF, this action will make a significant contribution to post-2022 floods climate resilient socioeconomic recovery in the most affected and poorest districts in mountainous areas in KP based on the 'building back better' principle. The focus is on reactivating the rural economy in the province of Khyber Pakhtunkhwa by restoring in a climate-resilient way renewable energy and irrigation infrastructures which were built under EU funded programmes and seriously damaged by the 2022 floods. Previous EU programmes in KP reached 1.9 million people and established successful community-managed electrification schemes, irrigation infrastructures while strengthening SMEs in agricultural and value chains.

Building back better those productive assets will materialise through an integrated water management approach encompassing improved land use planning in rural communities and concrete, large reforestation and afforestation measures. Carbon sequestration, reduced net biomass extraction, soil retention and erosion control in a DRR perspective, and increased biodiversity will be direct impacts aligned with national environmental and climate change policies and commitments (revised Pakistan NDC 2021, Pakistan National Biodiversity Strategy and Action Plan 2017-2030).

The action will also expand the same type of green productive assets in other mountainous areas in KP with untapped potential for economic development. This is based on improved provision of energy and water for irrigation, thus contributing to stability in the region, increasing trade exchanges, preventing radicalisation and tackling root causes of irregular migration. Increasing capacities of rural communities and local governments to ensure sustainable and resilient water governance and management as well as efficient, effective and economically sustainable micro hydropower plants management will be at the centre of the Action. Early warning systems will also be strengthened.

The action is part of the TEI Building Back Better through Green Jobs Creation, complementing ongoing initiatives in the province by Germany (strengthening climate adaption and resilience, including energy efficiency), and Italy (agricultural value chains). It also contributes to the Global Gateway connecting goods, people and services in a sustainable way in relation with climate and energy.

The action is also aligned with the Country Level Implementation Plan (CLIP Pakistan) and the EU Gender Action Plan 2021-2025 GAP III calling for accelerating progress and focusing on the key thematic areas of 'Strengthening economic and social rights and empowering girls and women' and 'Addressing the challenges and harnessing the opportunities offered by the green transition and the digital transformation'.

The EU is widely recognised in KP as a key political player which has made significant contributions to stability and prosperity during the implementation of the MIP 2014-2020 and engages continuously in meaningful political dialogue with the provincial government. By restoring and expanding key productive assets (irrigation and electricity provision) making them more environmentally sustainable and climate-proof, the action will complement the AAP 2022 Khyber Pakhtunkhwa Rural Transformation (KP – RET) project, which has been designed to improve market access for smallholders and increase added value in selected agricultural value chains in the whole province. Complementarity will exist also with AAP 2022 TVET IV project, which will produce qualified labour for the agriculture, water, and energy sectors.

## 2.2 Problem Analysis

The 2022 floods have taken a heavy toll on KP affecting basic services and sources of livelihoods and hampering economic and human capital. In rural areas in the province, where 80% of the 35 million population of Khyber Pakhtunkhwa live, the multidimensional level of poverty is expected to increase by 5% as a result of the floods (PDNA, 2022), reaching 63% (against a national average of 39%).

With agriculture and livestock contributing around 24% of the provincial GDP and engaging more than 50% of the provincial labour force – including 72% of employed women in the province working on farm activities – water remains the lifeline and the major green productive asset for the vast majority of the rural population in KP. Clear linkages exist between irrigation, farm productivity and poverty alleviation. Access to supplemental irrigation in rain-fed agricultural systems in KP has been proven to stabilise crop yields and open up to higher horticultural value chains, improving rural livelihoods, reducing poverty levels, and contributing to greater food security.

The agriculture and livestock sector is the largest employer of Pakistani women, with nearly [7.2 million women](#) working in agriculture. But their work remains largely informal, unrecognised, unpaid and underpaid. Widespread gender inequality and rigid gender norms exacerbate their vulnerability to climate risks.<sup>3</sup>

In the meantime, access to renewable energy is recognised as a major driver of social and economic development. Electrification is associated with a broad range of social and economic benefits in Pakistan, including higher income and expenditures, better health and education outcomes for children, and increased women's labour force participation and decision-making power. The best estimates of the actual access to electricity rate in Pakistan suggest that 50–54 million people may completely lack access, while connected households typically face 16 hours a day of scheduled blackouts in summer and 12 hours a day in winter. According to the 2013 World Bank last Enterprise Survey, 81% of firms reported being regularly affected by outages on average 75 times a month, with the average outage lasting 17 hours. Since then, regular newspapers' reports show no significant change in electricity supply stability for most rural SMEs in the province, most of which need to rely on diesel generators to ensure business continuity.

Women and youth are particularly affected by the lack of reliable and sustainable energy sources due to the burden of providing energy to fulfil household needs, which entails significant their time and effort in collecting biomass, which takes them away from economic generation activities and education. Additionally, women are disproportionately underrepresented in power-generation and distribution labour, with only about 4 per cent of the total staff of 9 power utilities in Pakistan.

Both energy generation and irrigation infrastructures in KP were substantially hit by the floods. The Government of Khyber Pakhtunkhwa (GoKP) estimates reconstruction needs in those two sectors at PKR 11.5 billion (EUR 37 million) for energy and PKR 22.4 billion (EUR 72 million) for irrigation, out of a total of PKR 121 billion (EUR 389 million) corresponding to damages in public sectors. Half of these needs are planned to be covered with GoKP's own budgetary resources together with loans from international finance institutions, while for the other half international donors are expected to come in.

76% of the rural population in KP had access to electricity before the floods, in most cases between 2-4 hours a day (Pakistan Bureau of Statistics, 2020). A significant exception were the 2 million people connected to 521 off-grid community-managed micro hydropower plants (MHPP) in mountainous areas, who were benefitting from continuous electricity supply. 165 of these MHPPs were constructed through the EU-funded PEACE programme (Programme for Economic Advancement and Community Empowerment – PEACE, EUR 40 million) between 2013 and 2019, and the rest by the GoKP's Energy & Power Department.

With a total installed capacity of 21.7 megawatt, the EU-funded MHPPs covered 624,000 people in six districts in the province in addition to 1,500 local enterprises (hotels, flour mills, welding machines, workshops, grocery shops), 118 schools with 21,000 children, three hospitals, and nine Basic Health Units. At least half of the MHPPs are located in high tourist interest areas such as Kalam valley, where secure electricity supply made possible the development of a hospitality industry now able to host 100,000 tourists per year. In a social context where rural communities connected to the national electricity grid and suffering from continuous blackouts usually do not pay any bill for the service, these MHPPs are managed by community-owned social enterprises employing professional technical staff able to ensure stable supply at a cheaper rate while generating a profit that is reinvested in other basic services for the communities.

Built for the most part on steep, erosion-prone slopes and in the proximity of seasonally torrential rivers and streams, 70% of the MHPPs constructed by the PEACE programme were totally or partially damaged by the 2022 floods. The GoKP reported damages to 114 additional MHPPs representing 13.6 MW of installed capacity. An even greater number of small, community-managed irrigation systems, often associated to the MHPPs in that the

<sup>3</sup> <https://www2.unwomen.org/-/media/field%20office%20eseasia/docs/publications/2018/08/status-of-the-rural-women-in-pakistan-report.pdf?la=en&vs=3739>

main canals and water courses are designed to carry the water both for power generation and for irrigation, were also damaged or washed away by the floods.

Even though the unprecedented magnitude of 2022 floods explains to a great extent the serious damages on MHPPs and small irrigation schemes, more stringent feasibility studies catering for the likely increasing occurrence of extreme climate events will be necessary to live up to the build back better principle. More importantly, only an integrated water resources management (IWRM) approach that mainstreams gender and environmental sustainability translated into concrete investments in reforestation and afforestation with the participation of the local communities and involving land use planning will ensure sustainability in the face of increased climate related risks. Tapping in a climate resilient and environmentally and gender sustainable way the whole potential of water resources in these mountainous districts of KP, including the most rugged areas in the Newly Merged Districts, might be the best and closest opportunity for human and economic development in a region still struggling to leave behind political conflict and violence.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action:

The main rightholders of the action are the rural populations of Khyber Pakhtunkhwa province living in remote areas in the Hindu Kush, Kohistan, Swat, and Dir Mountain Ranges, corresponding roughly to Malakand Division, Mardan Division, and Kohistan district, as well as in the mountainous areas of the Newly Merged Districts. Within the targeted areas, this includes particularly women, youth and the most marginalised households and communities. Over 2 million people across the programme area will benefit from improved access to clean energy and strengthened natural resources management, enhancing the long-term resilience of rural communities. A do-not harm approach will be applied through all the phases of the action to ensure proper engagement with the different religious and ethnic communities and to make sure GBV risks are not exacerbated. Civil society organisations and communities will be involved in the planning, implementation and handover processes representing different communities and groups, including business associations, women and those living in vulnerable situations.

A key stakeholder will be the Energy & Power Department (E&P), Government of the Khyber Pakhtunkhwa through its implementing arm Pakhtunkhwa Energy Development Organisation (PEDO), which have purview on energy provision within the region and will be the final recipient of the power infrastructures built by the action. Irrigation, Agriculture, and Forest Departments in the provincial government have established a forward-looking strategy to leverage agriculture assets to contribute to local economic development while preserving biodiversity and reverting environmental degradation. They will play a coordination role in all the project activities relating to natural resources management, along with WAPDA, the provincial Water and Power Development Authority, with the mandate to provide efficient and sustainable management of water and power resources. The Provincial Disaster Management Authority as well as District Administrations will be major stakeholders, together with local communities, for strengthening early warning systems.

The nature of the activities in response to the specific challenges of the action area demands solid implementing partners with proven capacities and recognition by local governments and communities. The main part of the action should be implemented by a non-governmental organisation with a proven record as implementing partner for the EU working to alleviate poverty in Khyber Pakhtunkhwa and extensive outreach into communities. The implementing partner must be able to ensure the continuity of the technical and managerial support required by community-managed micro hydropower plants (MHPPs) that the provincial government is not in a position to offer. Significant experience in economic development, natural resources management, basic services provision, and capacity building with local communities and governments is also required.

During the inception phase a further stakeholder analysis will be conducted, with a particular emphasis on gender, with which relevant capabilities will be assessed: the capabilities of duty-bearers to fulfil their obligations towards rights-holders (regulations, systems, monitoring mechanisms, etc.) and rights-holders' capacities to claim their rights related to the sector (i.e. access to information, access to services, capacity to pay for electricity, discrimination).



### 3 DESCRIPTION OF THE ACTION

#### 3.1 Objectives and Expected Outputs

The Overall Objective of this action is to contribute to climate resilient socioeconomic recovery in the most affected by 2022 floods and poorest districts of Khyber Pakhtunkhwa province of Pakistan.

The **Specifics Objectives** of this action are to

1. Enhance provision of renewable energy and water for irrigation in rural communities of mountainous areas in KP while maintaining climate resilience and environmental sustainability
2. Foster Small and Medium Enterprises' development, with a specific focus on the most vulnerable populations, including women and youth, in KP

The Outputs to be delivered by this action contributing to the corresponding Specific Objectives are

##### 1.1 Contributing to Outcome 1 (or Specific Objective 1)

###### Output 1.1:

Increased availability of community-based micro and mini hydropower plants and irrigation systems in selected districts of KP.

###### Output 1.2:

Strengthened capacities of communities in the target districts of KP on participatory governance and management of micro and mini hydropower plants and irrigations systems.

###### Output 1.3:

Improved and sustainable community-level natural resources management plans and measures, including disaster risk reduction and early warning systems, and afforestation/reforestation programmes in collaboration with public works in the target districts.

###### Output 1.4:

Strengthened capacities of KP Government in integrating long-term climate change adaptation and resilience, as well as environmental protection in construction of water and power public infrastructures.

##### 2.1 Contributing to Outcome 2 (or Specific Objective 2)

###### Output 2.1:

Strengthened capacities of existing small local business, particularly those owned by women and youth, in operation and expansion of electricity-powered sustainable and profitable economic initiative

#### 3.2 Indicative Activities

##### Activities relating to Output 1.1

- 1) In coordination with the provincial government and district authorities, detailed assessment of needs and potential for micro hydropower development in selected districts in mountainous areas in KP.
- 2) Construction/rehabilitation of community-based HPPs.
- 3) Assessment of the potential and conditions required for grouping existing or future HPPs into mini-grids providing electricity to geographically coherent areas.
- 4) In coordination with the provincial government and district authorities, detailed assessment of rehabilitation needs and potential for new community-managed irrigation systems in selected districts in mountainous areas in KP.
- 5) Exposure visits to successful experiences of community-based natural resources management.
- 6) Construction/rehabilitation of community-based irrigations systems.

#### Activities relating to Output 1.2:

- 1) Participatory workshops ensuring the participation of women and youth with communities to define and set up viable mechanisms for the gender-sensitive governance and management of HPPs.
- 2) Participatory workshops with communities ensuring the participation of women and youth to explore and define viable mechanisms for the governance and management of irrigations systems, linked to broader land and natural resources management plans.
- 3) Selection and training of human resources in charge of managing and maintaining the HPPs.

#### Activities relating to Output 1.3:

- 1) Participatory assessment of needs and potential for improving community-level natural resource management and DRR/M in floods affected areas in mountainous districts of KP.
- 2) Participatory preparation of community-level sustainable natural resources management plans, including clear land use and urbanism rules as well as a DRR dimension. (Workshops, trainings, exposure visits...)
- 3) Participatory design and implementation of afforestation/reforestation programmes combined with public works ensuring better protection in the face of natural hazards. This includes setting up management plans for forested areas based on environmentally sustainable practices (species selection focusing on locally adapted and native species, combination of planting and natural regeneration) ensuring a positive impact on biodiversity.

#### Activities relating to Output 1.4

- 1) Technical assistance to the Government of KP
- 2) Support to the preparation by the Government of KP of green guidelines for the construction of resilient water and power public infrastructures, including systematic environmental and climate impact assessments, technical and economic viability studies, gender analysis and gender and environmental sustainability plans and participatory consensus-building processes with local communities.
- 3) Feasibility studies and ex ante environmental impact assessments conducted systematically, at the level of the catchment/sub-basin, for all the MHHPs and small irrigations systems supported by the action.
- 4) Support to the monitoring by the Government of KP of all water and power public infrastructures construction process in their different steps.

#### Activities relating to Output 2.1:

- 1) Participatory survey, including a gender analysis, with existing traders and local business in the intervention districts to assess their needs (mainly in terms of knowledge and financing) and potential to expand their economic activities making them more sustainable and profitable.
- 2) Based on a clear and participatory analysis of the specific demands from this target group, design and implementation of a training programme for local business that will include exposure visits and business tours, with a focus on women- and youth led business.
- 3) Based on the above, design and implementation of a matching grants programme to provide targeted financial support to local business with a focus on youth and women-led business.

The commitment of the EU's contribution to the Team Europe Initiatives foreseen under this action plan will be complemented by other contributions from Team Europe partners. It is subject to the formal confirmation of each respective partners' meaningful contribution as early as possible. In the event that the TEIs and/or these contributions do not materialise the EU action may continue outside a TEI framework.

### 3.3 Mainstreaming

#### **Environmental Protection & Climate Change**

**Outcomes of the EIA (Environmental Impact Assessment) screening** (relevant for projects and/or specific interventions within a project)

The EIA (Environment Impact Assessment) screening classified the action as Category B (for which an EIA will be undertaken).

**Outcome of the CRA (Climate Risk Assessment) screening** (relevant for projects and/or specific interventions within a project)

The Climate Risk Assessment (CRA) screening concluded that this action is at risk (climate risk will be addressed as part of an EIA).

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### **Gender equality and empowerment of women and girls**

As per the OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that gender equality and the empowerment of women and girls is key for the achievement of the project's objectives. One of the two Specific Objectives of the action explicitly targets women and girls, and all the activities are designed with the view of positively impacting the livelihoods of this target group. Key impacts of energy provision include access to clean cooking, improved education and job creation and support to local businesses in an environmentally friendly manner. Considering the under-representation in the labour market and in the energy sector itself, the action aims to provide decent work particularly for youth and women along with equal access and control over clean water, energy, transport infrastructure, thus contributing to the EU Gender Action Plan III.

The action will apply an inclusive approach and a prioritisation of gender aspects by providing different responses and assistance based on the comprehensive assessment and analysis of the needs of women and other vulnerable groups.

- Thematic area of engagement – Addressing the challenges and harnessing the opportunities offered by the green transition and the digital transformation – Specific thematic objective – Strategies and agreements on climate mitigation, adaptation, disaster risk reduction and sustainable management of natural resources and biodiversity are more gender-responsive, at local, national, regional and international level
- Thematic area - Promoting economic and social rights and empowering girls and women – Specific objective – Women in all their diversity have improved access to entrepreneurship opportunities, including social entrepreneurship, alternative livelihoods and strengthened participation in the green and circular economy. Interventions will support women's empowerment through access to economic opportunities, whilst also enabling a conducive environment to enhance their participation in community affairs and business initiatives.

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### **Human Rights**

Pakistan has ratified several key human rights instruments including the Convention on the Elimination of All Forms of Discrimination Against Women (1979), International Covenant on Civil and Political Rights (1966), and the International Covenant on Economic, Social and Cultural Rights (1976). It is also signatory to the International Labour Organisation's (ILO) conventions on equal wages, equitable work standards, and participation. In addition to guaranteeing fundamental human rights, Pakistan also underscores the rule of law as the bedrock of government authority by enshrining it as such in the Constitution of Pakistan 1973. In the last few years several improvements have been noticed on the legislative front with the enactment of laws which have enhanced the protection of rights of particular groups including minorities, women and children. However, gaps continue to exist on Pakistan's performance on critical socio-economic indicators e.g., women's economic participation (Pakistan has ranked 151 out of 153 on the World Economic Forum's Global Gender Gap Index 2020), youth unemployment, and overall standards of living (Pakistan has ranked 154<sup>th</sup> amongst 189 countries on the UN's Human Development Index).

The action is designed and will be implemented taking into account the need to uphold national and international human rights and to respect the five working principles of the human rights-based approach: respecting all human rights, non-discrimination, accountability, and transparency principles, as well as ensuring participation of all stakeholders.

This action will consider special needs arising from flood affected people, and will follow the human rights based approach including the principle of "leave no one behind" and "do no harm", ensuring that the target population are aware of their rights so to be able fully exercise their rights, and fulfil their human rights, building their capacity to achieve these objectives in a transparent, non-discriminatory, and accountable manner.

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**Disability**

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0. This implies that the action is not considered relevant for inclusions of persons with disabilities. However, the main stakeholders and right holders of the action include the most marginalised households and communities within the targeted areas, and as such, the inclusions for persons with disabilities will be considered where relevant. The action will ensure that rights of persons with disabilities will be respected, and the planned activities related with training, workshops and others are disability inclusive.

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**Reduction of inequalities**

The action contributes to reduce spatial and socioeconomic inequality in Pakistan by targeting the rural communities located in remote mountainous areas in Khyber Pakhtunkhwa province victims of the devastating floods that Pakistan suffered in 2022. In those areas, multidimensional poverty rate is expected to have reached 63% of the population after the floods against a national average of 39%. By being financially and technically supported in their efforts to restore, in a more resilient manner, two major productive assets such as renewable energy and water, at least 2 million people will be given the opportunity to develop better economic opportunities and services. Involvement of the beneficiaries and social dialogue is at the centre of the action in that achieving the main outputs will require placing the users of irrigation and electricity in an active role as stakeholders participating in managing those services, endorsing also the responsibility for being accountable and transparent. Within the rural communities benefiting from the action, internal inequalities will be addressed through differentiated electricity rates for households and businesses.

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**Democracy**

The implementation approach ensures that the action aligns with the principles of Accountability to Affected Populations and that the human rights and interests of communities are actively promoted and safeguarded throughout the project cycle. It will do so through prioritising engagement with community institutions, enterprises, international technical experts, civil society and government actors. The proposed methods for achieving the results and objectives of this action are based on tried and tested processes using participatory methodologies in addressing systemic challenges to inclusive growth and development. These include: (i) close and transparent coordination with the government and alignment of interventions with major policies and plans; (ii) effective resource utilisation, community mobilisation and capacity development to ensure medium and long-term sustainability and ownership of results by beneficiaries, and (iii) improvement of community and institutional capacity for inclusive governance practices.

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**Conflict sensitivity, peace and resilience**

The action builds on the lessons learned from decades of EU support in areas characterised by fragility and conflict. The action includes activities related with access and use of water and land resources, and will adopt a paramount risk prevention approach. Strong community engagement combined with an acute understanding of local conflict dynamics and robust coordination mechanisms with all levels of government will be the means for the action to contribute to maintaining peace and stability in the intervention area, will all the necessary community-level and provincial government mechanisms in place to ensure that possible conflicts are prevented while infrastructures and assets brought by the action are soundly managed with a strong involvement of local communities.

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**Disaster Risk Reduction**

The action is designed as a direct contribution to the implementation of the Resilient Recovery, Rehabilitation and Reconstruction Framework, which is the Government of Pakistan's road map for the reconstruction of after the floods. The 4RF stresses the need to take transformational measures to achieve a resilient recovery building and strengthening long-term resilience to increasingly frequent climate change-induced disasters. Rigorous feasibility studies integrating systematically environmental impact assessments, flood protection and soil retention works, afforestation and reforestation, reviewing of community land use plans, are the main measures to materialise the DRR dimension.

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Integrated water resources management (IWRM) is a tried and tested mechanism to develop water-oriented solutions amongst all stakeholders within the same hydrologic and ecologic unit, the river basin. In response to the intensified scale of climate change induced water events, this mechanism can be applied to adjust and adopt more comprehensive flood management strategies within the Disaster Risk Reduction framework.

As such the action contributes to Pakistan's commitment to the Sendai Framework.

### 3.4 Risks and Lessons Learnt

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
1 – External Environment	Low institutional capacity at national and local level hampering project progress	Low	High	Capacity building activities will support the gradual strengthening of technical and management skills of key institutional stakeholders.  Community involvement and consultation is paramount to create economic and social dividends as well as greater social cohesion.
1 – External Environment	Lack of political support	Low	High	The action directly responds to national and provincial development priorities. Public partners will continue to be engaged throughout the development and implementation of the action.
1 - External Environment	Natural hazards	Medium	Medium	A disaster risk mapping within the specific geographical areas will be carried out, building on previous work with communities in the intervention area to raise risk awareness and emergency response capacity at the local level – and coordinated across river basins
1 - External Environment	Unstable security situation	Medium	Medium	The situation will be continuously monitored, and appropriate mitigation measures will be put in place accordingly. UNDSS advise will be followed and government security operatives will be used for districts with substantial risks
2 – Planning, processes, and systems	Long-term sustainability of program activities	Low	High	Communities and productive users will be involved from the early stages to facilitate awareness, uptake and sustainability of energy services. Sustainability risks will be addressed through design, economic mechanisms and governance, as well as sound social impact assessments. Reliance on goods and services from ecosystems and energy demand will stimulate the interest of communities in sustainability.
2 – Planning, processes, and systems	Disruptions in procurement of specialised materials	Low	Medium	Taking into account previous actions in Pakistan implemented in unstable environments and market conditions. procurement procedures will be been

				established in accordance with international standards.
2 – Planning, processes, and systems	A gender blind problem analysis could reinforce existing gender inequalities	M	M	Knowledge and tools for gender analysis are available. Gender-sensitive monitoring, specific gender indicators, use of sex-disaggregated data and specific evaluation of gender equality results are in place. Gender mainstreaming is applied in all phases of the action.
3 – People and Organisation	Reluctance of stakeholders to accept and adopt new approaches and technologies for more sustainable use of ecosystems and conservation of biodiversity.	Low	High	Communities will be involved in the development and implementation of interventions ensuring interest through practical demonstrations, thus ensuring the sustainable satisfaction of their livelihood incentives in the frame of the capacity of the landscape; awareness on sustainability and limits of natural resources' use as well as alternative income generation will be developed. Due diligence, mitigating measures and do no harm approaches will be applied to activities impacting on land ownership and use by communities.
4 – Legality and Regulatory Aspects	Corruption and Financial Fraud	Medium	High	Risk will be mitigated with thorough and transparent procurement and compliance procedures, in line with EU regulations.
5 – Communication and Information	Lack of access to Information and mis-understanding of the action's objectives, especially in remote contexts	<b>Medium</b>	<b>High</b>	Local partners will leverage a variety of communication tools deemed appropriate in the respective local context and with regard to the respective target groups. This includes strong anchoring in local languages. Communication with stakeholders will be mindful to local nuances and implement an inclusive approach through both formal products (use of printed material, leaflets, brochures, video documentaries), face to face interactions, as well as digital mediums of communication (e.g webinars, social media interactions). Monitoring and feedback mechanisms from the communities are used as a two-way communication process to improving results.

### 3.5 The Intervention Logic

The underlying intervention logic for this action is that, by restoring and increasing in a climate resilient way access to off-grid renewable energy and water for irrigation in rural communities in mountainous areas in KP affected by 2022 floods, the action will make a significant contribution to the implementation of the 4RF and foster a resilient and gender-sensitive socioeconomic recovery in those conflict-prone areas.

Out of the four Strategic Recovery Objectives (SROs) outlined in the 4RF, the action focuses on Restoring livelihoods and economic opportunities (SRO2), and Restoring and improving basic services and physical infrastructure in a resilient and sustainable manner (SRO4); while contributing to Enhancing governance and capacities of the state institutions to restore lives and livelihoods of the affected people, especially the most vulnerable (SRO1), and to Ensuring social inclusion and participation (SRO3).

The action will increase capacities of provincial and district governments together with rural communities to ensure sustainable and resilient water management as well as efficient, effective and economically sustainable micro hydropower plants management. Based on a sustainable water resources management approach that effectively mainstreams gender, the action will focus on restoring, expanding, and strengthening in a climate resilient and environmentally sustainable manner the provision of renewable energy and water for irrigation in rural communities in mountainous areas in KP affected by 2022 floods. Rural communities will be supported to establish water management plans at microbasin and community level translated into concrete integrated measures including micro hydropower plants and small irrigation schemes (restoration, upgrading, climate-proofing, expanding, etc.) along with flood protection and erosion control works, afforestation and reforestation, and early warning systems. The plans and measures will be coordinated across river basins to ensure sustainability, consistency, efficiency, effectiveness and economy.

Access to electricity will act as an enabler for new opportunities for services, government, and commercial enterprises, allowing for energy-driven industries to be established and further promoting green growth, particularly for vulnerable groups like women and youth. Previous projects have highlighted how energy-dependent enterprises can increase their focus on the promotion and uptake of climate-smart and labour-efficient technologies (irrigation pumps, sawmills, fuel-efficient cook stoves, electric milk churners, washing machines, etc.) and open paths for digital opportunities. The latter can play a vital role in employment creation, particularly for youth and women.

Increased sustainable use, rehabilitation and expansion of forested areas and their biodiversity will be made possible by developing the right locally-adapted, sustainable land-use practices, which will lead to more resilient livelihoods. The reduction of cultivated land due to increased erosion and the deficiency of energy in rural areas are two major challenges that rural communities are experiencing. To sustain key ecosystem service and build climate change resilience, productive reforestation efforts, land management and provision of renewable energy alternatives are needed to reduce pressure on natural resources.

### 3.6 Logical Framework Matrix

This indicative logframe constitutes the basis for the monitoring, reporting and evaluation of the intervention.

On the basis of this logframe matrix, a more detailed logframe (or several) may be developed at contracting stage. In case baselines and targets are not available for the action, they should be informed for each indicator at signature of the contract(s) linked to this AD, or in the first progress report at the latest. New columns may be added to set intermediary targets (milestones) for the Output and Outcome indicators whenever it is relevant.

- At inception, the first progress report should include the complete logframe (e.g. including baselines/targets).
- Progress reports should provide an updated logframe with current values for each indicator.
- The final report should enclose the logframe with baseline and final values for each indicator.

The indicative logical framework matrix may evolve during the lifetime of the action depending on the different implementation modalities of this action.

The activities, the expected Outputs and related indicators, targets and baselines included in the logframe matrix may be updated during the implementation of the action, no amendment being required to the Financing Decision.

Results	Results chain: Main expected results (maximum 10)	Indicators: (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
<b>Impact</b>	To contribute to post-2022 floods climate resilient socioeconomic recovery in the most affected and poorest districts of Khyber Pakhtunkhwa province based on 'building back better'	1. SDG 7.1.1 Proportion of population with access to electricity (GERF 1.2) (disaggregated by sex)  2. SDG 7.2.1 Renewable energy share in the total final energy consumption (GERF 1.3)  3. SDG 1.1.1 Proportion of population below the international poverty line (GERF 1.23) (disaggregated by sex)  4. SDG 2.3.2 Average income of small-scale food producers, by sex (GERF 1.1)	1   2	1   2	1   2	<i>Not applicable</i>
<b>Outcome 1</b>	1) Restore, expand, and strengthen in a climate resilient and environmentally sustainable manner the provision of renewable energy and water for irrigation in rural communities in mountainous areas in KP through a	1.1. Number of HHs with access to electricity with EU support through: (a) new access, (b) improved access (GERF 2.3) (disaggregated by sex)	1.1 1.2 1.3	1.1 1.2 1.3	1.1 1.2 1.3	Macroeconomic situation in Pakistan remains stable



Results	Results chain: Main expected results (maximum 10)	Indicators: (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
	sustainable water resources management approach.	<p>1.2. Number of HHs with improved access to irrigation water with EU support (disaggregated by sex)</p> <p>1.3. Areas of agricultural, pastoral and forest ecosystems where sustainable management practices have been introduced with EU support (GERF 2.2)</p> <p>1.4. Extent to which proposed for adoption climate change adaptation and mitigation policies, and environmental protection strategies and plans (including energy policies/ strategies) are based on a gender analysis of risk, need, demand, barriers, and supply (GAP III Indicator)</p>				Terrorism activity in the province does not escalate
<b>Outcome 2</b>	2) Increase rural communities' economic resilience to climate change by fostering energy-enabled SMEs development , with a specific focus on most vulnerable populations including women and youth.	<p>2.1. Number of (a) jobs, (b) green jobs supported/sustained by the EU (GERF 2.13) ) (disaggregated by sex and age)</p> <p>2.2. Number of SMEs with increased profit (percentage) and improved energy efficiency (productive output vs energy input) (disaggregated by sex and age)</p>	<p>2.1</p> <p>2.2</p>	<p>2.1</p> <p>2.2</p>	<p>2.1</p> <p>2.2</p>	
<b>Output 1</b> <b>relating to Outcome 1</b>	1.1. Community-based micro and mini hydropower plants are rehabilitated or constructed ex novo in mountainous areas of Khyber Pakhtunkhwa and managed in a sustainable and profitable way by rural communities in close coordination with the provincial government	<p>1.1.1. Renewable energy generation capacity installed (MW) with EU support (GERF 2.4)</p> <p>1.1.2. Number and quality and gender assessment of community enterprises managing hydropower generation and distribution</p> <p>1.1.3. Number of people trained (disagg; by type of training, sex, age)</p>	<p>1.1.1</p> <p>1.1.2</p>	<p>1.1.1</p> <p>1.1.2</p>	<p>1.1.1</p> <p>1.1.2</p>	<p>Conflict level between rural communities remains low in the region</p> <p>Natural disasters such as landslides remain rare and</p>

Results	Results chain: Main expected results (maximum 10)	Indicators: (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
						geographically localised  Continuity in development policies and plans by provincial government
<b>Output 2</b> <b>relating to Outcome 1</b>	1.2. Community-based irrigations systems are rehabilitated or constructed ex novo in mountainous areas of Khyber Pakhtunkhwa and managed in a sustainable way by rural communities.	1.2.1. Total length of waterways infrastructure supported by the EU (kms) (GERF 2.18)  1.2.2. Quality assessment (including a gender analysis) of community organisations' mechanisms regulating access to irrigation water and maintenance of the irrigation systems  1.2.3. Number of people trained (disagg; by type of training, sex, age)	1.2.1  1.2.2	1.2.1  1.2.2	1.2.1  1.2.2	
<b>Output 3</b> <b>relating to Outcome 1</b>	1.3. Community-level sustainable natural resources management plans, coordinated at the river basin level, and including disaster risk reduction and early warning systems, are prepared and implemented integrating specifically slope areas with reforestation measures (local multipurpose tree species).	1.3.1. Quality assessment of community level sustainable natural resources management plans  1.3.2. Number of locally-adapted trees planted  1.3.3 Number of people trained (disagg; by type of training, sex, age)  1.3.4. Quality assessment of community level early warning systems	1.3.1  1.3.2  1.3.3  1.3.4	1.3.1  1.3.2  1.3.3  1.3.4	1.3.1  1.3.2  1.3.3  1.3.4	
<b>Output 4</b> <b>relating to Outcome 1</b>	1.4. Provincial water and power policies in KP integrate long-term climate change adaptation and resilience as well as environmental protection measures (reforestation and sustainable forest management) and are translated into new regulations for water and power public infrastructures.	1.4.1. Quality assessment of the new regulations for water and power public infrastructures  1.4.2. Number of public water or power infrastructures constructed with non-EU funding following the new climate and environmental regulations.	1.4.1  1.4.2	1.4.1  1.4.2	1.4.1  1.4.2	

Results	Results chain: Main expected results (maximum 10)	Indicators: (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
<b>Output 1</b> <b>relating to Outcome 2</b>	2.1. Existing small local business, particularly those women and youth led, are strengthened in their capacities to run and expand sustainable and profitable economic initiatives tapping into the opportunities created by increased electricity availability	2.2.1. Number of local SMEs benefitting from productive matching grants (disaggregated by sex and age)				
		2.2.2. Number of SMEs preparing improved business plans (disaggregated by sex and age)	2.2.1	2.2.1	2.2.1	
		2.2.3. Number of people trained (disagg; by type of training, sex, age)	2.2.2	2.2.2	2.2.2	
		2.2.4 Number of jobs created (disaggregated by sex and age, economic sector, green criteria)				

## 4 IMPLEMENTATION ARRANGEMENTS

### 4.1 Financing Agreement

In order to implement this action, it is envisaged to conclude a financing agreement with the Islamic Republic of Pakistan

### 4.2 Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

### 4.3 Implementation of the Budget Support Component [For Budget Support only]

NA

### 4.4 Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures.

#### 4.4.1 Direct Management (Grants)

##### **Grants: (direct management)**

##### **(a) Purpose of the grant(s)**

Outputs 1.1, 1.2, 1.3, and 2.1 described in section 3 will be implemented through a grant.

##### **(b) Type of applicants targeted**

Applicants must be non-profit making legal entities (non governmental organisation, public sector operator, local authority) established in an eligible country as stipulated by NDICI-GE.

##### **(c) Justification of a direct grant**

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because of the Declaration of Crisis of 17 October 2022 as referred to in Article 2(21) of the Financial Regulation and in accordance with Article 195 (a) of the same Regulation.

The action has specific characteristics requiring a specific type of beneficiary for its technical competence, specialisation or administrative power or nature of the action with regard to Article 27(3) NDICI-Global Europe Regulation.

- Long-term presence and commitment, resulting into an in-depth understanding of community needs developed over more than 10 years of work in the region of Khyber Pakhtunkhwa, and a clear institutional mandate to remain present even in the light of uncertainty and insecurity;
- Strong political capital being a partner of choice for governments and stakeholders at all levels, with the proven ability to bring together government actors and local communities and provide support towards achievement of national and regional priorities;
- Relevant technical, financial and administrative competencies to design, implement, manage and monitor large scale and high-quality economic programmes, comprised of various elements at

different levels, with a coordinated approach and clear strategic direction. Additionally, the action requires specific experience in the energy sector.

The part of the action under the budgetary envelope reserved for grants may, partially or totally and including where an entity is designated for receiving a grant without a call for proposals, be implemented in indirect management with a pillar-assessed entity, which will be selected by the Commission services using the criteria defined in section 4.4.1.

#### 4.4.2 Direct Management (Prize(s))

NA

#### 4.4.3 Direct Management (Procurement)

Output 1.4 will be implemented through a service contract.

### 4.5. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the implementation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

### 4.6. Indicative Budget

<b>Indicative Budget components</b>	<b>EU contribution (amount in EUR)</b>
<b>Implementation modalities</b> – cf. section 4.4	
<b>Outputs 1.1, 1.2, 1.3, 2.1</b> composed of	46 000 000
Grants (direct management) – cf. section 4.4.1	46 000 000
<b>Outputs 1.4</b> composed of	3 000 000
Procurement (direct management) – cf. section 4.4.3	3 000 000
<b>Grants</b> – total envelope under section 4.4.1	46 000 000
<b>Procurement</b> – total envelope under section 4.4.3	3 000 000
<b>Evaluation</b> – cf. section 5.2	1 000 000
<b>Audit</b> – cf. section 5.3	
<b>Contingencies</b>	0
<b>Totals</b>	50 000 000

### 4.7 Organisational Set-up and Responsibilities

The selected main implementing partner (Outputs 1.1, 1.2, 1.3, 2.1), will be responsible for the management of all aspects related to the implantation of the project: operations, finance, procurement, human resource, M&E. This implementing partner will work in close cooperation with a backstopping technical assistance facility in charge of ensuring environmental compliance, climate readiness, and economic viability for all the public works supported by the action (part of Output 1.4). For any hydropower or irrigation system restores or constructed by the action, this facility will be in charge of the necessary prior feasibility studies, monitoring of the works and ex-post quality control. Positive assessments in each of those phases will be conveyed to the

EU Delegation and will be a condition to proceed with the works, including with corrective measures when relevant. **Community Organisations:** Existing local organisations and in particular irrigation committees, hydropower social enterprises, village councils and/ community and women organisations, will be involved through participatory approaches as main beneficiaries of the action.

**Government Partners:** Relevant government authorities at the provincial and district and Union Councils levels will be directly engaged through capacity building and sector-specific planning and policy dialogues with the aim of creating a medium to long-term sustainable development vision in the target geography. Subsequent implementation and oversight will also include representation and buy-in from local authorities. Some of the key stakeholders will include, at national level, the Ministry of Economic Affairs, and at provincial level, Planning and Development Department, Pakhthunkhwa Energy Development Organisation, Wildlife and Forest Department, and Water Department. Pakistan Meteorological Department.

**Civil Society Organisations:** The action will also ensure that civil society organisations and communities will be involved in the planning, implementation and handover processes representing different communities and groups, including non-governmental organisations, business associations, women and youth. The action will include regular engagement and feedback loops to ensure accountability and to inform adaptations that may be required during implementation.

The Ministry of Economic Affairs, Government of Pakistan, will be the overall coordinating agency at the federal level.

A **Project Steering Committee** will be set up for the programme to meet annually, convening implementing partners and government representatives. The Steering Committee to be Chaired by Planning and Development Department, Government of KP, and co-chaired by the EU, will monitor the progress of the programme and promote and ensure synergies with other activities led by the EU and other stakeholders, including with the Team Europe initiative and more broadly with EU Member States' activities.

Technical Working Committees (TWG) will be established under the Steering Committee. They will develop a results-based multiyear work-plan, under the leadership of the Planning and Development Department, and in close consultation with all key and auxiliary stakeholders. The TWG will be instrumental to drive the implementation of the action, monitor process and performance and ensure coordinated efforts between all stakeholders. The TWG will be comprised of mid-level management representing all members of the Steering Committee.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission will anticipate in the above governance structures set up for governing the implementation of the action and may sign or enter into joint declarations or statements, for the purpose of enhancing the visibility of the EU and its contribution to this action and ensuring effective coordination.

## 5 PERFORMANCE MEASUREMENT

### 5.1 Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support). All monitoring and reporting shall assess how the action is considering the principle of gender equality, human rights-based approach, and rights of persons with disabilities.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring:

The project team will include fully or partially dedicated Monitoring and Evaluation staff in each district of implementation to ensure rigorous tracking and reporting on results, adaptive management, and rapid feedback loops. This will include field-level project performance monitoring with technical backstopping at a central level.

The project's governance system will also be leveraged to support accountable monitoring. As such, monitoring reports will be presented to the Project Steering Committee on an annual basis, including baseline and end-line, thereby engaging key government partners and stakeholders in validation and progress tracking

#### Data collection and management

Externally led, mixed-methods baseline and end-line assessments will be carried out to measure intended and unintended changes and analyse overall project performance at the impact and intermediate outcome result levels in the logical framework. The assessments will collect qualitative and quantitative data (disaggregated by sex and age where applicable) through a variety of methods.

For robust quantitative data collection against the project's outcomes, technical resources have been planned for to ensure climate-relevant data gathering, including required technology (e.g satellite, remote sensing), to provide information on issues such as GHG emissions, forest cover and land degradation at both the start and end of the project. Where applicable, government agencies will also be engaged to access statistical information particularly at the provincial and national level. In addition, qualitative data collection will be conducted through other methods such mobile and household surveys, key informant interviews, and focus group discussions. Primary data collection will be disaggregated sex and age when applicable and, in order to monitor development and inequalities, disaggregated even further including disability, group, location etc. when applicable. For data management, the project will use web-based Monitoring, Evaluation, Research and Learning system that is comprised of multiple platforms integrated for collecting, storage, cleaning, analysis and reporting of evidence-based data.

#### Learning and Dissemination

Through its permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports providing an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the Log frame matrix:

- Internal Monthly update: Brief updates on the Monthly achievement of the project
- Internal Quarterly progress report: Comprehensive progress report including planned vs actual for activities in the work plan/, outputs and budget.
- Annual Report: Comprehensive report showcasing the annual progress of the project against the planned targets for the reporting year. This report will include updates on Programmatic results (outputs and outcomes), update of the Performance Monitoring Matrix, operational updates, and project financial updates.
- End of Project Report: Submitted at the closure of the project as a deliverable, which will be the sum of all the achievement through the project implementation. It will include comprehensive details on the project performances, implementation, challenges, lesson learned. It will also accompany any special reports, case studies, and evaluation/assessments completed under the project.

In addition, the project has envisaged key knowledge partnerships and outputs for dissemination including studies that will be financed through the action. Specific interventions have been dedicated to work with research partners on generating evidence and enhance knowledge transfer from the project's data and learnings among stakeholders and public partners.

## 5.2 Evaluation

Having regard to the importance of the action, mid-term and final evaluations will be carried out for this action or its components via independent consultants.

The mid-term evaluation will be carried out for problem solving and learning purposes, in particular with respect to the relevance and effectiveness of the institutional arrangements supported by the action to ensure sustainability in the use of natural resources.

A final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that innovative models in sustainable management of natural resources will have been tested by the action.

The evaluation reports may be shared with the partners and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, apply the necessary adjustments.

The Commission shall inform the implementing partner at least 30 days in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

Evaluation services may be contracted under a framework contract.

### 5.3 Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

## 6 STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

In line with the 2022 “[Communicating and Raising EU Visibility: Guidance for External Actions](#)”, it will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union’s support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU Member States.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.