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

**ANNEX I**

to the Commission Implementing Decision on the financing of the annual action plan in favour of the Islamic Republic of Pakistan for 2022

**Action Document for Khyber Pakhtunkhwa Rural Economic Transformation (KP-RET) Project**

**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>	Khyber Pakhtunkhwa Rural Economic Transformation (KP-RET) Project OPSYS number: ACT-60553 Financed under the Neighbourhood, Development and International Cooperation Instrument ( <u>NDICI-Global Europe</u> )
<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 the province of Khyber Pakhtunkhwa, Pakistan
<b>4. Programming document</b>	Multi-Annual Indicative Programme Pakistan 2021-2027
<b>5. Link with relevant MIP(s) objectives / expected results</b>	The action is contributing to Priority Area 1 – Green Inclusive Growth of the MIP benefitting to Pakistan: <ul style="list-style-type: none"> <li>- Specific Objective 1: support sustainable growth of SMEs and MSMEs in Pakistan</li> <li>- Specific objective 2: improve the performance and sustainability of agribusiness and its integration into local and regional value chains</li> <li>- Specific objective 3: boost sustainable agriculture and sustainable access to water</li> </ul>
<b>PRIORITY AREAS AND SECTOR INFORMATION</b>	
<b>6. Priority Area(s), sectors</b>	MIP 2021-2027 Priority area 1: Green Inclusive Growth DAC code 1 – 311 Agriculture DAC code 3 – 160 Other Social Infrastructure & Services, 16020: Employment Creation DAC code 2 – 430 Other Multisector, 43072 Household food security programmes
<b>7. Sustainable Development Goals (SDGs)</b>	Main SDG : 1 - No Poverty Other significant SDGs (up to 9) and where appropriate, targets: SDG 2 – Zero Hunger, SDG 5 – Gender Equality, SDG 8 – Decent Work and Economic Growth, SDG 12 – Responsible Consumption and Production, SDG 13 – Climate Action

<b>8 a) DAC code(s)</b>	DAC code 1 – 311 Agriculture (70%) DAC code 2 – 160 Other Social Infrastructure & Services, 16020: Employment Creation (25%) DAC code 3 – 430 Other Multisector, 43072 Household food security programmes (5%)			
<b>8 b) Main Delivery Channel</b>	41108			
<b>9. Targets</b>	<input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input type="checkbox"/> Education <input type="checkbox"/> Human Rights, Democracy and Governance			
<b>10. Markers (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 checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition @	<input type="checkbox"/>	<input checked="" 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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<b>11. Internal markers and Tags:</b>	<b>Policy objectives</b>	<b>Not targeted</b>	<b>Significant objective</b>
Digitalisation @		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
digital connectivity		<input checked="" type="checkbox"/>	<input type="checkbox"/>	
digital governance		<input checked="" type="checkbox"/>	<input type="checkbox"/>	
digital entrepreneurship		<input checked="" type="checkbox"/>	<input type="checkbox"/>	
digital skills/literacy	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
	digital services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

	Connectivity @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	digital connectivity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	/
	energy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	transport	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	education and research	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Migration @ (methodology for tagging under development)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities @ (methodology for marker and tagging under development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Covid-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
12. Amounts concerned	Budget line(s) (article, item): 14 02 01 31  Total estimated cost: EUR 168.9 million <sup>1</sup>  Total amount of EU budget contribution EUR 17 million  This action is co-financed in parallel co-financing for 151.9 M EUR by: <ul style="list-style-type: none"><li>• International Fund for Agricultural Development (IFAD) for an amount of USD 84 million loan (75.5 M EUR)</li><li>• Government of Khyber Pakhtunkhwa Province for an amount of USD 40 million (35.95 M EUR)</li><li>• Beneficiaries for an amount of USD 45 million (40.46 M EUR)</li></ul>			
MANAGEMENT AND IMPLEMENTATION				
13. Type of financing	Indirect management with United Nations International Fund for Agricultural Development (IFAD)			

## 1.2 Summary of the Action

Pakistan is a lower-middle income country with 64 % of its 217 million population living in rural areas. Poverty and inequality leading to alarming food insecurity levels (37% of households) remain major challenges for human and economic development. The macroeconomic situation has worsened since 2018 due to high fiscal and current account deficits, low levels of reserves, and COVID19.

Khyber Pakhtunkhwa Province (KP) has a population of 35 million with a youth bulge of about 29%. The multidimensional level of poverty is 49% (58% rural) against a national average of 39%, and the newly merged districts of the erstwhile Federally-Administered Tribal Areas (ex-FATA) are among the poorest regions of Pakistan. KP is home to around 800,000 Afghan refugees of which 58 % are living in host communities. The province is highly vulnerable to the impacts of climate change, including economic disruption owing to natural disasters.

Pakistan experienced in 2022 the worst floods in more than a decade with the monsoon season. The southern and central provinces have been the most severely impacted, in particular the Balochistan and Sindh provinces, but

<sup>1</sup> IFAD co-financing USD 84 million estimated at EUR 75.50 million; Government of Khyber Pakhtunkhwa Province co-financing USD 40 million estimated at EUR 35.95 million; co-financing from beneficiaries USD 45 million estimated at EUR 40.46 million (InforEuro April 2022)

Punjab and Khyber Pakhtunkhwa were also highly affected. Widespread flooding and landslides have had severe repercussions for human lives, property and infrastructure.

The agriculture sector provides 80% of the rural population in KP with direct and indirect livelihoods but still has an untapped growth potential in terms of income generation and job creation. Along with political instability and security concerns, the main factors explaining this gap are low levels of education and skills, insufficient public and private support services, inefficient agricultural markets, and weak farmers' bargaining and marketing capacities. The result is the predominance of the informal economy and a labour market featuring low labour force participation rate, high unemployment rate particularly among youth, and very low participation of women.

The 2022 floods have resulted in the loss of agricultural crops and livestock, absence of safe drinking water, and difficulties in distribution of food, with a negative impact on livelihoods as well as on the overall food security of the population, including the refugee population, at a time of rising prices of essential commodities.

The Khyber Pakhtunkhwa – Rural Economic Transformation (KP-RET) Project follows a request from the Government of KP and the UN International Fund for Agricultural Development (IFAD) and has been designed to address the main drivers of rural poverty and food insecurity by supporting the transformation of the rural economy of the province into an engine for inclusive and sustainable economic development. The project will foster sustainable and profitable agribusiness development to improve rural income and employment in all the 35 districts of the province and support the development of the needed skills in the sector, with special attention to women and youth inclusion.

The **Overall Objective** of this Action is to contribute to poverty reduction, food and nutrition security and strengthened resilience of rural households in the province of Khyber-Pakhtunkhwa, and the Specific Objective is to improve sustainably rural households' income through climate-resilient, high-value agriculture and off-farm/non-farm employment opportunities, with a focus on youth and women.

The Outputs to be delivered comprise (1) Enhanced capacity of smallholder farmers for implementing environmentally sustainable agricultural practices and increased market access; (2) Improved capacity of rural households to obtain decent jobs and engage in entrepreneurship in the agricultural sector, with a focus on women and youth; (3) Strengthened provincial government's capacity for policy dialogue/reform.

The Action will cover 785,000 households (4.35 million persons, i.e. 15% of total rural population in the province) including 196,250 (25%) women through Agribusiness Development, Skills Development and Employment Promotion, and also via improved service delivery by the public sector. An estimated 50,000 Afghan refugees (i.e. approximately 9,000 refugee households) will be covered by the Action, corresponding to 15% of the estimated total number of Afghan refugees that are living in the 43 refugee villages in rural areas in the province. Improving the availability and accessibility of support services in agricultural value chains will lead to increasing added value in selected sustainable value chains for agricultural producers and entrepreneurs. 75% of the targeted households are expected to achieve increase in their income.

A 50% quota for youth and 25% for women beneficiaries will be ensured in all the project activities, and women's access to jobs and entrepreneurship opportunities will be particularly enhanced. Efforts will be undertaken to include Afghan refugees in the programme in a conflict sensitive manner along with host communities and migrant returnees. Nutrition and climate change will be mainstreamed in all aspects of the project implementation.

The Action contributes to three Specific Objectives in the MIP 2021-2027 Priority area 1 – Green Inclusive Growth: (1) *Support sustainable growth of SMEs and MSMEs in Pakistan*; (2) *Improve the performance and sustainability of agribusiness and its integration into local and regional value chains*; (3) *Boost sustainable agriculture and sustainable access to water*. It is also linked to Priority area 2 – Human Capital, Specific Objective 5 – *To improve labour skills to meet the demand in the agribusiness, water and energy sub-sectors*.

The Action will contribute to SDG 1- No Poverty, SDG 2- Zero Hunger, SDG 5- Gender Equality, SDG 6 - Decent Work, SDG 12 -Responsible consumption and production and SDG 13 – Climate Action.

The Action is part of the TEI for Pakistan 'Building back better through Green Jobs Creation' and will complement and create synergies with planned Italian Cooperation initiatives in KP in support to fruits and olive oil production, including development of irrigation. AFD is also exploring a possible complementary action to support a new agricultural gross market in Lahore which would increase market opportunities for agricultural producers in KP.

The Action will contribute to the Government's recovery efforts in the agricultural sector further to the disaster caused by the floods, based on the recommendations of the Post-Disaster Needs Assessment (PDNA).

Finally, the Action contributes to the implementation of the EU – Pakistan Strategic Engagement Plan (SEP) by targeting enhanced cooperation in agriculture to promote decent and productive employment for all, in particular for youth and women, as part of a broad based partnership for peace, development and prosperity. It is also aligned with the EU Indo-Pacific Strategy, as part of the efforts to engage with Indo-Pacific partners to build more resilient and sustainable global value chains in relation with sustainable and inclusive prosperity and green transition.

## 2 RATIONALE

### 2.1 Context

Despite important developments in recent years, Pakistan, with a rapidly growing population of 217 million (2019, WB) and a per capita income of USD 1,285 (2019, WB), faces a range of serious interlinked challenges. Nearly 39% (2018, UNDP) of Pakistanis live in multidimensional poverty, with the highest rates of poverty in the provinces of Khyber Pakhtunkhwa and Balochistan. Pakistan is placed fifth on the list of countries most vulnerable to climate change, according to the Global Climate Risk Index 2020. Pakistan is a major country of origin, transit and destination of refugees and migrants, and the situation in Afghanistan continues to impact Pakistan's socio-economic development. Women's situation remains a challenge with the country ranked 151 out of 153 on the Global Gender Gap Index (GGGI) 2020. Amidst the COVID-19 pandemic, Pakistan experienced a GDP contraction of 0.5% during 2020. In 2021, growth is estimated to have rebounded to 3.9% and is projected to reach 4% in 2022 (2021, IMF). The increasing youth bulge provides the country with a potential demographic dividend while at the same time representing a challenge in terms of service provision and employment. The labour force participation rate has remained almost stagnant since 2007 and four million Pakistani youth attain working age every year. To absorb this the country needs to create 4.5 million new jobs over the next five years.

In the Khyber Pakhtunkhwa province multidimensional poverty is 49% against the national average of 39%, and Rural poverty is nearly 58%. The economy is dominated by the services sector, which contributes about 67% to provincial GDP followed by manufacturing (17%), and agriculture (14%). Agriculture accounts for 32% of labour force and provides direct and indirect livelihood to 80% of the rural population. Small farmers constitute 95 % of the total farms and mostly undertake subsistence farming and follow mixed farming system consisting of agriculture and livestock and supplementary income through off and non-farm labour. Rural poverty in the province is correlated with lack of productive assets, limited access to markets and services, insufficient private sector participation, limited farm, off farm and non-farm employment, limited avenues for the women and youth in rural areas for market-responsive skills development for jobs, and increasing vulnerability to climate induced disasters such as the severe floods caused by the 2022 monsoon season which seriously impacted the agricultural production.

However, because of its unique agro-climatic conditions, KP has significant growth potential for the development of agribusiness around high value crops and livestock. The current youth bulge can be gainfully employed through skills developments to meet the demands of a modernised and rejuvenated agriculture sector.

This is why the Government of Pakistan and the Government of KP have requested the United Nations International Fund for Agricultural Development (IFAD) and the EU to support them in designing and implementing a provincial programme covering all districts to trigger a sustainable rural economic transformation by developing the province's economic agribusiness potential. This Action targets sustainable, natural resource-based, green job creation by tapping into the potential of private sector in sustainable agriculture value chains, and will result in increased sustainable income and decent jobs for the most vulnerable populations. Thanks to the EU contribution, the overall KP-RET project will be extended to ensure impact on the most vulnerable communities in rural areas, including communities hosting refugees and refugees alike.

IFAD is providing USD 84 million for this project, to be added to the estimated contributions of USD 29 million by the GoKP and USD 45 million from the project's beneficiaries, which together will cover most of the investments planned for rural infrastructure, renewable energy and irrigation. IFAD's contribution is a sovereign loan to the Islamic Republic of Pakistan approved by IFAD's board on 30 December 2021. The total amount is to

be transferred by the Ministry of Finances to the Provincial Government of KP to be used integrally in this Action. Beneficiaries will be contributing mainly in cash with various ratios depending on the type of activity.

The EU contribution will be focused on creating opportunities for agribusiness development and jobs creation and improving support services to farmers, including through building capacities of professional farmers organisations and GoKP. The EU is also bringing to this project the lessons learned from TVET interventions over the last 10 years in order to foster linkages between value chains development and skills creation.

The Action is aligned with the European Consensus on Development, with poverty eradication as a primary development objective, and contributes to global EU commitments related to environment, climate change and sustainable food systems (EU Green Deal), gender equality (EU Gender Action Plan III 2021-2025), and migration.

The EU is widely recognised in KP as a key political player who has made significant contributions to stability and prosperity during the implementation of the previous MIP 2014-2020. In a region which hosts half of the 2 million Afghan refugees and in which the Federally Administered Tribal Areas have been recently integrated, previous EU support in rural development including energy provision and community mobilisation has consolidated EU's leading role among international donors and its capacity to engage in meaningful political dialogue with the provincial government.

Peace and development of KP is a high priority for the government of Pakistan. The Action's approach, activities and outcomes are based on rural communities' need assessments and reflect government priorities as articulated in various national and provincial policies and strategies. It will contribute to stability in the region, increasing trade exchanges, preventing radicalisation and tackling root causes of migration.

By targeting enhanced cooperation in agriculture to promote decent and productive employment for all, in particular for youth and women, the Action contributes to the implementation of the EU – Pakistan Strategic Engagement Plan (SEP) as part of this broad based partnership for peace, development and prosperity. It is also aligned with the EU Indo-Pacific Strategy, as part of the efforts to engage with Indo-Pacific partners to build more resilient and sustainable global value chains in relation with sustainable and inclusive prosperity, and green transition.

The Action will contribute to the Government's recovery efforts in the agriculture sector after the disaster caused by the 2022 floods.

## 2.2 Problem Analysis

### ***Short problem analysis:***

Profitability, environmental sustainability, and employment generation in the agriculture sector in KP remain a challenge despite the significant potential for growth in high value crops (orchards, vegetables, floriculture) and in livestock and dairy. Major issues include high transaction costs, lack of economies of scale and high aggregation cost due to fragmented production base. Low productivity owing to low adoption of environmentally sustainable techniques together with limited access to finance hampers investment, linkages of small-holders with markets, and integration in food supply chains. Post-harvest losses are high in the absence of essential infrastructure, and complex quality standards regimes compound with weak compliance capacities among value chains stakeholders. As a consequence, private sector is underdeveloped and farmers' profitability is low and deter investment in improved technologies, irrigation systems, and best practices to respond to market demand while minimising environmental externalities.

The fast-growing rural labour force in the province cannot be sufficiently absorbed in the stagnant agriculture sector. The key obstacle to increase the labour force participation rate and provide productive employment to the youth is the lack of appropriate skills relevant to job market needs. Women's participation in the work force is hindered due to cultural norms and mobility issues. The mismatch between labour demand and supply results from the low quality of the trainings provided by public and private institutions, which suffer from lack of focus on employability and soft skills, which at entry level are more important than technical skills.

The agriculture sector in KP is also exposed to the impacts of climate change and environmental degradation linked to increasing demographic pressure. Pakistan is one of the most affected countries by climate change and variability, ranking 8<sup>th</sup> in the Long-Term Climate Index, and deforestation, reduced water availability, and extreme weather events put a strain on agricultural productivity. Agricultural and livestock value chains in the province need to be transformed to cope with declining productive resources and be more socially inclusive environmentally sustainable and economically profitable.

To address these challenges, the Action will support professional farmer organizations and promote public-private-producer partnerships through market oriented technical assistance, coaching, mentoring and capacity building. It will also strengthen farmers' capacity to assess climate risks, plan and identify climate adaptation measures to reduce the risks and impacts associated with changing climate conditions. Provincial government's support services will be reinforced to improve service delivery in agriculture extension and agriculture research and to foster policy reform in areas related to farmers organisations and agricultural development: Farmer Services Centre Act, Cooperatives Act, Seeds Act, nutrition and food security policy. Finally, institutions providing training for the agricultural sector will be supported to ensure better adaptation to labour market demands.

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

IFAD will be the implementing partner for this Action. Key stakeholders of the project are the Economic Affairs Division of the Ministry of Foreign Affairs as overall coordination agency at the federal level, the provincial government of Khyber Pakhtunkhwa as a co- financier and the provincial Planning and Development department as the executing agency for the project in charge to supervise and coordinate all the project activities in the field. The project will closely engage with communities and existing farmers' organisations and cooperatives to make them financially self-sustaining and viable. Main implementation partners will be public sector institutions - duty bearers (Departments of Agriculture, Livestock and Cooperatives, Environment, Local Government, and Industries and KP TEVTA), along with private sector service providers for agribusiness and skills development. Private companies, in particular MSMEs, already in the agribusiness sector and with financial capacity and demonstrated market share, will also be involved. Business-oriented farmers organisations will not only be the recipient of project resources but will also serve as an integral implementation mechanism and will be involved in the selection and validation of beneficiaries.

### 3 DESCRIPTION OF THE ACTION

#### 3.1 Objectives and Expected Outputs

This Action results from an initiative of the Government of Pakistan, the Government of KP, and the United Nations International Fund for Agricultural Development (IFAD) to support a sustainable rural economic transformation in the province by developing its agribusiness potential to increase sustainable income and jobs.

KP-RET project targets sustainable, natural resource-based, green and decent job creation by tapping into the potential of private sector in sustainable agriculture value chains, and will result in increased sustainable income and jobs for the most vulnerable populations. With the EU contribution, the overall KP-RET project will be in a position to ensure impact on some of the most vulnerable communities in rural areas, including communities hosting refugees and refugees alike.

The **Overall Objective** of this action is to reduce poverty, improve food and nutrition security, and strengthen resilience of rural households in the province of Khyber-Pakhtunkhwa.

The Specific Objective is to improve sustainably rural households' income through climate-resilient, high-value agriculture and off-farm/non-farm employment opportunities with a focus on youth and women.

The Outputs to be delivered by this Action contributing to the Specific Objective are as follows:

1. Enhanced capacity of smallholder farmers for implementing environmentally sustainable agricultural practices and increased market access.

This component aims to improve sustainably productivity and income of small farmers through agribusiness development particularly for high value and niche crops, tapping on the province's comparative advantage, investing in capacity building and improved service delivery, and supporting Professional Farmers' Organizations (PFOs) to enter into Public-Private Producer Partnerships (4Ps).

2. Improved skills of rural households to obtain jobs and engage in entrepreneurship in the agricultural sector, with a focus on youth, women, refugees and migrants.

The Economic Graduation and Employment component is designed to support youth for employment and self-employment/entrepreneurship in agriculture and other emerging sectors in the province through a range of activities tailored to the needs and interests of different target groups. Technical and vocational training will be organised to develop agribusiness related skills corresponding to the specific needs and actual roles of the individuals and institutions supported. 5,000 students will be trained every year and supported to secure jobs or launch their own business through a job placement programme in collaboration with private sector and start-up grants.

3. Strengthened provincial government's capacity for policy dialogue and reform, with a focus on areas related to farmers organisations and agricultural development: Farmer Services Centre Act, Cooperatives Act, Seeds Act, nutrition and food security policy

The Action will cover 785,000 households (4.35 million persons), which correspond to 15% of the estimated rural population in KP. This will include 196,250 (25%) women and 9,000 Afghan refugee households (50,000 people – 15% of total refugees living in rural areas in KP). As a result of the direct support provided by the Action for Agribusiness Development, Skills Development and Employment Promotion, or indirectly from improved service delivery by public sector, an estimated 75% (588,750 households) of the targeted households are expected to achieve increase in their income. Additionally, the Action will support Government of Pakistan and EU' priority of consolidation of the recent peace, stability and development gains in the province.

#### **What are other MS doing in this area?**

The Action will benefit from complementarities with interventions by Germany and Italy. In order to build resilience to climate change, Germany is working on an afforestation programme (EUR 13.5 million) in support to Government's Ten Billion Tree initiative. In Khyber-Pakhtunkhwa, Italy is focusing on sustainable access to water through a EUR 17.62 million soft loan to expand irrigated areas in North Waziristan district.



### 3.2 Indicative Activities

#### **Activities relating to Output 1 – Enhanced capacity of smallholder farmers for implementing environmentally sustainable agricultural practices and increased market access:**

The Action will create and consolidate 550 Professional Farmers Organisations with 300 to 500 small farmers each to promote agribusiness in rural areas, aggregating production base for market demand and leveraging private investment in agricultural value chains. At least 25 % of the membership will be women, and around 1.2 % will be afghan refugees, which correspond approximately to the proportion of Afghan refugees among the total rural population in KP. Capacities of farmers and institutions in climate smart production practices and technologies, including assessing climate/environment risks and planning and identifying climate adaptation/mitigation measures will be improved. 20 Public, Private Producers Partnerships (4P) involving 20,000 producers will be established.

- 1.1 Support provided to Professional Farmers Organizations, Farm Service Centres and Producer-Public-Private Partnerships.
- 1.2 Coaching of producers for increased capacity on business planning, production practices and market advice.
- 1.3 Producer-Public-Private-Partnerships (4Ps) established

#### **Activities relating to Output 2 – Improved skills of rural households to obtain decent jobs and engage in entrepreneurship in the agricultural sector, with a focus on youth, women, refugees and migrants.**

85,000 households will benefit from skills creation for income-generating activities and business management, with a focus on ultra-poor and poor households with limited access to land and a specific focus on women and youth. Around 1,000 Afghan refugee households will be specifically covered. 42,000 young women and men will receive vocational and entrepreneurial trainings to become self-entrepreneurs in farm, off farm and non-farm sectors. About 25,000 university graduates will see their employability skills enhanced through internships in public and private entities

- 2.1 Vocational, technical and entrepreneurial skills trainings provided
- 2.2 Provision of start-up capital for establishing business and self-employment
- 2.3 Support to individuals entering the job market for the first employment

#### **Activities relating to Output 3 – Strengthened provincial government’s capacity for policy dialogue and reform**

- 3.1 Review of existing policies and regulatory framework regarding agricultural extension services, cooperatives, seeds, nutrition and food security, and Technical & Vocational Training.

### 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 (not requiring an EIA, but for which environment aspects will be addressed during design).

**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 was addressed as part of the implementing partner’s Social, Environmental and Climate Assessment Procedures (SECAP).

IFAD’s SECAP procedures are focused on risk identification, assessment, mitigation and management, and mainstreaming opportunities, leading to achieve better development outcomes through:

- Environmental, social and climate due diligence, proportionate to the nature and scale of the project, and the level of environmental, social and climate risks and impacts
- Clear procedures to integrate mainstreaming themes (environment and climate change, gender, nutrition, and youth) into the project cycle in order to maximize positive social and environmental impact, and climate change adaptation and mitigation benefits
- Commitment to work with national governments to build their national systems for managing risks and enhancing development opportunities, where required
- Timely stakeholder engagement, information disclosure and adequate grievance redress

The mandatory SECAP screening and categorization exercise is carried out using the strict standards including, Biodiversity conservation, Resource efficiency and pollution prevention, and Climate change.

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

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G1 which implies that Gender equality is a significant objective of the project. This implies that, in view of the existing deficit in terms of access to basic social services and livelihood opportunities, women will be particularly targeted with specific interventions aiming at economic and social empowerment. At least 25% participation of women will be ensured in all project activities and investment on gender mainstreaming is estimated at 25% of the total project cost.

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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 Organization's (ILO) conventions on equal wages, equitable work standards, and participation. However, gaps continue to exist in 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 taking into account the need to uphold national and international human rights and safeguarding obligations, recognising the right of every person, without discrimination, to survival, well-being and development, as well as to be protected from harm.

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### **Disability**

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0.

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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. Tested participatory methodologies in which community level institutions are the key stakeholder will be used to ensuring inclusiveness in the support provided to farmers organisations benefitting from the Action, with special attention paid to not leave behind religious minorities. In the districts corresponding to the former Tribal Areas the implementation of the Action will take into consideration the traditional local power structures to promote inclusive governance practices. The Action will create agricultural cooperatives as legal entities endowed with independent governance bodies ensuring equal participation of right holders, professional management and embedded grievances handling mechanisms.

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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. 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.

The Action does not include any activity that could contribute to conflict related the the access or use of land, water sources and other livelihoods. Stakeholder grievance redressal mechanisms will be put in place with the beneficiary cooperatives to ensure that local actors have the tools to prevent and address any possible conflict that could arise between farmers groups, service providers and customers. Lessons from previous programmes in the province show that an inclusive household approach in a culturally acceptable manner provides an entry point for gender mainstreaming. Efforts will be undertaken to include Afghan refugees in the programme in a conflict sensitive manner, along with host communities.

### Disaster Risk Reduction

Increasing temperatures and changing rainfall patterns and intensity are impacting livelihoods in Pakistan and KP. The trend analysis reveals that climate change in KP is leading to increased rainfalls and increased mean temperatures (S. Babar, 2012) combined with extreme events such as cloudburst over the catchment areas of Indus and its tributaries resulting in flash floods and landslides.

The Action will ensure a strong coordination with the KP Provincial Disaster Management Authority (PDMA), which has the mandate to respond to natural hazards and man-made disasters. Project activities in support to agribusiness development and particularly relating to climate smart agriculture technologies (high efficiency irrigation systems, tunnel farming, raised beds, drought resistant varieties, land levelling, etc.) will be implemented avoiding hazardous areas based on ‘appropriateness to climate related risks’ criteria.

## 3.4 Risks and Lessons Learnt

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
1 – External Environment	Unstable security situation	Moderate in general, and substantial in some merged districts	Moderate	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.
1 – External Environment	Natural Disasters	Medium	Medium	Continuous coordination will take place with the KP Provincial Disaster Management Authority (PDMA) to ensure that planning and implementation of activities is done with a DDR perspective.
2 – Planning, processes, and systems	Staff hiring process is subject to political interference	Medium	Low	Core staff of the PMU—Project Director, Finance Manager/FM Specialist, FM Specialist, M&E Specialist should be engaged within eight (8) weeks of the date of signing of the Financing Agreement. Well structured finance unit within the PMU that includes competent and qualified staff who are capable of carrying out project financial management.

2 – Planning, processes, and systems	Funds flow is delayed	Moderate	Low	Disbursement Arrangements and counterpart funding established clearly through formal written agreements with the provincial government  Designated Accounts for the project will be opened within eight (8) weeks of the date of signing of the Contribution Agreement;
2 – Planning, processes, and systems	Administrative procedures and internal Controls put in place by the Government of KP for this project are not compliant with the Auditor General of Pakistan Accounting Policies and Procedures Manual.	Substantial	Moderate	Financial management procedures will be approved by the Project Steering Committed and shared with IFAD within eight weeks of the date of the signing of Contribution Agreement;  Post-qualification due-diligence should be carried out of all private partners.

#### Lessons Learnt:

- A **Provincial approach** allows to be more efficient in terms of policy dialogue, since the Provincial Governments in Pakistan have a clear mandate in terms of policy and regulations on many subjects such as agriculture, climate change or farmer organisations development.
- **Agriculture remains the sector in Pakistan with the highest potential for poverty reduction** and income generation. Profitable and efficient agribusiness along strategic value chains can generate new, more attractive on-farm and off-farm employment opportunities for youth, women and men.
- **Market-oriented approach.** EU support in KP over the last 10 years has focused on community mobilisation as a means to improve basic services delivery. Boosting economic development including wealth and jobs creation will require a more market-oriented approach by which farmers organisations will increase their capacities to meet market demands based on market studies, business plans and clear commercial profit objectives under the leadership of a professional management team. In that sense the Action draws also lessons from IFAD's experience in Gilgit-Baltistan and South Punjab developing market-oriented, sustainable and profitable professional farmers' organizations.
- **Employment generation linked to skills creation.** EU experience in Pakistan in support to TVET shows that market demand based vocational training is key for job creation and must be certified by an official diploma recognised in the labour market. Other experiences by other donors show that start-up capital is essential for the poorest who do not have access to the formal financial system to promote rural farm, off-farm and non-farm employment.
- **Gender mainstreaming.** An integrated and inclusive household approach provides an entry point for gender mainstreaming.

The KP-RET proposal is based on the adaption and scale up of IFAD successful current Pakistan experience of (i) the Economic Transformation Initiative in Gilgit-Baltistan by developing market-oriented professional farmers' organizations (PFOs) that will be sustainable and profitable; and (ii) the Southern Punjab Poverty Alleviation Project by supporting provincial employment and self-employment, with a special focus on the most vulnerable rural youth of the province.

### 3.5 The Intervention Logic

The underlying intervention logic and theory of change for this action is built on three mutually reinforcing pathways:

**Agribusiness development** (SO1: Enhanced capacity of smallholder farmers for increased market access). The project is based on the fundamental premise that a market-driven approach is needed to help smallholder farmers sustainably increase their income and improve their livelihood and nutrition. In order to address smallholders' needs in terms of access to market, technology, organisation and scale, environmentally sustainable agricultural practices, and affordable credit, a number of conditions are required: (i) establishing profitable and sustainable professional farmers organizations responding to market demand; (ii) brokering mutually beneficial partnerships between smallholder farmers and private companies in response to clear market opportunities; iii) strategically combining public and private funds and extension services. In addition to this, a conducive policy and regulatory environment for the agribusiness and financial sectors is required to expand outreach towards rural clients and become overall more competitive.

**Skills for employment and entrepreneurship** (SO2: Improved capacity of rural households to obtain decent jobs and engage in entrepreneurship in the agricultural sector, with a focus on youth, women, refugees, and migrants). The poorest households with no access to land can improve significantly their economic situation through a tested and successful combination of technical / managerial training and start-up capital with a gender sensitive approach. This combination allows them either (i) to access a decent and remunerative employment or (ii) to develop, alone or in association, their own business to become economically active participants of the agribusiness chains. The rural households trained will be able to get jobs and income generating opportunities created by the Action through Agribusiness development activities.

**Capacity building to the Government of KP** (SO3: Strengthened provincial government's capacity for policy dialogue/reform) for improving the availability and accessibility of support services in agricultural value chains will directly contribute to agribusiness development and ultimately lead to increasing added value for agricultural producers and entrepreneurs in selected sustainable value chains. Government services and institutions involved in agriculture extension and research will be supported to provide demand driven services to farmers organisations and private sector. The Government will also be reinforced to improve policy dialogue and policy reform, ensuring a enabling environment for agribusiness (Farmer Services Centre Act, cooperatives act, seed act, KP-TEVTA reforms).

In addition to this main three pathways, the Action will take advantage of the opportunities to improve **nutrition and food security** in an agricultural development project. Project's investments will be nutrition-sensitive, and high nutritional value crops will be promoted. Furthermore, recognizing that improved productivity and income does not automatically lead to better nutrition outcomes, the Action will pursue nutrition education campaigns primarily through the supported farmers organisations. Improved nutritional status of households will not only increase productivity, but also their resilience.

IFAD's and Government of KP's financial contributions will cover the bulk of the project investments and particularly all the vehicles, equipment and materials, while the EU contribution will support technical assistance, trainings and studies, and grants to beneficiaries in the three above specific objectives. Contribution in cash from the beneficiaries as co-financing for the grants will complete the project budget.

### 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.

PROJECT MODALITY (3 levels of results / indicators / Source of Data / Assumptions - no activities)

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	Assumpti ons
<b>Impact</b>	To reduce poverty, improve food and nutrition security, and strengthen resilience of rural households in the province of Khyber-Pakhtunkhwa	1. SDG 1.1.1: Proportion of the population living below the international poverty line by sex, age, employment status and geographic location (urban/rural) (OPSYS core indicator) 2. SDG 8.5.1: Average hourly earnings of employees, by sex, age, occupation and persons with disabilities (OPSYS core indicator) 3. GERF 1.1. SDG 2.3.2: Average income of small-scale food producers			1. – 3. Global SDG Indicators Database: <a href="https://unstats.un.org/sdgs/indicators/data/base/">https://unstats.un.org/sdgs/indicators/data/base/</a>	
<b>Outcome</b>	Income of rural households sustainably improved through climate-resilient, high-value agriculture and off-farm/non-farm employment opportunities with a focus on youth and women	1. Number of beneficiary households reporting improved income from sales through PFOs - HH 2. Level of average income reported by the beneficiary households from sales through PFOs - HH 3. Women reporting minimum dietary diversity – Number of Persons 4. Number of long-term jobs	0  TBD in the first year of operation  0  0	1. Midterm: 262,500 HH (among them, 3,500 refugees HHs); End Target: 588,750 HH (among them, 8,000 refugees HHs) 2. 0 3. Mid term: 100,000; End Target: 220,000	1, 2, 3: Baseline, mid- term and completion surveys	<i>The PFOs, 4Ps and other actors supported are capable of long-term planning and activity</i>  <i>The provincial government plans and invests the funds necessary for policy</i>



						<i>implementation</i>
<b>Output 1</b>	1. Enhanced capacity of smallholder farmers for implementing environmentally sustainable agricultural practices and increased market access (Professional Farmer Organizations and Farm Service Centres)	<p>1.1 Level of profit reported by the supported rural enterprises</p> <p>1.1. Number of Professional Farmers' Organisations (PFOs) established and supported</p> <p>1.2. Number of the Producer Public-Private Partnerships (4Ps) established and supported by the Action</p> <p>1.3. Number of PFOs members – smallholders trained on sustainable and climate resilient agriculture, and access to markets (disaggregated by sex)</p> <p>1.4. Status of Farm Service Centres</p>	<p>1.1. 0</p> <p>1.1. 0</p> <p>1.2. 0</p> <p>1.3. 0</p> <p>1.4. Weak, knowledge gaps and scarce funding</p>	<p>1.1. 550 (25,000 HHs) established and supported by the Action</p> <p>1.1. 550 established and supported by the Action</p> <p>1.2. 20</p> <p>1.3. TBD in the first year of operation</p> <p>1.5. Improved, trained and supported to cooperate with the PFOs and 4Ps</p>	<p>1.1. PFOs charters</p> <p>1.2. 4Ps charters</p> <p>1.3. Attendance lists</p> <p>1.4. Training reports</p>	<p>Farmers see a need for and are capable of mobilising</p> <p>The trained farmers are retained in their PFOs and 4Ps</p> <p>1.5. The Farm Service Centres are supported by the Regional authorities</p>
<b>Output 2</b>	2. Improved capacity for obtaining decent jobs and engage in entrepreneurship, with a focus on youth, women, refugees and migrants	<p>2.1 New Jobs Created – Full Time Equivalent (disaggregated by sex and age)</p> <p>2.2. New Jobs Created for refugees (disaggregated by sex and age)</p> <p>2.3. Number of people benefitting from VET / skills development interventions funded by the EU (**</p>	<p>2.1. NA</p> <p>2.2. NA</p> <p>2.3. 0</p>	<p>2.1. Midterm: total 40,000 (women 10,000); End Target: total 85,000 (women 22,000)</p> <p>2.2. Midterm: 500; End Target 1,000</p>	<p>Outcome survey, MIS system, service providers' records, project reports</p>	<p>The training programmes are incorporated into the local agricultural TVET centres' study</p>

		<p>GERF 2.20), disaggregated into sex, location, age groups, refugee status</p> <p>2.4. Number of trainees receiving seed capital from the Action, disaggregated into sex, age, income group, refugee status, location</p> <p>2.5. Number of university graduates with skills developed through internship</p>	<p>2.4. 0</p> <p>2.5. 0</p>			<p>programmes</p> <p>The graduates have access to posts in governmental and private sector</p>
<b>Output 3</b>	3.Capacity for policy dialogue/reform strengthened (Farmer Services Centre Act, cooperatives act, seed act, KP-TEVTA reforms)	<p>3.1 Number of draft laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment-</p> <p>3.2. Status of the draft legal framework for agricultural extension services</p> <p>3.3. Status of the draft legal framework for seeds' bank and provision</p> <p>3.4. Status of the draft policy for nutrition and food security</p>	<p>NA</p> <p>3.2. None or poorly developed</p> <p>3.3. ...</p> <p>3.4. ...</p> <p>3.5. ...</p>	<p>3.1 Mid term: 2; End Target: 5</p> <p>3.2. Draft prepared and submitted to KP Government</p> <p>3.3. ...</p> <p>3.4. ...</p> <p>3.5. ..</p>	Policy documents	<p>The authorities efficiently handle the deliverables – drafts for discussion and incorporation into official legislative process</p> <p>The authorities incorporate the draft policy and recommendations into the official</p>

						policy agenda and commit to fund the policy after its adoption.
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## 4 IMPLEMENTATION ARRANGEMENTS

### 4.1 Financing Agreement

In order to implement this action, it is envisaged to conclude a financing agreement with the partner country, 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 60 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 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.

#### 4.3.1 Indirect Management with a pillar assessed entity

This action may be implemented in indirect management with the United Nations International Fund for Agricultural Development (IFAD). This implementation entails that all the specific objectives and outputs described in 3.1 will be the object of a Contribution agreement with the selected entity.

IFAD will implement the action through a combination of technical assistance and grants.

IFAD is a key interlocutor in the agriculture sector present in Pakistan since 1978 with a proven record of agricultural development projects successfully implemented in collaboration with provincial governments and strong capacities to mobilise significant resources to support sustainable and profitable agricultural value chains and create viable, business oriented farmers organisations. IFAD has been granted access to the province of KP for its own operations and can access to most sensitive districts on the borders with Afghanistan.

The envisaged entity has been selected using the following criteria:

From a technical capacity perspective, IFAD records relevant and successful background in generating jobs and income for smallholders farmers through supporting market-oriented farmers organisations in Pakistan and all the other countries of South Asia region from Sri Lanka to Nepal. IFAD is also an important policy and strategic interlocutor for everything relating to agricultural development and particularly when farmers organisations are targeted.

IFAD will contribute (parallel co-financing) to the KP-RET action with USD 84 million to cover project investments and particularly vehicles, equipment and materials, while the EUR 17 million EU contribution will support technical assistance, trainings and studies, and grants to beneficiaries.

In case the envisaged entity would need to be replaced, the Commission's services may select another replacement entity using the following criteria.

- Proven record of agricultural development projects successfully implemented in one or several of the following sectors: capacity building with provincial governments, support to sustainable and profitable agricultural value chains, creation of viable, business oriented farmers organisations,
- Technical capacity in generating jobs and income for smallholders farmers
- Operational capacity in Pakistan, with access to the province of KP including the most sensitive districts on the borders with Afghanistan

If the entity is replaced, the decision to replace it needs to be justified.

#### 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, subject to the following provisions.

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 realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

#### 4.6 Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)	Third-party contribution, in currency identified
<b>Implementation modalities</b> – cf. section 4.3		
<b>All Objectives/Outputs</b>	<b>16.5 million</b>	<b>USD 169 million<sup>2</sup></b>
Indirect management with the United Nations International Fund for Agricultural Development (IFAD) cf. section 4.3.1	16.5 million	USD 84 million – IFAD USD 40 million – GoKP USD 45 million – project beneficiaries
<b>Evaluation</b> – cf. section 5.2 <b>Audit</b> – cf. section 5.3	500,000	N.A.
<b>Contingencies</b>		N.A.
<b>Totals</b>	<b>17 million</b>	<b>USD 169 million</b>

#### 4.7 Organisational Set-up and Responsibilities

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

Being a multi sectoral initiative, **Planning and Development Department of the Government of Khyber Pakhtunkhwa** will be the Executing Agency.

A **Project Steering Committee** (PSC) headed by the Additional Chief Secretary of the Planning and Development (P&D) Department of the KP Government shall be constituted to provide policy level guidance, oversight, coordination and approval of annual working plans. It will meet at least annually and will be composed by provincial government line departments (agriculture, water, education...), representatives of farmers organisations, implementing organisations, and federal level line ministries (Ministry of Economic Affairs, Ministry of Agriculture). IFAD and the EU will also be part of the PSC.

A dedicated and empowered **Project Management Unit** (PMU) will be established at Peshawar and will be administratively linked to the P&D Department but accountable for its work and performance to the PSC. The PMU will be responsible for the management of all aspects related to the implantation of the project: operations, finance, procurement, human resource, M&E.

**Regional Coordination Units (RCUs):** Since the Action covers the whole province, 5 subregions will be established according to different agro-ecological features, prevailing farming systems type. In each subregion a RCU will be in place reporting directly to the PMU to coordinate the implementation of all the project activities in the different subregions.

<sup>2</sup> 169 Million USD are corresponding to approximately 151.9 M EUR at the inforEuro rate of April 2022

**Civil Society and Public and Private Service Providers:** Based on the needs assessment of the Professional Farmers Organisations and KP-TEVTA, the project management unit will identify performance-based partnerships with public, private and civil society organisations

**Community Organisations:** Existing local organizations and in particular village councils and/ community and women organizations, will be involved in the selection of beneficiaries ensuring that most vulnerable groups are targeted.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

Governance, monitoring and reporting mechanisms set up for the TEI Pakistan will include this Action.

## 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). Indicators shall be disaggregated by sex. All monitoring and reporting shall assess how the action is taking into account the human rights-based approach and gender equality

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:***

Using the project logical frame as the basis, the main purpose of the M&E system will be to provide the EU, the Government of Pakistan and the implementing partner with reliable and timely information on project execution performance and results, and to ensure efficient and effective project implementation. The M&E system will aim at monitoring: (i) project execution, which essentially means the regular tracking of activities and output targets; (ii) outreach i.e. the number of people directly benefitting from project interventions disaggregated in terms of gender and age; (iii) project results; and, (iv) benchmark risks and assumption against those identified in the Log frame.

**Monitoring of progress.** The project monitoring system will focus on: (i) assessing the rates of physical execution of yearly planned activities/sub-activities against planned annual and end targets; (ii) verifying compliance by all actors with agreed calendar and deadlines; (iii) assessing the rate of financial execution against the provisional planned budget; and, (iv) providing input to the quarterly and annual reporting.

Standardized templates shall be developed for data collection and reporting and included in the agreements with implementing partners. While field monitoring is largely led by IPs, in order to verify the data submitted by the various project partners and monitor the quality of outputs, the M&E team will conduct monthly field visits.

The PSC and IFAD's supervision missions shall also periodically assess project implementation—including the effectiveness of M&E system in tracking and resolving implementing bottlenecks.

#### **Results measurement:**

- i. *Baseline.* A baseline survey, covering the mandatory indicators (as per log frame), will be conducted in year-1 through a third-party service provider to document the initial status of target beneficiaries prior to commencement of the project interventions. This information will, at mid-term and

completion, become the reference against which to measure changes, and therefore appreciate project outcomes and impact, or lack thereof.

- ii. *Mid Term Review (MTR)*. A MTR combined with mid-line assessment will be conducted by P&DD and IFAD during the fourth year of implementation to assess progress against the targets. Comparison with baseline data will allow the measurement of changes in core indicators, and thus to infer on the project's direction of travel toward the project outcomes. The MTR shall identify implementation bottlenecks and suggest remedial actions—which may also include modification in the project design as appropriate.
- iii. *Annual Outcome Surveys*. PMU shall also start conducting annual outcome surveys through a third party after the MTR to validate the results reported in internal M&E assessments.
- iv. *Completion Survey*. The project will undertake a terminal assessment towards the end of the last of year of implementation to gauge the outcomes realized, as well as to document emerging impacts covering all the core indicators contained in the project log frame. This may also feed in to the project completion report.

**Learning and knowledge management.** A knowledge management strategy will be prepared during the start-up phase of the project to clearly identify knowledge products, events, uses and forums to collect, collate and share the knowledge generated through project interventions. The KM strategy has five pillars i.e. (i) use the project intervention as action research; (ii) systematic assessment and analysis using experimental designs which are statistically valid and robust; (iii) deriving inferences/conclusions have strong evidence base; (iv) devise knowledge products; and, (v) disseminating knowledge products using various channels/media. The KM function will particularly focus on success factors pertaining to integration of small farmers to market chains and diversification into high value products and through investment in skills and entrepreneurship foster women's and youth's economic empowerment, while at the same time mainstreaming nutrition.

A dedicated M&E, knowledge management and communication section with suitably qualified and experienced staff is part of the organizational arrangements at the PMU and district offices.

## 5.2 Evaluation

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

The mid-term evaluation will be carried out for problem solving and learning purposes, in particular with respect to assess progress against the targets. Comparison with baseline data will allow the measurement of changes in core indicators, and thus to infer on the project's direction of travel toward the project outcomes. It shall identify implementation bottlenecks and suggest remedial actions—which may also include modification in the project design as appropriate

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), to gauge the outcomes realized, as well as to document lessons and emerging impacts covering all the core indicators contained in the project logical frame.

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.

All evaluation shall assess to what extent the action is taking into account the human rights-based approach and we as how it contributes to gender equality and women's empowerment. Expertise on human rights-based approach and gender equality will be ensured in the evaluation teams.

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.

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.

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.