
ISLAMIC REPUBLIC OF PAKISTAN

Multi-annual Indicative Programme 2021-2027

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Abbreviations and Acronyms

ACC	Afghan Citizen Card
ADB	Asian Development Bank
AFD	Agence Française de Développement
BRI	Belt and Road Initiative
CIDA	Canadian International Development Agency
CPEC	China-Pakistan Economic Corridor
CSO-LA	Civil Society Organisations and Local Authorities
CSOs	Civil Society Organisations
DAC	Development Assistance Committee
DFIs	Development Financial Institutions
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EFSD+	European Fund for Sustainable Development
EIB	European Investment Bank
EIDHR	European Instrument for Democracy and Human Rights
ER	Expected Result
EURF	European Union Result Framework
FA	Financing Agreement
FAO	Food And Agriculture Organization
FATA	Federally Administrated Tribal Areas
FCDO	Foreign, Commonwealth & Development Office
FMO	Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.
KFW	Kreditanstalt Für Wiederaufbau
GAP III	Gender Action Plan III
GBV	Gender based violence
GDP	Gross domestic product
GGGI	Global Gender Gap Index
GHG	Greenhouse Gas
GIs	Geographical Indications
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GRI	Global Recovery Initiative
GSP	Generalised Scheme of Preferences
GSP+	Generalised Scheme of Preferences Plus
HoMs	Heads of Mission
HR	Human Rights
IFAD	International Fund For Agricultural Development
IFC	International Finance Corporation
ILO	International Labour Organisation
IMF	International Monetary Fund
INFF	Integrated National Financing Framework
IsDB	Islamic Development Bank
IWRM	Integrated Water Resources Management
JICA	Japan International Cooperation Agency
JP	Joint Programming
KP	Khyber Pakhtunkhwa
MFF	Multi-Annual Financial Framework
MIP	Multi-Annual Indicative Programme
MoF	Ministry of Finance

MS	Member (s) State(s)
MSMEs)	Micro, Small and Medium Enterprises
MTR	Mid-Term Review
MW	Megawatt
NDC	National Determined Contributions
NDICI	Neighbourhood, Development and International Cooperation Instrument
NVQF	National Vocational Qualification Framework
OBI	Open Budget Index
OECD	Organization for Economic Cooperation and Development
PFM	Public Finance Management
PMIC	Power Management Integrated Circuit
PPP	Pakistan Peoples Party
RE	Renewable Energy
RFI	Rapid Financing Instrument
RM	Roadmap
RoL	Rule of Law
SDGs	Sustainable Development Goals
SE4ALL	Sustainable Energy for All
SECP	Securities and Exchange Commission of Pakistan
SEP	Strategic Engagement Plan
SMEs	Small and medium-sized enterprises
SO	Specific Objective
TA	Technical Assistance
TAIEX	Technical Assistance and Information Exchange Instrument
TE	Team Europe
TEI	Team Europe Initiative
TVET	Technical Vocational Education and Training
UN GEF	UN Global Environment Facility
UN	United Nations
UNAID	Joint United Nations Programme on HIV/AIDS
UNDP	United National Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
UNODC	United Nations Office on Drugs and Crime
USAID	United States Aid for International Development
USD	United States Dollar
VET	Vocational and Educational Training Programme
WB	World Bank
WFP	World Food Programme
WHO	World Health Organization

1. The overall lines of the EU international cooperation in the partner country

1.1. Basis for programming

Pakistan occupies a critically strategic location in the South Asia region, facing the Persian Gulf countries across the Indian Ocean and bordering India, China, Afghanistan and Iran. The country is situated in one of the least integrated regions in the world in terms of trade and people-to-people contact. With a fast growing population of over 215 million¹ and young people struggling to find promising development perspectives, Pakistan's strengthened democratic governance and sustainable growth will be essential for the overall peace and stability in the region in a context in which the impact of climate change on water availability hampers livelihoods and increases tensions between provinces along the Indus valley. Pakistan is placed fifth on the list of countries most vulnerable to climate change, according to the Global Climate Risk Index 2020. Extreme weather events are expected to increase as are tensions over the use of water, as glaciers in the Himalayas melt and lose their capacity as reservoirs.

Pakistan is a major country of origin, transit and destination of refugees and migrants and ranks fifth on the list of countries of origin for asylum applications in the EU. The slow economic and high demographic growth is the driving force behind irregular migration. At the same time, Pakistan is the 3rd largest refugee host country in the world, hosting approximately 1.4 million registered Afghan refugees and a similar number of Afghan nationals present in the country either holding a regular permit (Afghan Citizen Card holders, visa holders) or as irregular migrants. This number may increase with the current crisis in Afghanistan.

The EU in Pakistan

Pakistan and the EU have a long history of close collaboration based on shared values, with the EU – Pakistan Cooperation Agreement² underpinned by the Strategic Engagement Plan (SEP) signed in 2019 which is the basis for programming. Areas of cooperation under the SEP include peace and security, democracy, rule of law, human rights, and migration but also sectors such as energy, climate change and science and technology – aligning EU interests and priorities with those of Pakistan. The proposed indicative programming document is also aligned with, and will support, the recently adopted EU Strategy for Cooperation in the Indo-Pacific³. In December 2013 Pakistan was granted the EU's Generalised Scheme of Preferences Plus (GSP+) status by the European Commission. This is conditional on Pakistan's compliance with the 27 international conventions listed in the GSP Regulation and report regularly on the effective implementation of them in the country.

Pakistan is one of only two countries in the region to have signed a Readmission Agreement with the EU⁴ and the Joint Readmission Committee meets regularly. Under the Strategic Engagement Plan of 2019, Pakistan and the EU are working towards launching a

¹ Pakistan Economic Survey 2020-21, released by the Finance Division, page xvii, 139.

² Cooperation Agreement between the European Community and the Islamic Republic of Pakistan on partnership and development fields, Official Journal L 378 , 23/12/2004 P.0023-003

³ 7914/21 EU Strategy for cooperation in the Indo-Pacific - Council conclusions (16 April 2021)

⁴ Agreement between the European Community and the Islamic Republic of Pakistan on the readmission of persons residing without authorisation; OJ L 287, 4.11.2010, p. 52–67

formal, more comprehensive, Migration Dialogue, which would enable cooperation on strengthening migration governance, border management or sustainable reintegration of returnees, to name just a few.

The present programming document is guided by the country's strategic development priorities and the overall geopolitical programme of the European Commission (2019-2024), notably promoting green and sustainable inclusive growth and jobs, advancing governance and human development, and fostering resilience, peace and security as well as digitalisation. The EU's European Consensus on Development⁵ and the 2019 European Green Deal⁶ as well as the recently adopted EU Action Plan on Human Rights and Democracy⁷ and the EU Gender Action Plan III⁸ are underpinning this multi-annual indicative programme.

The MIP will also aim at enhancing cooperation in the areas of the Strategic Engagement Plan such as Economic, Social, and Environmental Sustainability, Energy, the Rule of Law, Good Governance and Human Rights.

This MIP also fully takes into account the situation in Afghanistan further to the Taliban takeover, covering in a mainstreamed approach the refugees and their hosting communities, and complements the specific programmes financed at regional level.

Decentralisation, work in progress

The on-going decentralisation process is a key priority given Pakistan's size, population and political complexity. This process is also an opportunity to devise a transformative approach in the implementation of the EU development partnership with Pakistan.

In 2010, the 18th Constitutional Amendment to the Constitution of Pakistan increased substantially the mandate of the provinces, which in some sectors became responsible for policy formulation and public service delivery (e.g. education), while other important sectors (e.g. finance, vocational training) continue to be led from the federal level. Effective implementation of policies remains a major challenge. The subsequent local government legislation has provided a basis for progress in decentralisation, though it has been unevenly applied across the provinces.

The 7th National Finance Commission Award⁹ of March 2010 launched effectively the decentralisation process by increasing the share of the divisible revenue pool transferred to the provinces. Despite the increased revenue flows, the provinces faced great challenges in

5 https://www.consilium.europa.eu/media/24004/european-consensus-on-development-2-june-2017-clean_final.pdf

6 Commission Communication - The European Green Deal, COM (2019)640 final, 11.12.2019.

7 Joint Communication - EU Action Plan on Human Rights and Democracy 2020-2024, JOIN (2020)5, 25.03.2020.

8 Joint Communication – EU Gender Action Plan, JOIN (2020) 17 final, 25.11.2020

⁹ Article 160 of the Constitution of Islamic Republic of Pakistan requires the President to constitute every five years the National Finance Commission to approve distribution of revenues between the federation (vertical distribution) and the provinces (horizontal distribution) through an Order (the NFC Award), on the recommendation of the National Finance Commission (NFC).

upgrading public services to address the very poor social indicators particularly relating to nutrition, education and health, and hence towards achieving the Sustainable Development Goals (SDGs). The demographic trends present both an opportunity and a potential risk to the country's overall development.

Development policies in Pakistan, from design to efficient implementation

Pakistan's overarching economic and social development strategy is set out in the "Vision 2025"¹⁰, which outlines the need for a more people-centric development planning, targeting the poor and marginalised population and providing access to essential public services. Pakistan's aspiration is to become a middle-income country and provide decent jobs to its expanding labour force while increasing the competitiveness of its economy. The 12th five-year plan, currently being discussed, is to focus on: (i) balanced and equitable regional development; (ii) sustainable, inclusive, and export-led growth; (iii) improved governance; (iv) human resource development, social protection, and poverty alleviation; (v) food, energy, and water security; (vi) local, regional, and global connectivity; and (vii) a green and knowledge-based economy.

The development priorities of the Government of Pakistan aim at ensuring sustainable management of natural resources, improving water and land management and preserving biodiversity, as well as upgrading infrastructures and developing an integrated energy plan including the target of reaching by 2030 a 60 per cent of all energy produced coming from clean renewable sources¹¹.

For the Government of Pakistan one of the main focus is to modernise and diversify agriculture to ensure food security. Institutional reforms and governance, enhanced value addition in productive sectors and exports, private sector-led and inclusive growth, development of a knowledge-based gender-balanced economy, strengthening of social and human capital through better education and health care, are other important undertakings.

Pakistan has designed a comprehensive national and provincial SDG Framework that sets baselines and targets for SDG indicators and will feed into the SDG Monitoring and Evaluation Framework. The provinces and territories of Pakistan have also developed their own frameworks. However, not much progress has been achieved on the implementation as yet.

Policies, plans and strategies at provincial and territorial levels, including COVID-19 response plans, are aligned to those of the federal government to ensure complementarity. The main goals of the 'Balochistan Comprehensive Development and Growth Strategy (2020-2026)'¹² include job creation and poverty reduction; enacting energy policy and implementing the integrated water resource management policy, human capital and service delivery; regional connectivity; industrial based economy; urban development; exploiting mineral resources;

¹⁰ *Pakistan 2025 : One Nation, One vision*, Planning Commission, Ministry of Planning Development & Reforms, Government of Pakistan, 2014

¹¹ While speaking at the Climate Ambition Summit 2020, Prime Minister Imran Khan announced that the country will not approve new coal-fired power generation projects to embrace renewable energy and as part of its contribution in global efforts against climate change.

¹² At the time of finalising this MIP, a draft of the Strategy has been submitted for approval to the Cabinet of Balochistan.

promoting agriculture and livestock, coastal development and tourism; and social protection and basic services. Similarly, a five year ‘Sustainable Development Strategy’ was adopted by the Government of Khyber Pakhtunkhwa in 2019. It covers the following thematic areas: economic growth and employment opportunities; energy security (including hydropower policy); peace building, rule of law, transparency and accountability to narrow the trust gap between citizens and state; adequate water for agriculture and domestic use; quality education and lifelong learning; health and wellbeing; local governance, urban and rural development, housing and transport. Both provincial strategies target gender equity. The Government is currently in the process of preparing an integrated development plan for Gilgit-Baltistan territory in which similar priority areas are being considered. Integrated strategies exist in the remaining provinces as well, such as the ‘Punjab Growth Strategy 2018’¹³ or Sindh’s ‘Poverty Reduction Strategy’¹⁴ adopted in 2018.

Governance, rule of law, and labour and women rights need to be strengthened

The third elections since the end of the military regime in 2008, and therefore the second successive peaceful transfer of power between civilian governments took place in 2018 in relative calm. However, the security situation and access to justice in the country remains challenging. According to the World Justice Project, Pakistan ranks 120 out of 128 countries on the Rule of Law Index 2020. Many Pakistani citizens lack official documents, and human rights – including labour rights – are not fully enforced, which jeopardizes the inclusive economic development of the country.

The efficiency of law enforcement and judiciary institutions is impacted by outdated regulatory frameworks. There is thus the need for capacity strengthening, and for improved coordination and cooperation between the stakeholders. This situation affects both internal security and citizens’ trust in the institutions, as well as the investment climate.

Women in Pakistan are not equally participating in societal development. Pakistan ranked 151 out of 153 countries on the Global Gender Gap Index (GGGI) 2020.

The Government of Pakistan has developed a comprehensive policy framework to address the rule of law challenges in line with the SDGs. The 2009 Judicial Policy (revised in 2012)¹⁵, focuses on efficiency and timely justice delivery. All four provinces developed rule of law roadmaps to complement this policy and tackle the specific problems in the provinces.

Key challenges facing Pakistan include:

- Institutional: staff turnover and capacity constraints, varying commitment and ownership, political interference and a perceived high level of corruption can derail results. Some of these risks are beyond EU capacity, but the EU will seek continued and strategic dialogue with the Government of Pakistan and development partners,

¹³ *Punjab Growth Strategy: accelerating economic growth and improving social outcomes*, Planning & Development Department Government of the Punjab, 2015

¹⁴ <https://www.sindh.gov.pk>

¹⁵ <http://www.ljcp.gov.pk/Menu%20Items/National%20Judicial%20Policy/National%20judicial%20Policy%20Revised%20Edition%202012.pdf>

capacity building activities as well as increase monitoring, evaluation and audits of implemented programmes.

- **Macro-economic:** a slow recovery from the COVID-19 crisis and its related socioeconomic impact could further delay needed economic and structural reforms. These will be mitigated through increased coordination and dialogue with other development partners, regular policy and political dialogue, provision of dedicated capacity building activities, including in the area of public financial management, mainly through technical assistance, and whenever possible exchange of expertise from EU Member States.
- **Security and regional stability:** Pakistan is located in a volatile region. The Taliban takeover in Afghanistan in 2021 might affect Pakistan through an influx of refugees in areas with low socio-economic indicators and possibly through strengthening radical movements within the country. Extremist and separatist movements have demonstrated their capacity to disrupt security and economic activity in the region and in Pakistan.
- **Political:** despite three elections and two peaceful transitions between civilian governments since 2008, politics are highly partisan, with little cooperation and compromise solutions between government and parliament. The role of the military in politics and administration is seen as guarantee for stability, but also criticized for undermining civilian governance capacity.
- **Natural disasters:** highly affected by climate change, Pakistan is exposed to water related natural disasters, namely seasonal flooding and glacier lake outbursts, but also drought. These risks, potentially affecting large parts of the rural population as well as large urban centres, can severely disrupt development gains and economic and social activity. The MIP will address capacity issues and integrate disaster risk management in future programmes in order to increase resilience of economic activities, building upon actions supported by the EU's humanitarian assistance.

All actions taken under this programming exercise shall comply with EU legislation, in particular EU restrictive measures (sanctions) adopted pursuant to Article 215 of the Treaty on the Functioning of the European Union.

1.2. Status of joint programming

The EU Delegation in Islamabad has a long-established system for coordination with EU Member States' diplomatic authorities on the ground. It avoids duplication, provides the basis for collaboration between the EU and EU Member States on specific projects and permits the adoption of coordinated positions in the context of political and policy dialogue with the Pakistan authorities. The 2019 Strategic Engagement Plan enables the EU and Member States to coordinate its messages and actions at both political and development coordination levels. The Team Europe Initiative is facilitating an even closer working relationship between the EU and its Member States, and has provided a platform for a coordinated and joint approach to joint future interventions, specifically in the priority areas related to green growth and skills

development. The Roadmap for the engagement with Civil Society Organisations (CSOs) 2021-2027¹⁶ will be another opportunity for a closer cooperation and division of labour with Member States.

All the above should cement the road towards achieving joint programming in Pakistan.

1.3. Priority areas of the EU's cooperation with the partner country

The EU has implemented a wide range of projects under the MIP 2014-2020 that have a bearing on the design of the MIP 2021-2027. These initiatives include: support to building the responsiveness and effectiveness of local governments at different levels to restore citizens' trust; provision of clean energy to rural population and improved opportunities for livelihood and economic development of communities living in the electrified area; mobilisation and capacitation of rural communities to strengthen their resilience, improved access to basic services and education, including Technical and Vocational Education and Training (TVET), capacity building for public authorities, at different levels, for improved service provision through new policies and better public finance management and governance; support to the rule of law and improvement of the human rights situation. More recent initiatives have witnessed a shift towards development of rural small and medium enterprises (SMEs) aimed at creating gender inclusive employment and income opportunities. To note also that support to addressing migration and forced displacement has been provided under the regional programming.

The Multi-annual Indicative Programme (MIP) will build on the successful social mobilisation and community driven local development support provided in the past and use this as basis for fostering local private sector development, including through small scale enabling infrastructure, making the EU the partner of reference for long term and integrated support to the most fragile parts of the country. This will be complemented with relevant and related governance interventions that contribute to improving the business and investment climate and ensure improved respect of rights of individuals. The MIP will also strengthen economic and social development on the Pakistani side of the border with Afghanistan, in support of peace and stability in the region and addressing the root causes of migration.

Following the Taliban takeover in Afghanistan in 2021, support to Afghan refugees in Pakistan will be mainly covered by the regional programme, with strong complementary actions at country-level. Root causes of irregular migration and force displacement, such as political instability, unemployment, inequality and demographic pressure, are fully integrated in the MIP. Actions in the area of skills and job creation in agribusiness and the energy sector will contribute to addressing those root causes.

The MIP framework will also be instrumental to the advancement of the EU-Pakistan migration dialogue. The EU will continue to advocate in its policy dialogue for a comprehensive and holistic migration policy, adequate legislation, as well as administrative capacities and human, financial and technical resources.

Due to their transboundary nature, migration management, support to Afghan refugees and other migration-related components are also tackled through specific programmes financed at regional level. Synergies between the MIP and the priority areas of the multiannual indicative

¹⁶ The Roadmap for the engagement with Civil Society Organisations (CSOs) 2021-2027 is in the process of being finalised.

programme for the Asia Pacific region 2021-2027 (Asia Pacific RIP)¹⁷ will be sought to contribute to strengthening migration governance and management, including in the fields of migration smuggling and human trafficking, border management, return and readmission and legal migration.

The cooperation with Pakistan on migration and forced displacement management will be continued, with a view to support the return and reintegration of returnees. Based on assessment of the cooperation, EU support on migration management could be further reinforced.

The MIP will thus build on the support previously provided under the MIP 2014-2020, which focused on 3 sectorial priority areas, namely: (i) Rural Development; (ii) Education; and (iii) Good governance, Human Rights and Rule of Law.

Based on (a) the experience gained from implementing the previous MIP; (b) consultations with federal and provincial government representatives, civil society, the private sector and other development partners; (c) the need for building back better in order to support a sustainable and green post COVID-19 socio-economic recovery; and (d) the desire to achieve transformational change towards the overall objective of enhanced peace and security, the MIP proposes a more focused portfolio, both in terms of the number of sector priority areas and in terms of the geographical focus of initiatives.

Support to Pakistan under the MIP will therefore be delivered in three following priority areas: **(i) Green Inclusive Growth; (ii) Human Capital; and (iii) Governance, including the Rule of Law and Human Rights.**

While the MIP covers all the country, it is proposed to concentrate most of the support in the provinces and fragile territories adjacent to the western border with Afghanistan, namely the provinces of Balochistan and Khyber Pakhtunkhwa, and the territory of Gilgit-Baltistan. This support will be complemented by federal level interventions and whenever justified interventions in the other provinces and territories. The proposed geographical targeting should trigger increased focus and impact and a more transformational effect.

During the first half of the MIP, until 2024, and subject to the evolution of the crisis in Afghanistan, the MIP will focus on delivering support to the provinces of Khyber Pakhtunkhwa and the territory of Gilgit-Baltistan. Programmes for Balochistan will begin, in principle, during the second phase from 2024 onwards, and will take stock of the lessons learned from the implementation of the significant ongoing EU portfolio in other provinces and territories.

The three priority areas are selected based on a cohesive approach to achieving sustainable socio-economic development in fragile geographical focal areas of the country, reducing poverty and accelerating the achievement of the SDG targets.

The MIP is guided by the country's strategic development priorities and the overall geopolitical programme of the European Commission (2019-2024). The priorities are aligned with the priorities of the Government of Pakistan, and will contribute to inclusive economic development by improving livelihoods and sustainably increasing the income level of the

¹⁷ In particular priority area 1 (Regional integration and Cooperation) and 3 (Migration, Forced Displacement and Mobility).

growing youth-dominated population, notably the most vulnerable groups including migrants and returnees, while tapping into the private sector’s potential – particularly Micro, Small and Medium Enterprises (MSMEs) – to foster economic growth, increase value addition, and create jobs, with enabling actions in related human development and governance, including digital dimension, to enhance equal participation of all citizen in the economic growth.

Priority area 1 will focus on sectors with high potential for value-added, green growth and job creation in the targeted geographical areas, improving the investment climate and in general the business environment and fostering private business development in an inclusive manner and within a frame of sustainability in the management of natural resources. Availability and access to critical production factors such as finance, clean energy and water are complementary and will also be supported.

Priority area 2 is complementary to priority area 1 and the Team Europe Initiative, and will address the skills gap, increasing availability of employable skilled workforce and upgrading skills through knowledge transfer. Recognizing the strong interrelation with sustained and inclusive economic growth, priority area 3 will contribute to strengthening governance and the rule of law, access to justice, human and labour rights, as well as supporting Pakistan's efforts in the implementation of international treaties, conventions, and agreements in the areas of human rights, labour rights, environmental protection and good governance, as stipulated in the GSP Regulation¹⁸.

Special attention in all priorities areas will be paid to enhance the socioeconomic rights of the most vulnerable groups, with a particular focus on landless families, informal economy workers, women and youth, returnees, refugees.

Priority Area 1 - Green Inclusive Growth

Through a multi-pronged approach, priority area 1 will address the constraints to green economic growth in order to improve livelihoods of the most vulnerable households in the selected geographical focal areas including, in a mainstreamed approach, refugees and their hosting communities. Initiatives will include supporting business development in the sectors with the highest transformative potential for poverty reduction, including services, small industry, agribusiness, food distribution and production, and the informal economy. In line with national and provincial policies (National SME Policy¹⁹ Action Plan, Doing Business Reforms²⁰ Action Plan and others), as well as EU global and bilateral priorities as spelled out in the Strategic Engagement Plan²¹, EU support will be provided to improving the business environment, public financial management, and regulatory frameworks when required. Promoting access to finance for SMEs, women and youth, returnees, refugees, will receive special attention. This should also support the developmental impact of social and financial remittances. MIP will support demand driven supply of skilled labour in the intervention

¹⁸ Regulation (EU) No 978/2012 of the European Parliament and of the Council of 25 October 2012 applying a scheme of generalised tariff preferences (“GSP Regulation”).

¹⁹ <http://www.moip.gov.pk/moip/userfiles1/file/SME%20Policy%202007.pdf>

²⁰ <https://www.fbr.gov.pk/pakistan-doing-business-reforms/131265>

²¹ <https://data.consilium.europa.eu/doc/document/ST-7857-2019-INIT/en/pdf>

sectors and geographic areas targeted under Priority Area 1, with a particular focus on the economic enhancement of women and youth, returnees, refugees.

In alignment with the EU Farm to Fork' strategy²², supporting inclusive, sustainable agriculture value chain development will be critical for stabilising politically and environmentally fragile rural areas where food production is the largest present and future source of income, as identified in the strategic development plans of the provinces and the territory. As part of the interventions along sustainable agricultural value chains, school feeding can be considered to the extent it represents a concrete market opportunity for SMEs supported in this priority area to increase their turnover and income and contribute to strengthen and grow local food markets and value chains. Opportunities will be explored to foster digital innovation in agricultural value chains as an engine for sustainable development.

A Team Europe Initiative (TEI) will support Pakistan on its green recovery path and building back better through sustainable natural resource-based green job creation for example in agriculture and forestry value chains. Under this initiative, EU and MS will further support complementary actions aimed at ensuring the availability of skilled workforce, access to finance and strengthen climate change adaptation and mitigation to ensure an inclusive and green development. Enabling factors for production such as access to finance, energy and skilled workforce will be supported through the MIP and complemented by the TEI.

Among the production factors that will be targeted, water is an essential element for nutrition and human health, and enables job opportunities in numerous key sectors of the economy, even more so in a context with growing chances of extreme weather events. Fostering integrated water resources management at provincial and territorial level will lead to improved water governance and result in a more sustainable and efficient use of scarce water resources, which can entail in some specific areas harnessing the untapped potential for small scale infrastructure combining hydropower and water for drinking and agriculture. Capacity building for relevant stakeholders will boost the development and implementation of relevant projects and policies, such as the Balochistan Integrated Water Resource Management Project²³ and the Khyber Pakhtunkhwa Hydropower Policy²⁴.

Improving access to electricity – both on grid and off-grid - through renewable energy while improving energy efficiency in production, distribution and consumption will also be targeted. Green bonds might be supported to upscale and extend the coverage of water and electricity infrastructures if the government of Pakistan confirms its interest in receiving EU technical assistance to design the bonds.

In addition, in order to foster inclusive growth, support will focus on enabling business development in remote rural areas through increasing access and use of rural infrastructure, services and markets by communities, including those hosting refugees; and empowering women to participate to decision-making on the use of services and productive resources. This will entail providing support to extending investments at local levels for relevant small

²² https://ec.europa.eu/food/horizontal-topics/farm-fork-strategy_en

²³ <http://www.biwrmdp.org.pk/>

²⁴ https://pedo.pk/uploads/policies/KP_Hydropower_Policy_2016.pdf

community infrastructure to improve connectivity and for accessing markets, and for livelihood projects.

Priority area 1 will promote the Humanitarian-Peace-Development Nexus through support to building resilience of communities to climate change with a focus on the areas prone to recurrent drought and floods. Gender equality and enhanced participation of women will be essential part of all programmes under priority area one.

Priority Area 2 - Human Capital

Support for human capital development will concentrate on the demand driven supply of skilled labour in the intervention sectors and geographic areas targeted under priority area 1, with a particular focus on the economic enhancement of women and youth, returnees, and refugees. The COVID-19 pandemic has demonstrated the need to strengthen service delivery to build resilience of the most vulnerable and protect jobs by developing new skills matching labour market demand, and ensure human rights at workplace.

The support will build upon achievements of EU support in the TVET sector, where the EU is the long-term partner of reference with sustained presence as lead donor in policy fora. TVET policy is a federal competency, while implementation is largely coordinated at provincial and territorial level.

Priority area 2 will support demand driven skills training, transfer of knowledge and technology and lifelong learning, particularly for the sectors of intervention under priority area 1. It will also support the implementation of national level policy (Skills for All Strategy²⁵) and related policy issues, including through further building of standards and curricula with increased private sector involvement. Future EU engagement in policy dialogue at federal level in particular with the National Vocational and Technical Training Commission²⁶ envisages to follow up on reform needs at policy formulation (federal level), execution (provincial level), and delivery levels (private sector/industry).

E-commerce and digital skills have emerged as key trends in the skills training sector globally, with potential for EU support. Based on lessons learnt in adapting to the pandemic context, digital education delivery in the skills sector will also be further explored.

Where appropriate, human capital development will be connected with formal education where students of secondary schools are for example trained in IT in order to connect them to the labour market or in construction / retrofitting of school buildings with involvement of students from relevant TVET courses (e.g. electrical engineering or construction).

The promotion of this priority area will be also pursued through a better access to internal and external labour markets by returning or potential migrants, also in the context of the

²⁵ Available at the following link: <http://mofept.gov.pk/Policies>

²⁶ [The National Vocational & Technical Training Commission \(NAVTTTC\) is the body at national level to regulate, facilitate, set skills standards, accredit, provide policy direction, enforce curriculum, trade testing, certification of skills and develop skilled Human Resource in the Technical & Vocational Training Sector.](#)

development of the migration partnership with the EU, primarily through the provision of training and counselling to returning/prospective migrants. Depending on the needs and the developments registered in the context of the migration partnership with the EU, support in this area could be further expanded through additional funds from the regional Asia Pacific MIP 2021-2027, mobilised on the basis of a flexible incitative approach.

Priority Area 3 - Governance, including the Rule of Law and Human Rights

Actions under this priority area will contribute towards enhancing the policy and governance frameworks and access to justice, which is conducive to inclusive human development, in line with international human rights law and standards. Improving confidence and trust in the legal framework and the judiciary will have a key role in contributing to improving the business and investment climate. Compliance with GSP+ to facilitate EU-Pakistan trade is a priority for the Government of Pakistan, highlighting synergies between the priorities of the EU in the context of GSP+ monitoring, advocating and supporting reform in the areas of the GSP+ conventions.

EU support will contribute to building capacity of the government - including local governments - to effectively fund and deliver services and enhance the rule of law at provincial and territorial level focusing on aspects of the legal framework that have a strong bearing on the World Bank's Ease of Doing Business criteria²⁷ and support to public finance management for improved delivery of basic services, and respect of rights of individuals. Capacities of partner countries to cooperate on and address and manage migration (in particular in the area of return, readmission and reintegration) and/or forced displacement challenges could be addressed, provided there is a political commitment from the authorities and overall an appropriate institutional enabling environment.

To this effect, additional funding from the regional Asia Pacific MIP 2021-2027, mobilised on the basis of a flexible incitative approach, could be activated, including actions supporting the Government to strengthen its capacity to manage efficiently and effectively migration in general, in accordance with best international standards and human rights protection, to prevent and fight migrant smuggling and trafficking in human beings. Support to CSOs active in the promotion of governance and human rights will be included.

Topics covered in priority area 3 might include inter-alia inheritance rights, civil registration/identity documentation, labour rights, and land tenancy rights (building upon the previous work done on this issue with bilateral and thematic instruments²⁸), as well as minority rights, children and women rights. The support for human rights will be aligned with the requirements set in the GSP+ trade scheme.

Digitalisation in the governance sector will aim to improve the delivery of public services through strengthening e-governance (both at the supply and demand sides), as well as to

²⁷ Annual reports and ranking available here: <https://www.doingbusiness.org/>.

²⁸ Some of the projects working on these topics are: Balochistan Rural Development and Community Empowerment (BRACE) programme, International Labour and Environmental standards in Pakistan (ILES) programme and Improved Land Tenancy in Sindh (ILTS) programme.

support alignment of the regulatory framework for digitalisation with EU and international best practices. The EU policy framework on digitalisation and ‘Digital for Development’²⁹ will be factored in as part of the attention given to business environment and regulatory framework, as well as improved governance, supporting the implementation of the government’s ‘Digital Pakistan Vision’³⁰ with a focus on promoting e-governance to ensure efficiency, transparency and accountability.

Cross cutting themes

The 2020 New Pact on Migration and Asylum³¹ recalls that migration and forced displacement must be given special importance in the EU’s relations with countries of origin, transit and destination. As foreseen in the Pact, attention will be given to developing tailor-made, comprehensive, balanced and mutually beneficial partnerships between the EU and Pakistan. Therefore migration and forced displacement will be mainstreamed throughout all priority areas of the MIP; this will be complemented by a regional programme and possibly a dedicated TEI.

The regional programme will complement country-level actions under the MIP. Root causes of migration such as political instability, unemployment, increasing inequality and demographic pressure will be addressed as part of different priority areas under this MIP. Specifically, actions in the area of skills and job creation in agribusiness and the energy sector will contribute to addressing root causes as they factor in migration-related issues and focus on rural areas. Additionally, returnees and refugees will be able to benefit from skills development components as well as other interventions. This should contribute to a sustainable reintegration process.

A special focus will be given to climate-induced displacement, since internal climate migration is expected to intensify over the next decades and could accelerate due to stronger climate impacts combined with steep population growth.

Future interventions need to build on ongoing and past efforts of EU regional programmes that include evidence-based formulation and implementation policy and programming on migration and forced displacement, support to Afghan refugees in Pakistan, actions against trafficking in persons, and work on improved border management. Effective and efficient border control and trade facilitation measures may be supported taking into account the broader regional perspective.

In its policy dialogue, the EU will also continue to advocate for a comprehensive and holistic migration policy, leading towards launching a more comprehensive Migration Dialogue, supporting adequate legislation, as well as administrative capacities and human, financial and

²⁹ 14542/17 Digital for Development (D4D) - Council conclusions (20 November 2017)

³⁰ Launched by the Prime Minister in Dec 2019. The 2021 Digital Pakistan Policy is under development by the Ministry of Information and Technology.

³¹ Commission Communication on a New Pact on Migration and Asylum, COM (2020) 609, 23.09.2020 final

technical resources. The impacts of climate change as drivers of migration will also be considered in this dialogue.

Actions under this MIP will be both gender mainstreamed and targeted for implementation of Gender Action Plan (GAP III)³², working towards achieving gender equality and empowerment of women and girls. Gender specific objectives and results will cover, among others, access to finance, inclusion in private sector development, skills training, and empowerment of girls and women as decision makers and entrepreneurs, and access to and inclusivity of justice.

Since Pakistan has one of the youngest populations in the world, youth will be targeted in a crosscutting manner, with a focus on providing decent jobs for youth through promoting entrepreneurship and strengthening skills and access to finance for MSMEs. The EU will thus work towards fostering the full economic, social, and civic participation of young people.

The Humanitarian-Peace-Development nexus will be addressed by targeting the Union's intervention in the Khyber Pakhtunkhwa and Balochistan Provinces and the territory of Gilgit Baltistan, which were either affected by conflict and/or are heavily impacted by climate change. Given the volatile situation in Afghanistan and the increasingly extreme weather patterns, 'Crisis Modifiers'³³ will be defined in order to ensure flexibility and quick adaptation to manmade and natural disasters as well as to guarantee an integrated approach with the EU's humanitarian aid support. Disasters will be used as an opportunity to build back better with the involvement of the affected population, which will receive additional training where needed. The EU will contribute to building their resilience and provision of economic opportunities, strengthen climate change adaptation and mitigation and promote private sector engagement in reducing risks and building resilience.

1.4. Justification and context

Pakistan occupies a key position in the highly volatile South Asia region. Despite important developments in recent years, Pakistan, with a rapidly growing population of over 215 million³⁴ and with a per capita income of USD 1,285 (2019, World Bank), faces a range of serious interlinked challenges. Nearly 39% (2018, Global Multidimensional Poverty Index, UNDP) of Pakistanis live in multidimensional poverty, with the highest rates of poverty in the merged districts of Khyber Pakhtunkhwa and in Balochistan.

Strategic interest for the EU: values, volatility, and other players

EU cooperation with Pakistan stems first and foremost from the overall values of the EU as expressed in the Lisbon Treaty and its commitment to contributing to peace, security, sustainable development, and the protection of human rights, with the primary aim for its development cooperation of eradicating poverty. Peace and stability in the country and the

³² Joint Communication – EU Gender Action Plan, JOIN(2020) 17 final, 25.11.2020

³³ These include but are not limited to a solid process of Preparedness for Early Action/Emergency Preparedness and Response, linked to contingency plans developed and interlinked at community, district and national levels.

³⁴ Pakistan Economic Survey 2020-21, released by the Finance Division, page xvii, 139.

region are of utmost interest for the EU and its Member States, because peace and prosperity will increase trade exchanges, prevent radicalisation and reduce irregular migratory pressure.

This will only be achieved if the living conditions of the most vulnerable population improve significantly. The challenge for Pakistan is to boost inclusive economic opportunities and improve basic services, in particular for youth in search of a better future, while advancing into an economic model ensuring low greenhouse gas (GHG) emissions intensity and more efficient use of dwindling resources, in particular water, energy, soils and biodiversity. The EU is in an ideal position to share its domestic experience in the fight against climate change and contribute to fulfil Pakistan international commitments as signatory of the main environment-related international agreements.

Pakistan plays a key part in the Belt and Road Initiative (BRI) and becomes therefore a key element in the global geopolitical scene. China has been the largest investor in Pakistan for the last five years, and its influence is growing in parallel to the progress in the infrastructures built with the China-Pakistan Economic Corridor soft loans, USD 6.6 billion (or 2.1 percent of GDP) disbursed until 2020 and USD 62 billion announced until 2030. In a country where in the last 25 years a constant 30% of a growing population has been lacking access to electricity, over the last five years China-Pakistan Economic Corridor (CPEC)-funded coal-fired power plants have added 3.3 GW to Pakistan's electricity generation capacities to reach a total of 35 GW in 2019 (12 GW from renewable sources). The external dimension of the European Green Deal gives the EU and its Member States the tools to propose greener alternative development avenues and deliver targeted support to promote green growth.

Pakistan has also seen an increase in financial support from non-traditional donors, especially from Gulf countries, while resources from its most "traditional" donors have been on a downwards trend.

Economic growth, MSMEs development and job creation

During the past decades, Pakistan has experienced periods of rapid economic growth followed by abrupt economic slowdown and regular fiscal/balance of payments crises. Pakistan signed in 2019 its 13th Extended Financial Facility programme³⁵ with the International Monetary Fund (IMF). The IMF 2021 review was concluded positively with an agreement on a package of measures striking a balance between supporting the economy, ensuring debt sustainability, and advancing structural reform. Pakistan also faces an urgent need to achieve full compliance with the standards set by the Financial Action Task Force to ensure continued access to international financial markets. MSMEs play a primary role in driving economic development in Pakistan and investment in this sector will not only fuel their current contribution to GDP (approx. 40%, 2018, Planning Commission), but it will boost employment creation and poverty alleviation. MSMEs in different sectors could also take greater advantage of the trade preferences afforded by the GSP+ scheme, as GSP+ exports are at present dominated by textile related industries. Development of other sectors would support value addition and export diversification and multiply the benefits of the GSP+ scheme.

³⁵ https://www.finance.gov.pk/mefp/eff_April_2021.pdf

Pakistan is striving to bring about reforms to improve the ease of doing business. As a result, Pakistan stands at 108th rank in 2020 as opposed to 147th in 2017 (Ease of Doing Business Rank, WB). Corruption is an important challenge in the country, which aggravates multiple forms of vulnerabilities and impacts negatively the business environment. Transparency International's 2017 Corruption Perception Index ranks the country 117th place out of 180 countries.

Important challenges for the private sector remain to be addressed, including access to affordable electricity and access to finance, particularly for small and medium sized enterprises and women entrepreneurs. The unemployment rate is at 4.45% (2020, International Labour Organisation (ILO)), with a steady increase during the past 10 years, while the youth (15-24) unemployment rate however is estimated at 8.5% (2020, ILO), higher than its South Asian neighbours. Pakistan has one of the youngest populations in the world: 64% of the population is under the age of 30 (2020, Human Development Report). Slow and unequitable economic development in the past has made young people vulnerable to violence and conflict, including recruitment by extremist groups, a situation exacerbated by the volatile security situation in the country. Pakistan has recognized that this 'youth bulge' provides unique opportunities, therefore decent jobs for youth through entrepreneurship, skills and strengthening of SMEs has become a priority agenda for the Government (Kamyab Jawan Programme³⁶). Achieving business potential, thus job creation, is hindered by the fact that only around 20% of the population complete secondary school (2018, UNDP), with high gender disparity, and a very small percentage of the population acquires employable skills.

COVID-19 economic impact and response

With the outbreak of the COVID-19 pandemic, the Government put swiftly in place measures to contain the impact, safeguard financial stability and support the banking system and economic activity. Health spending has also been increased and social support strengthened. The IMF made available USD 1.4 billion under the Rapid Financing Instrument to create the fiscal space and allow for a prompt response to the COVID-19 shock. Overall, Pakistan's economy contracted by 0.38% in financial year 2019/2020 and, similar to most countries reliant on their SMEs for economic growth, SMEs have endured the most of the downturn caused by the first wave of the pandemic. SMEs faced reduction in operations, disrupted supply chains, and had to lay off employees. An estimated 22 million jobs have been affected (job loss) and although a high percentage has been recovered, the impact of consequent COVID-19 infection waves are yet to take their toll or be documented. The building back better and achieving the pre-COVID performance of the economy of Pakistan is a country priority during the lifetime of this MIP. Government funding will not be sufficient to achieve these ambitious objectives, which need mobilisation of additional private sector and capital support, including through issuance of green bonds. The EFSD+ presents thus a good opportunity to attract additional investment financing, and leverage EU grants, while also supporting the Government with the provision of technical assistance.

³⁶ <https://kamyabjawan.gov.pk/>

The need to strengthen human capital and improve employability

Skills development as a priority intervention area is justified as a key contribution to creating inclusive growth, in which young people and vulnerable parts of the population, including returnees and refugees, have access to education and economic opportunities. It will strengthen the base of a peaceful society that benefits from reduced sources of conflict and tension, more inclusive distribution of wealth and increased stability. In the area of technical and vocational education and training and labour skills, continued engagement of the EU under MIP 2014-2020 along with other donors has built a countrywide momentum of change, with strong political commitment at policy level and government finances complementing donor interventions. The involvement of the industry and private sector at all stages of TVET and especially in the actual training (specifically on the job training) has proven to be very effective in ensuring that demands of the sector are met and has resulted in better employment prospects for the graduates. At the same time, the all-encompassing multi-sector programme approach covering four provinces has had a level of ambition and complexity that leads to conclude that for the future a more focused strategy (geographically and in terms of sectors) has a better potential of achieving measurable impact.

The nexus food-water and energy

Agriculture is the main economic sector in Pakistan and water availability is under increasing stress. By 2025, per capita water availability is expected drop to 800 m³, while the international limit for water scarcity is 1000 m³. In particular in the arid zones of the country (e.g. Balochistan), the climate is changing towards high extremes, which hampers socioeconomic development, leads to protracted socio economic hardship and can also result in civil unrest in the long run. Still, even if the contribution of agriculture to GDP has declined during the past decades to 19.3% (Financial year 2019/2020, Pakistan Economic Survey), close to half of the workforce is absorbed by this sector. Skewed land distribution and precarious tenure rights impact negatively agricultural competitiveness and livelihood opportunities and keep small farmers and landless families trapped in poverty.

Overall, an estimated 2.1 million children under 5 suffer from severe acute malnutrition and 12 million children are stunted – low height for age – (2018, National Nutrition Survey), listing Pakistan in the top 3 countries with the largest number of stunted children. Stunting has remained exceptionally high over the last decade and is rooted in extreme poverty, leaving large sections of the population vulnerable to food insecurity, not only during disasters. Lack of access to nutritious food and locally available clean water results in health issues among mothers and young children and leads in internal migration that puts pressure on urban infrastructure. By its focus on the most vulnerable groups to promote green growth and hence support job creation and income generation opportunities, the MIP has been designed to have a measurable impact on poverty, which must also find a translation in reducing malnutrition.

A critical factor to ensure that agriculture production can meet the growing food demand is access to energy. The perceived high cost and unreliable access to energy is a major bottleneck for private sector development. About one-third of the population lacks access to grid electricity (2018, WB, SE4ALL) and it is particularly constrained in the rural mountainous areas. Rural electrification through renewable and off-grid solutions are high on government's

agenda. Vulnerable rural communities also lack access to basic social infrastructure and services that would enable them to take advantage of opportunities in businesses/enterprises.

Security and justice in a changing regional context

Pakistan is hosting some documented 1.4 million Afghan refugees plus an unknown number of undocumented Afghans in the country, although figures as high as 3 to 3.5 million Afghan refugees in Pakistan are often quoted. Pakistan remains an important escape for Afghans that flee their country because of insecurity and poor living conditions. Although in principle those refugees have access to public health and education facilities, in reality many of them are left out of mainstream life, and put an additional pressure to the already vulnerable Pakistani host communities. With the Taliban takeover in Afghanistan, these figures could potentially grow.

The security and political situation in Pakistan and the surrounding region goes along with an economic crisis creating an extremely challenging situation for the government to manage migration. Pakistan serves as a source, transit and destination country for irregular migration.

While the overall security situation has in recent years improved, access to justice remains a challenge. The rule of law index rates Pakistan amongst the worst performing countries (120/128, 2020) and formal justice is largely perceived by the population as unreliable, not citizen service oriented, and extremely slow (on average it takes between 7 to 8 years for a case to be concluded). The backlog of cases is estimated at 1.7 million and up to 70% of the prison population are under trial. The legal framework, lack of capacity, collaboration among institutions and influence by external actors pose further problems. Citizen, particularly women, lack basic documentation. This results in mistrust between citizens and the state and potentially fuels instability and hinders peace.

The provincial governments are committed to address these challenges through provincial rule of law roadmaps. The rule of law has an important contribution to make to stability in the country both through its function for serving legal certainty and equal access and enforcement of laws but also as a precondition for a positive investment climate. The EU, based on its past and ongoing engagement in this area (including through recent successful Technical Assistance and Information Exchange (TAIEX³⁷) activities with ownership at the highest level of the Pakistani judiciary) is well placed to make a difference in this sector through continued engagement, supporting also the work of CSOs.

Gender equality, human rights and civil society in Pakistan

Pakistan lags far behind in gender equality (151/153, GAP, 2020) as well as human and labour rights based on economic, educational, health-based and political indicators. Lack of civil registration is prevalent and constrains access to inheritance, banking services, education, health care, social protection services and justice, particularly for women. Nationally, less than 2% of adult women own a house or land, and women receive only 19% of disbursement of MSMEs financing. Only 11% of women have bank accounts, compared with 21% of men (2018, WB, State of Financial Inclusion of Women in Pakistan). Representation of women in formal SMEs is low, only 6% of firms have female ownership and 2% of them have women-

³⁷ Technical Assistance and Information Exchange is an instrument of the European Commission.

only employers. 75% of rural women and girls work as agricultural labourers in the informal economy in Pakistan on an average of 34 hours per week in addition to their responsibility of caring and domestic work. Gender equality is enshrined in the Constitution, but discrimination and violence against women is prevalent. The state's response to gender based violence (GBV) is insufficient: less 3% of GBV cases lead to convictions. Access to justice for women is hindered by a law enforcement system and judiciary that is characterised by male domination, gender bias, corruption, weak investigation and prosecution, lack of institutional coordination, weak referral system, and lack of medico-legal expertise.

Six out of ten Pakistani employees lack access to decent work, and while the Constitution of Pakistan provides safeguards to workers, in reality exploitative labour practices are common in the formal and informal sectors of the labour market. Pakistan is ranked among the top 10 countries with highest prevalence of modern slavery (2018, Global Slavery Index). According to the International Labour Organisation (ILO), out of the 72 million (2020) labour force the entire agricultural workforce (37%, 2019) is informal with limited access to social and economic rights.

The EU's recent institutional support programme on human rights has seen successful in giving support to the federal level, especially the Ministry of Human Rights, in raising awareness around key human rights challenges. Based on lessons learnt, future interventions need to incorporate a tangible focus on provincial beneficiaries and stakeholders, and adequately reflect the complex institutional set-up of the human rights architecture in Pakistan. The Independent Commissions on Human Rights³⁸ have an important monitoring function to play, but failed to be operational in line with the Paris principle. Targeted support to these Commissions will remain crucial. Business and human rights as a future focus is particularly sensible, since there has been political momentum on this at federal level and it shows good complementarity with priority area 1.

Future interventions will also seek increased potential for success through better comprehensiveness in addressing all areas of the GSP+, going beyond human rights interventions. In this regard, implementation and monitoring of labour rights will play a predominant role.

Civil society in Pakistan has grown considerably in recent years both in its size and scope of work. Today Pakistan's approximately 45,000 organisations employ around 300,000 people, and engage in a wide set of activities ranging from community service delivery to sophisticated financial services, technical advice in areas like agricultural extension, water and sanitation, and housing construction and more recently social accountability. Increasingly, Civil Society Organisations (CSOs) engage in policy dialogue and advocacy at national and local levels for legal and fiscal reform and take a proactive approach in defining issues for the national agenda. The EU will continue to be engaged in ensuring the quality of space in which civil society operates in Pakistan and to work in partnership with relevant organisations.

³⁸ The Independent Commissions on Human Rights are: National Commission for Human Rights and Sindh Commission for Human Rights.

The EU response

On the basis of the above context, and pursuing the achievement of key common goals of the EU and the Government of Pakistan, the MIP 2021-27 will support the country's green inclusive economic growth agenda in the most volatile and conflict-affected regions targeting primarily youth and women, in line with the Global Recovery Initiative (GRI), which links debt relief and investment to the SDGs to promote a green, digital, just and resilient recovery. It will concentrate on supporting socio-economic transformation of the most vulnerable and volatile provinces and territories, which are situated along the western border with Afghanistan and include the poorest and economically disempowered populations, namely Khyber Pakhtunkhwa and Balochistan provinces and the territory of Gilgit-Baltistan. This will include, in a mainstreamed approach, refugees and their hosting communities as beneficiaries and will support the Humanitarian-Development-Peace nexus implementation. With all the uncertainties stemming from the Taliban's takeover in Afghanistan, it is time now for complementary actions under the MIP to strengthen economic and social development on the Pakistan side of the border in support of peace and stability in the region. Apart from targeting economic development, stability will be further strengthened by building on the existing momentum towards improved governance of Pakistan with a focus on enhancing the rule of law including basic rights and labour rights of individuals and, if political conditions allow, address also migration governance, in particular in the area of return, readmission and reintegration. The need for institutional capacity development to strengthen service delivery and monitoring and public finance management has been emphasised by Government counterparts, who are seeking increased access to European experience and expertise.

Dialogue with Government and other stakeholders, as well as the EU's own analysis, inform the selection of three proposed priority areas for the period 2021-2027. This MIP represents a balanced, strategic and relevant programme of support to Pakistan's reform programme consistent with the NDICI objectives and programming principles.

1.5. Duration of the MIP and option for synchronisation

The duration of this MIP is of seven years, for the period 2021 to 2027. The MIP will be implemented in 2 phases with a mid-term review of progress taking place in 2024. This review will provide an opportunity to possibly redefine and redirect EU priorities and actions in the light of evolving economic, social and political developments as well as lessons learnt.

Pakistan's political cycle has been maintained since the restoration of democratic rule in 2008, and is based on national and provincial parliamentary/assembly elections held every 5 years in June. Pakistan operates according to 5-year planning cycles for its development plans, the most recent of which was approved in 2019 after the elections of 2018. This MIP as well as the Vision 2025³⁹ are expected to be revised, following the 2023 elections. This will allow to re-align the second half of the MIP with a new government strategy as it may emerge.

³⁹ *Pakistan 2025 : One Nation, One vision*, Planning Commission, Ministry of Planning Development & Reforms, Government of Pakistan, 2014

2. EU support per priority area and proposals of Team Europe Initiatives

2.1. Priority area 1 - Green Inclusive Growth

This priority area seeks to support the development of the private sector and its regulatory framework and will sustain Small and Medium Enterprises as well as the marketing and financial services needed for their development and long term sustainability. This will lead to the creation of new job opportunities and will enable building a more dynamic economic environment contributing to SDG1 (No poverty), SDG8 (Decent work and economic growth) and SDG10 (Reduced inequalities).

Under the Green Growth priority area, the EU will also support Pakistan in its efforts for a better natural resources management and energy production and consumption.

Supporting better water management and equal distribution combined with improved, smart and sustainable agricultural practices will contribute to SDG1 (No poverty), SDG2 (Zero hunger) and SDG6 (Clean water and sanitation) and SDG13 (Climate action).

Finally the EU will contribute to SDG7 (Affordable and Clean Energy) by supporting the usage of renewable energies in production practices as well as increasing the access to electricity in rural areas supporting the installation of off-grid renewable sources of energy.

2.1.1. Specific objectives related to the priority area 1

Private sector development (SDG1; SDG 8; SDG 10)

Objective 1: To support the sustainable growth of SMEs and MSMEs in Pakistan (*OECD DAC Code 321*).

Objective 2: To improve the performance and sustainability of agribusiness and its integration into local and regional value chains (*OECD DAC Code 321*).

Water (SDG 1; SDG 2; SDG 6; SDG 13)

Objective 3: To boost sustainable agriculture and sustainable access to water (*OECD DAC Code 140*).

Energy (SDG 7)

Objective 4: Increased access to electricity from renewable energy sources for rural communities (*OECD DAC Code 230*).

2.1.2. Expected results per specific objective

1.1 An improved policy, regulatory, institutional and infrastructural framework, for private sector development.

1.2 Increased compliance (including environmental) by SMEs and MSMEs with the regulatory framework.

2.1 Increased value added by agricultural producers, entrepreneurs and businesses in selected sustainable value chains.

2.2 Improved availability and accessibility of support services for agricultural value chains, including input supply, marketing and financial services.

3.1 Long term sustainability of scarce water resources and adaptation to climate change.

3.2 More efficient and equitable use of water including greater recycling of treated water factoring in the water – food – energy nexus, especially in rural areas.

4.1 Development of renewable sources of energy for rural areas

4.2 Increased use of electricity from renewable energy by producers

2.1.3. Indicators (including baseline and targets), per expected result

Indicators, as a statement of main expected results, are taken from the Revised EU International Cooperation and Development Results Framework or phrased specifically to capture progress under the expected results as formulated in this MIP.

Expected Results	Indicators	Baseline & targets
(SO 1) R1: An improved policy, regulatory, institutional and infrastructural framework for private sector development	a) Pakistan’s score on the World Bank Ease of Doing Business Index	a) Baseline: 61/100 (2020) Target: TBD ⁴⁰
	b) Pakistan’s score on the Index of Economic Freedom	b) Baseline: 54.8/100 (2020) Target: TBD
	c) Environmental Performance Index	c) Baseline: 33/100 (2020) Target: TBD
(SO 1) R2: Increased compliance (including environmental) by SMEs and MSMEs with the regulatory framework	a) Number of SMEs and MSMEs (including women led) that are registered with Securities and Exchange Commission of Pakistan (SECP) with EU support	a) Baseline: 0 (2020), Target: TBD
	b) Number of MSMEs (including women led) targeted by skill development programmes	b) Baseline: 0 (2020), Target: TBD

⁴⁰ The values will be obtained during the formulation of the programmes during year 2022.

Expected Results	Indicators	Baseline & targets
(SO 2) R3: Increased value added by agricultural producers, entrepreneurs and businesses in selected sustainable value chains	a) Number of producers (disaggregated by gender) entrepreneurs (disaggregated by gender) and businesses, including migrants and returnees, reporting increased profit generated with EU support	a) Baseline: 0 (2020), Target: TBD
(SO 2) R4: Improved availability and accessibility of support services for agricultural value chains, including input supply, marketing and financial services.	a) Number of service providers, including migrants and returnees, supported by EU interventions	a) Baseline: 0 (2020), Target: TBD
	b) Number of beneficiaries, including migrants and returnees, with access to financial services with EU support: (a) firms, (b) people (all financial services), (c) people (digital financial services) [EURF 2.17]	b) Baseline: 0 (2020), Target: TBD
(SO 3) R5: Long term sustainability of scarce water resources and adaptation to climate change	a) Degree of integrated water resources management implementation (0-100)	a) Baseline: 56 (2020) Target: TBD
	b) Number of countries and cities with climate change and/or disaster risk reduction strategies: a) developed, b) under implementation with EU support [EURF 2.05]	b) Baseline: 0 (2020) Target: TBD
(SO 3) R6: More efficient and equitable use of water including greater recycling of treated water and factoring in the water - food – energy nexus, especially in rural areas	a) Agricultural and pastoral ecosystems where sustainable management practices have been introduced with EU support (ha) [EURF 2.02]	a) Baseline: 0 (2020) Target: TBD
	b) Amount of treated water recycled (in cubic kilometres annually) with EU support	b) Baseline: 0 (2020) Target: TBD

Expected Results	Indicators	Baseline & targets
(SO 4) R7: Development of renewable sources of energy for rural areas	a) Number of individuals with access to electricity with EU support through: a) new access, b) improved access [EURF 2.03]	a) Baseline: 0 (2020), Target: TBD
	b) Renewable energy generation capacity installed (MW) with EU support [EURF 2.04]	b) Baseline: 0 (2020), Target: TBD
(SO 4) R8: Increased use of electricity from renewable energy by producers	Number of MSMEs (including women led) using production facilities supplied by renewable energy	a) Baseline: 2,143 (2020), Target: TBD

2.1.4. Possible use of blending and guarantees for investment under EFSD+

Part of this priority could be implemented through blending and possibly guarantees, in partnership with European Development financial institutions FI (EDFIs) and focusing inter-alia on access to finance, renewable energy and water, and promoting resource efficiency and agri-business development. Additionally support could be provide to the Government of Pakistan in mobilising and attracting additional investment capital through technical assistance for the issuance of green bonds. The support will aim at accelerating financial flows towards green, inclusive and resilient transitions.

Possible actions could comprise, but are not limited to:

- Supporting the development of innovative financial instruments and provide appropriate risk-sharing mechanisms to mobilise private investors towards sustainable investments. In particular, green bonds play a central role in enabling countries to implement their sustainable infrastructure plans and Nationally Determined Contribution (NDC).
- Encouraging better strategic financial planning in partner countries by supporting integrated financing frameworks (including national ones) with a view to mobilise a wide range of financing sources (public/private; domestic/international).

Subject to confirmation through the implementation phase, it is expected that an indicative amount of EUR 25M may be used, between 2021 and 2024, to provision EFSD+ guarantee operations under this priority area for sovereign or sub-sovereign/other European Investment Bank (EIB-) dedicated window/open architecture.

Sustainable finance represents a real potential in the region and could help accelerate financial flows towards green, inclusive and resilient transitions, e.g. through green bonds and other relevant sustainable finance instruments.

2.2. Priority area 2 –Human Capital

This priority area seeks to address the existing skills gap with a focus on trades relevant to priority area 1, in the targeted geographic areas, and at federal level in relation to sector policy. The aim is to increase availability of an employable skilled work force and upgrading skills through knowledge transfer, with a particular focus on women and youth, returnees and refugees.

SDGs where interventions under this priority will contribute are (in ascending order): SDG 1 (no poverty), SDG 4 (quality education), SDG 5 (gender equality), SDG 8 (decent work and economic growth), SDG 10 (reduced inequality). It will include OECD DAC code 113 and 160, as well as the EU migration internal marker.

2.2.1. Specific objectives related to the priority area 2

Objective 5: To improve labour skills to meet the demand in the agribusiness, water and energy sub-sectors (*OECD DAC code 113, 160 and migration internal marker*).

Objective 6: Enhancing human capital of returning and potential migrants

2.2.2. Expected results per specific objective

5.1 Enhanced skills and/Vocational Education and Training, in the agribusiness, water and energy sub-sectors including among returnees and members of the refugee communities.

5.2 Implementation of the national policy “Skills for All Strategy” and related skills policies.

6.1 Improved access to skills and jobs for returning and prospective migrants in the context of an improved migration management.

2.2.3. Indicators per expected results

Indicators, as a statement of main expected results, are taken from the Revised EU International Cooperation and Development Results Framework or phrased specifically to capture progress under the expected results as formulated in this MIP.

Expected Result	Indicators	Baseline & targets
(SO 5) R1: Enhanced skills and VET, in the agribusiness, water and energy sub-sectors including among returnees and members of the refugee communities	a) Number (disaggregated by gender) of people who have benefited from institution or workplace based VET/skills development interventions supported by the EU: (a) all VET/skills development, (b) only VET/skills development for digitalisation [EURF 2.14]	a) Baseline: 0 (2020) Target: at least 110,000 (2027)
	b) Number of enterprises which have benefitted from transfer of technology and know-how with EU support	b) Baseline: 0 (2020) Target: at least 1000 (2027)
	c) Percentage of TVET graduates (disaggregated by gender) employed.	c) Baseline: Approx. 50,000 (2020) Target: TBD
	d) Number of returnees and refugees (disaggregated by gender) included in TVET programs	d) Baseline: 0 (2020) Target: TBD
(SO 5) R2: Implementation of the national policy “Skills for All Strategy” and related skills policies	a) Number of EU funded initiatives supporting the implementation of political economic and social reforms and joint agreements in partner countries [EURF 2.20]	a) Baseline: 0 (2020) Target: TBD
	b) Number of competency standards / qualifications developed under the National Vocational Qualifications Framework	b) Baseline: 142 (2020) Target: At least 222 (2027)
(SO6) R1: Improved access to skills and jobs for returning and prospective migrants in the context of an improved migration management.	a) Number of returning migrants receiving support for their social and professional reintegration with EU support.	TBD

	b) Number of prospective migrants receiving support for the acquisition of skills with EU support.	TBD
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2.3. Priority area 3– Governance, including the Rule of Law and Human Rights

This priority area seeks to uphold good governance by strengthening the rule of law in line with international standards, improving financial management, enhancing access to social and economic rights (with a focus on vulnerable groups) and ensuring greater adherence to the international agreements that underpin the GSP+ scheme.

Under this priority area, two indicative sectors are addressed: governance and civil society (DAC 150) and trade policies and regulations (DAC 330). The digitalisation internal marker is also relevant.

SDGs where interventions under this priority will contribute to are (in ascending order): 1 (No Poverty), 10 (Reduced Inequalities) and 16 (Peace, Justice and Strong Institutions)

2.3.1. Specific objectives related to the priority area 3

Objective 7: Strengthened Governance and Rule of Law in line with international standards. (*OECD DAC code 150 as well as digitalisation internal marker*).

Objective 8: Greater adherence to the international agreements that underpin the General Scheme of Preference + (GSP+) (*OECD DAC code 330*).

Objective 9: Enhanced cooperation on migration management

2.3.2. Expected results per specific objective

7.1 Continued implementation of rule of law roadmaps to support equal access to justice for all.

7.2 An improved regulatory and operating environment for MSMEs, including greater transparency, accountability and access to justice for economic actors.

7.3 Improved public financial management including revenue mobilisation and budget transparency.

7.4 Improved access to social and economic rights.

8.1 Improved implementation of international human rights, environmental and labour standards, in particular in the agribusiness, water and energy sectors.

9.1 Improved cooperation on, and better functioning of, migration management

2.3.3. Indicators per expected results

Indicators, as a statement of main expected results, are taken from the Revised EU International Cooperation and Development Results Framework, from the Global SDG Indicator Framework, or phrased specifically to capture progress under the expected results as formulated in this MIP.

Expected Results	Indicators	Baseline & targets
(SO 7) R1: Continued implementation of rule of law roadmaps to support equal access to justice for all	a) Proportion of victims of violence (disaggregated by gender) in the previous 12 months who reported their victimization to competent authorities or other officially recognized conflict resolution mechanisms [SDG INDICATOR 16.3.1]	a) Baseline: TBD Target: TBD
	b) Un-sentenced detainees (disaggregated by gender) as a proportion of overall prison population [SDG INDICATOR 16.3.2]	b) Baseline: 65% (2020) Target: 50% (2027)
(SO 7) R2: An improved regulatory and operating environment for MSMEs, including greater transparency, accountability and access to justice for economic actors	a) Ranking of Pakistan in Transparency International's Corruption perception Index	a) Baseline: 124/180 (2020) Target: 118/180 (2027)
	b) Proportion of persons (disaggregated by gender) who had at least one contact with a public official and who paid a bribe to a public official, or were asked for a bribe by those public officials, during the previous 12 months [SDG INDICATOR 16.5.1]	b) Baseline: TBD Target: TBD
	c) Proportion of businesses that had at least one contact with a public official and that paid a bribe to a public official, or were asked for a bribe by those public officials during the previous 12 months [SDG INDICATOR 16.5.2]	c) Baseline: TBD Target: TBD

Expected Results	Indicators	Baseline & targets
(SO 7) R3: Improved public financial management including revenue mobilisation and budget transparency	a) Tax to GDP Ratio	a) Base line; 11.4% (fiscal year 2019-2020) Target: TBD
	b) Pakistan's Rank in Open Budget Index (OBI) score	b) Score: 28/100 (2019) Target: TBD
(SO 7) R4: Improved access to social and economic rights	a) Proportion of children under 5 years of age (disaggregated by gender) whose births have been registered with a civil authority [Global SDG Indicator 16.9.1]	a) Baseline: 42% (2019) Target: TBD
	b) Number of people who have been issued computerised national identity cards with EU support, disaggregated by gender	b) Baseline: 10,000 (2020) Target: TBD
	c) Number (disaggregated by gender) of people supported by the EU with enhanced access to digital government services [EU RF 2.12]	c) Baseline: 0 (2020) Target: TBD
	d) Number of migrants, refugees and internally displaced people or individuals from host communities protected or assisted with EU support [EURF 2.22]	d) Baseline: 0 (2020) Target: TBD
	e) Proportion of countries where the legal framework (including customary law) guarantees women's equal rights to land ownership and/ or control (score) [Pakistan SDG Indicator 5.a.2]	e) Baseline: 0.5/1 (2014) Target: TBD
(SO 8) R1: Improved implementation of international human rights, environmental and labour standards, in particular in the agribusiness, water and energy sectors	a) Number of functioning independent national human rights institutions in compliance with the Paris Principles [contributes to SDG INDICATOR 16.a.1]	Baseline: 3 independent Commissions exist, 2 not functional (2021) Target: 3 independent Commissions functional (2027)

Expected Results	Indicators	Baseline & targets
	b) Level of national compliance with labour rights (freedom of association and collective bargaining) based on International Labour Organization (ILO) textual sources and national legislation, by gender and migrant status [SDG INDICATOR 8.8.2]	b) Baseline 41/100 (2021) Target: TBD
	c) Proportion of informal employment in total employment, by sector and gender [SDG INDICATOR 8.3.1]	c) Baseline: 71.7% (2017-2018) Target : TBD
	d) Number of children aged 5-17 years engaged in child labour, by sex and age [SDG INDICATOR 8.7.1]	Baseline : 3.3 M (2020) Target: TBD
(SO 9) R1 Improved cooperation on, and better functioning of, migration management	a) Number of migrants, refugees and internally displaced people protected or assisted with EU support.	TBD
	b) Number of irregular migrants returned/readmitted with EU support.	TBD
	c) Number of counter migrant smuggling or human trafficking and border management initiatives.	TBD

2.3.4. Proposals of Team Europe Initiatives

The EU and the EU Members States have jointly recognized sustainable socio-economic development as a priority to absorb the growing youth population in search of employment, to provide alternatives for migration, and to impact positively through job creation the long-term peace and stability of the region.

The Government of Pakistan recognizes the need for innovative, technology-based solutions to support climate-smart agriculture/forestry and the food supply chain. Linking agricultural and forestry production to transport, markets and consumers through the use of digital technology and e-commerce can significantly strengthen the supply chain, and contribute to the creation of greener jobs, improving women's access to markets and connecting far flung

communities to market opportunities. The modernisation of agriculture is crucial, as are efforts to address cross-cutting needs, such as poverty reduction, education, training, research and technology, and best practices and logistics for small and medium enterprises. The Government of Pakistan Green Economic Stimulus supports the objectives of 10 Billion Tree Tsunami Afforestation Project⁴¹, which aims at bolstering plantations, setting up of plant nurseries, natural forests, and promotion of honey, fruits and olive plantation in Pakistan.

Enhancing the productivity and green growth of the above listed sub-sectors (agriculture, food supply chain and forestry) requires among others: the application of emerging technologies; regenerative agriculture practices (topsoil regeneration, protection and increase of biodiversity as well as resilience to climate change); greening food production; recycling practices; improve energy and resource efficiency of production and along the food logistics chain; reduce environmental externalities; increase provision of credit and insurance; climate smart actions; green skills across these practices; and capacity building of the actors. A production-oriented forest sector development requires conservation of important landscapes, biodiversity and generate local community incomes. This should also build on the opportunities at all stages of the value chain of forest based products, and promote transformation and diversification of uses. Sustainable forest management is a means of protecting forests whilst offering direct benefits to people and the environment. It contributes to local livelihoods and offers environmental benefits such as carbon sequestration and conserving water, soil and biodiversity.

All private sector players along the value chains will need to play a role to achieve sustainability and green the production and distribution, such as farmers, community growing groups, processors, retailers, traders, aggregators, wholesalers, while their efforts will need to be complemented with a conducive context created by the Government, banks and other stakeholders.

In view of the above and considering the joint interest of the EU with its Member States, the Team Europe Initiative “Building Back Better through Green Jobs Creation” will support Pakistan on its green recovery path and building back better through sustainable natural resource-based green job creation for example in agriculture and forestry value chains. EU and Member States will further support complementary actions aimed at ensuring the availability of skilled workforce, access to finance and strengthen climate change adaption and mitigation to ensure an inclusive and green development.

The EU, Germany, France, Italy and possibly the Netherlands and European Investment Bank (EIB) will join forces with the Government of Pakistan and possible other partners, in supporting investments in and for the development of green jobs and needed skills, for example in the agribusiness and forestry sectors. Integrating elements of the farm to fork approach interventions will address the missing gaps, ensure linkages between different stages of

⁴¹<http://www.mocc.gov.pk/ProjectDetail/M2QzOWJmMjUtZTU3MC00NmFkLWE4YmMtZDFhMmRlOGU2NGRh>

production and access to markets, greening the value chains, rationalize the natural inputs into the selected value chains and control the outputs affecting the natural environment. Critical enablers, such as access to finance, and green skilled workforce related to the targeted livestock, horticulture and forestry value chains, may also be targeted.

Concerted efforts aimed at developing sustainable and more innovative, resilient and resource efficient inclusive value chains will increase economic competitiveness, transform the rural areas and contribute to preserve employment and to create green jobs for the growing youth population and ultimately impact positively the long-term stability of the region.

Programmes under this TEI would create jobs and develop skills for long-term growth and employment in Pakistan's natural resource-based sectors, provide alternatives to migration, and increase women's economic empowerment.

The TEI will integrate, coordinate and concentrate the political, financial and the technical support of the EU, its Member States and their respective Development Financial Institutions (DFIs) to achieve green transformational impact, *in particular* in the targeted sectors. The initiative will build on a few entry points where the EU, the Member States and the European Development Financial Institutions had added value in the past and where there is potential for greater impact through a collaborative effort.

More particularly, TEI will operate at both policy level as well as provide direct support to targeted livestock, horticulture and forestry value chains. The involved EU MSs (Germany, France, Italy, Netherlands) will either directly support green jobs development in selected value chains⁴² and / or provide financial instruments⁴³ to cater for the financial needs of broader SMEs sector. EU and MS will further support complementary actions aimed at ensuring the availability of skilled workforce, access to finance and strengthen climate change adaption and mitigation to ensure an inclusive and green development.

The TEI will build on the elements required for a conducive context for sustainable and inclusive employment creation through the private sector, which are financed by the MIP (investment climate, renewable energy, and integrated water management). The primarily target group of the TEI are also youth and women and aspects of crosscutting nature such as connectivity, technology transfer and digitalisation will be integrated to the support.

TEI's approach combines a range of modalities to strengthen policy and institutional capacity, boost financial support to both private and public investment; promote, secure access to EU experience and expertise from the private and public sectors.

The EU financing for the TEI during the first half of the MIP will indicatively amount to broadly EUR 132 M.

The EU's indicative contribution to this TEI (EUR 132 M) is subject to the confirmation of the Team Europe partners' indicative meaningful contribution as early as possible. In the absence

⁴² Italy – fruit and olive culture and France – livestock, Germany – biodiversity/forestry

⁴³ Kreditanstalt Für Wiederaufbau (KfW), possibly Agence Française de Développement (AFD) and Nerderlanse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO)

thereof, the EU's indicative contribution may be redirected in accordance with the priority areas of the MIP and their allocations. The obligation of the Union and the Member States to coordinate their development policies following initiatives by the Commission to this effect, as per Article 210 TFEU, always applies.

3. Support measures

3.1. Measures in favour of civil society

The EU will continue to implement its roadmap for engagement with civil society in Pakistan. This will encompass continued promotion of the role of CSOs in service delivery and accountability and an improved operating environment.

The EU will maximise entry-points across all three-priority areas and will continue to engage directly in a partnership dialogue with CSOs, including women groups, youth groups, academia and the private sector on governance issues and exclusion, as well as in the areas of inclusive green growth and rural livelihoods.

Under priority area 1, women's organisations will be partners in working towards social and economic empowerment of women in rural areas, inclusion in the value chains targeted under EU support.

CSOs will also be mobilised as key actors on the ground in ensuring effective advocacy, social accountability, and the protection of the most vulnerable groups in society. This will include working with trade unions on labour rights and support CSOs working on the protection of human rights in the workplace and on ensuring basic rights of association and assembly, decent work, the fight against child labour and bonded labour.

In terms of improving the socio-economic environment in rural areas, CSOs can support inclusive and participatory planning at village level and effective engagement of communities with their local government to drive sustainable developmental outcomes. CSOs can equally be involved in ensuring transparency of public budgets at federal and provincial level, which is a factor in creating conducive business environments and has relevance for meeting eligibility criteria under potential budget support programmes.

In the area of the rule of law and human rights, EU engagement will involve human rights defenders and CSOs that focus on civil and political rights in line with the priorities of the Human Rights and Democracy country strategy to complement priority area 3.

3.2. Cooperation facility

Considering today's contested information environment (marked by disinformation) and the importance of building coalitions with citizens and non-state actors to advance EU policy priorities, developing trusted channels of engagement through public diplomacy has become an essential element of the EU's foreign policy. Dedicated long term public diplomacy initiatives allowing to engage durably with our target audiences and partners (beyond the life cycle of specific cooperation projects) are key to build trust, enhance the understanding of the EU, support the implementation of our policy priorities and, ultimately, facilitate future cooperation across policy areas (including sectoral diplomacies such as economic diplomacy,

climate diplomacy, cultural diplomacy, and science diplomacy).

This Cooperation Facility will be used for measures aimed at supporting the implementation of this MIP and strengthening policy coherence with other instruments (like for example the EU Strategy for Cooperation in the Indo-Pacific) and increase visibility through public and cultural diplomacy actions.

This may include, inter alia:

- (i) Supporting capacity development and institutional building, including through technical assistance and exchange of public expertise.
- (ii) Supporting policy dialogue at an overarching level and in line with strengthening the nexus of political, development and humanitarian cooperation with Pakistan. This could entail the organisation of events, conferences, studies, exchange platforms to support sector dialogues leading to policy reforms and engagement with governments and other stakeholders.
- (iii) Supporting to facilitate cooperation and coordination with the EU Member States at country level and support to identification, formulation and implementation of future TEIs at country level.
- (iv) Communication including strategic communication and fight against disinformation, visibility of EU cooperation, public and cultural diplomacy on specific cooperation topics, promotion of EU policies as well as EU support to the multilateral agenda in Pakistan.
- (v) Dedicated long-term public diplomacy initiatives allowing to foster and mobilising specific networks, target groups and partners.
- (vi) Initiatives allowing to connect and leverage existing EU programmes and initiatives for public diplomacy purposes (e.g. Erasmus+, Jean Monnet Actions, Creative Europe).
- (vii) Supporting the preparation, implementation and evaluation of the Union's cooperation, including via technical assistance.

4. Financial overview

Although the duration of this MIP is seven years, the indicative allocations for Pakistan and for each of the priority areas and support measures laid down in the table below are provided for the 2021-2024 period only. The indicative allocations for 2025-2027, as well as the possible modification of other substantial elements of this MIP, will be subject to a decision by the EU. This decision should be preceded by a review of the implementation of this MIP, which should include a dialogue with the authorities and other stakeholders in Pakistan.

	<i>Indicative Amount (million EUR)</i>	<i>Indicative % of total</i>
Priority area 1: Green Inclusive Growth	172	65%
Priority area 2: Human Capital	40	15%
Priority area 3: Governance, including the Rule of Law (ROL) and Human Rights (HR)	45	17%
Support measures	8	3%
<i>TOTAL for initial period</i>	265	100%

Attachments

1. Intervention Framework
2. Donor Matrix

Attachment 1 – Intervention framework

Priority area 1: Green Inclusive Growth DAC Codes: 321 (Industry), 140 (Water Supply & Sanitation), 230 (Energy)		
Specific Objective 1 To support sustainable growth of SMEs and MSMEs in Pakistan		
Expected Results	Indicators⁴⁴	Means of Verification
SO1) R1: An improved policy, regulatory, institutional and infrastructural framework for private sector development	a) Pakistan's score on the World Bank Ease of Doing Business Index Baseline: 61/100 (2020) Target: TBD ⁴⁵	a) World Bank Ease of Doing Business Index https://www.doingbusiness.org
	b) Pakistan's score on the Index of Economic Freedom Baseline: 54.8/100 (2020) Target: TBD	b) Index of Economic Freedom https://www.heritage.org/index/
	c) Environmental Performance Index Baseline: 33/100 (2020) Target: TBD	c) Environmental Performance Index (yale.edu)
(SO1) R2: Increased compliance (including environmental) by SMEs and MSMEs with the regulatory framework	a) Number of SMEs and MSMEs (including women led) that are registered with Securities and Exchange Commission of Pakistan Securities and Exchange Commission of Pakistan (SECP) with EU support Baseline: 0 (2020) Target: TBD	a) Programme Performance Monitoring Data Inception, mid-term, final evaluation reports
	b) Number of MSMEs (including women led) targeted by skill development programmes with EU support Baseline: 0 (2020) Target: TBD	b) Small and Medium Enterprise Development Authority

⁴⁴ Targets are in the process of being researched and established with a view to finalisation by the end of October 2021. This will be based on consultation of relevant government documents and official statistics as well as UN/WB sources, especially where relevant to the SDG framework.

⁴⁵ The values will be obtained during the formulation of the programmes starting with year 2022

		(SMEDA) Analytical Reports
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Specific objective 2 *To improve the performance and sustainability of agribusiness and its integration into local and regional value chains*

Expected Results	Indicators⁴⁶	Means of verification
(SO 2) R3: Increased value added by agricultural producers, entrepreneurs and businesses in selected sustainable value chains	a) Number of producers (disaggregated by gender) entrepreneurs (disaggregated by gender) and businesses, including migrants and returnees, reporting increased profit generated with EU support Baseline: 0 (2020) Target: TBD	a) Programme Inception, mid-term review, and Final Evaluation Reports, External Performance Monitoring Reports
(SO 2) R4: Improved availability and accessibility of support services for agricultural value chains, including input supply, marketing and financial services.	a) Number of service providers, including migrants and returnees, supported by EU interventions Baseline: 0 (2020) Target: TBD	a) Programme Inception, mid-term review, and Final Evaluation Reports, External Performance Monitoring Reports
	b) Number of beneficiaries, including migrants and returnees, with access to financial services with EU support: (a) firms, (b) people (all financial services), (c) people (digital financial services) [EURF 2.17] Baseline: 0 (2020) Target: TBD	b) Programme Inception, mid-term review, and Final Evaluation Reports, External Performance Monitoring Reports

Specific objective 3 *To boost sustainable agriculture and sustainable access to water*

Expected Results	Indicators⁴⁷	Means of Verification
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⁴⁶ Targets are in the process of being researched and established with a view to finalisation by the end of October 2021. This will be based on consultation of relevant government documents and official statistics as well as UN/WB sources, especially where relevant to the SDG framework.

⁴⁷ Targets are in the process of being researched and established with a view to finalisation by the end of

(SO 3) R5: Long term sustainability of scarce water resources and adaptation to climate change	a) Degree of integrated water resources management implementation (0-100) Baseline: 56 (2020) Target: TBD	a) Integrated Water Resources Management (IWRM) country database http://iwrmdataportal.unepdhi.org/countrydatabase
	b) Number of countries and cities with climate change and/or disaster risk reduction strategies: a) developed, b) under implementation with EU support) [EURF 2.05] Baseline: 0 (2020) Target: TBD	b) Government of Pakistan Policy Reform and Implementation reports
(SO 3) R6: More efficient and equitable use of water including greater recycling of treated water factoring in the water - food – energy nexus, especially in rural areas	a) Agricultural and pastoral ecosystems where sustainable management practices have been introduced with EU support (ha) [EURF 2.02] Baseline: 0 (2020) Target: TBD	a) Programme Inception, mid-term review, and Final Evaluation Reports, External Performance Monitoring Reports
	b) Amount of treated water recycled (in cubic kilometres annually) with EU support Baseline: 0 (2020) Target: TBD	b) Specific Indicator-based Research Analysis and Monitoring Data

Specific objective 4: Increased access to electricity from renewable energy sources for rural communities		
Expected Results	Indicators⁴⁸	Means of Verification

October 2021. This will be based on consultation of relevant government documents and official statistics as well as UN/WB sources, especially where relevant to the SDG framework.

⁴⁸ Targets are in the process of being researched and established with a view to finalisation by the end of

October 2021. This will be based on consultation of relevant government documents and official statistics as well as UN/WB sources, especially where relevant to the SDG framework.

(SO 4) R7: Development of renewable sources of energy for rural areas	a) Number of individuals with access to electricity with EU support through: a) new access, b) improved access [EURF 2.03] Baseline: 0 (2020) Target: TBD	a) Programme Inception, mid-term review, and Final Evaluation Reports, External Performance Monitoring Reports
	b) Renewable energy generation capacity installed (MW) with EU support [EURF 2.04] Baseline: 0 (2020) Target: TBD	b) Specific Indicator-based Research Analysis and Monitoring Data
(SO 4) R8: Increased use of electricity from renewable energy by producers	a) Number of MSMEs (including women led) using production facilities supplied by renewable energy Baseline: 2,143 (2020) Target: TBD	a) Programme Inception, mid-term review, and Final Evaluation Reports, External Performance Monitoring Reports

Priority area 2 – Human Capital DAC Codes: 113 (Secondary education), Migration internal marker

Specific Objective 5: To improve labour skills to meet the demand in the agribusiness, water and energy sub-sectors

Expected Results	Indicators⁴⁹	Means of verification
(SO 5) R1: Enhanced skills and VET, in the agribusiness, water and energy sub-sectors, including among members of the refugee communities.	a) Number of people who have benefited from institution or workplace based VET/skills development interventions supported by the EU: (a) all VET/skills development, (b) only VET/skills development for digitalisation [EU RF 2.14] Baseline: 0 (2020) Target: at least 110.000 (2027)	a) National Vocational Qualification Framework (NVQF) Registry ⁵⁰ , Tracer study reports.
	b) Number of enterprises which have benefitted from transfer of technology and know-how with EU support. Baseline: 0 (2020) Target: at least 1000 (2027)	b) Project reports, agreements between enterprises and institutes
	c) Number of TVET graduates (disaggregated by gender) employed. Baseline: approx. 50.000 (2020) Target: TBD	c) NVQF Registry, Tracer study reports
	d) Number of refugees (disaggregated by gender) included in TVET programs with EU support. Baseline: 0 (2020) Target: TBD	d) Tracer Study reports
(SO 5) R2: Implementation of the national policy (Skills for All Strategy) and related skills policies	a) Number of EU funded initiatives supporting the implementation of political economic and social reforms and joint agreements in partner countries [EU RF 2.20] Baseline: 0 (2020) Target: TBD	a) EU Delegation internal report and monitoring system
	b) Number of competency standards / qualifications developed under the National Vocational Qualifications Framework. Baseline: 142 (2020) Target: at least 222 (2027)	b) NVQF Registry, annual reports, mid-term and final evaluations

Specific objective 6: To enhance human capital and returning of potential migrants		
(SO6) R1: Improved access to skills and jobs for returning and prospective migrants in the context of an improved migration management	a) Number of returning migrants receiving support for their social and professional reintegration with EU support.	TBD
	b) Number of prospective migrants receiving support for the acquisition of skills with EU support.	TBD

Priority area 3: Governance, including the Rule of Law and Human Rights		
<i>DAC Codes: 150 (Government & Civil Society-general); 330 (Trade Policies & Regulations)</i>		
<i>Digitalisation internal marker</i>		
Specific Objective7: Strengthened rule of Law in line with international standards.		
Expected Results	Indicators⁵¹	Means of Verification
(SO 7) R1: Continued implementation of rule of law roadmaps to support equal access to justice for all	a) Proportion of victims of violence (disaggregated by gender) in the previous 12 months who reported their victimization to competent authorities or other officially recognized conflict resolution mechanisms [SDG INDICATOR 16.3.1] Baseline: TBD Target: TBD	a) Programme Inception, mid-term review, and Final Evaluation Reports, External Performance Monitoring Reports; UNODC data and reports
	b) Un-sentenced detainees (disaggregated by gender) as a proportion of overall prison population [SDG INDICATOR 16.3.2] Baseline: 65% (2020) Target: 50% (2027)	b) Programme Inception, mid-term review, and Final Evaluation Reports, External Performance Monitoring Reports;

⁴⁹ Baselines and targets are in the process of being researched and established with a view to finalisation by the end of October 2021. This will be based on consultation of relevant government documents and official statistics as well as UN/WB sources, especially where relevant to the SDG framework.

⁵⁰ A database established at national level for maintaining the record of TVET graduates (both EU funded and non EU funded).

⁵¹ Missing baselines and targets are in the process of being researched and established with a view to finalisation by the end of October 2021. This will be based on consultation of relevant government documents and official statistics as well as UN/WB sources, especially where relevant to the SDG framework.

		UNODC data and reports
(SO 7) R2: An improved regulatory and operating environment for MSMEs, including greater transparency, accountability and access to justice for economic actors	a) Ranking of Pakistan in Transparency International's Corruption Perception Index Baseline: 124/180 (2020) Target: 118/180 (2027)	a) https://www.transparency.org/en/cpi/2020/index/nzl
	b) Proportion of persons (disaggregated by gender) who had at least one contact with a public official and who paid a bribe to a public official, or were asked for a bribe by those public officials, during the previous 12 months [SDG INDICATOR 16.5.1] Baseline: TBD Target: TBD	b) Programme Inception, mid-term review, and Final Evaluation Reports, External Performance Monitoring Reports; UNODC data and reports
	c) Proportion of businesses that had at least one contact with a public official and that paid a bribe to a public official, or were asked for a bribe by those public officials during the previous 12 months [SDG INDICATOR 16.5.2] Baseline: TBD Target: TBD	c) Programme Inception, mid-term review, and Final Evaluation Reports, External Performance Monitoring Reports; World Bank data and reports
(SO 7) R3: Improved public financial management including revenue mobilisation and budget transparency	a) Tax to GDP Ratio Baseline: 11.4% (fiscal year 2019-2020) Target: TBD	a) Ministry of Finance reporting
	b) Pakistan's Rank in Open Budget Index (OBI) score Baseline: 28/100 (2019) Target: TBD	b) Annual Open Budget Index
(SO 7) R4: Improved access to social and economic rights	a) Proportion of children under 5 years age (disaggregated by gender) whose births have been registered with a civil authority [Global SDG Indicator 16.9.1] Baseline: 42% (2019) Target: TBD	UNICEF report (https://data.unicef.org/topic/child-protection/birth-registration/)

	<p>b) Number of people who have been issued computerised national identity cards with EU support, disaggregated by gender</p> <p>Baseline: 10.000 (2020) Target: TBD</p>	<p>b) Programme Inception, mid-term review, and Final Evaluation Reports, External Performance Monitoring Reports</p> <p>Performance Monitoring Reports</p>
	<p>c) Number of people supported by the EU with enhanced access to digital government services [EU RF 2.12]</p> <p>Baseline: 0 (2020) Target: TBD</p>	<p>c) Programme Inception, mid-term review, and Final Evaluation Reports, External</p>
	<p>d) Number of migrants, refugees and internally displaced people or individuals from host communities protected or assisted with EU support [EU RF 2.22]</p> <p>Baseline: 0 (2020) Target: TBD</p>	<p>d) Programme Inception, mid-term review, and Final Evaluation Reports, External Performance Monitoring Reports</p>
	<p>e) Proportion of countries where the legal framework (including customary law) guarantees women's equal rights to land ownership and/ or control (score) [Pakistan SDG INDICATOR 5.a.2]</p> <p>Baseline: 0.5/1 (2014) Target: TBD</p>	<p>e) FAO</p>

Specific objective 8: Greater adherence to the international agreements that underpin the GSP+		
Expected Results	Indicators	Means of Verification
<p>(SO 8) R1: Improved implementation of international human rights, environmental and labour standards, in particular in the</p>	<p>a) Number of functioning independent national human rights institutions in compliance with the Paris Principles [contributes to SDG INDICATOR 16.a.1]</p>	<p>a) EU GSP plus report, HR Treaty body report, monitoring reports</p>

agribusiness, water and energy sectors	Baseline: 1 (3 independent Commissions exist of which 2 not functioning) (2021) Target: 3 (2027)	
	b) Level of national compliance with labour rights (freedom of association and collective bargaining) based on International Labour Organization (ILO) textual sources and national legislation, by gender and migrant status [SDG INDICATOR 8.8.2] Baseline: 41/100 (2021) Target: TBD	b) Annual report - Labour freedom index (0-100) from Heritage foundation
	c) Proportion of informal employment in total employment, by sector and gender [SDG INDICATOR 8.3.1] Baseline: 71.7% (2017-2018) Target: TBD	c) ILO Labour force Survey
	d) Number of children (disaggregated by gender) aged 5-17 years engaged in child labour [SDG INDICATOR 8.7.1] Baseline: 3.3 Million (2020) Target: TBD	d) UNICEF Child labour survey
Specific objective 9: Enhanced cooperation on migration management		
(SO 9) R1 Improved cooperation on, and better functioning of, migration management	a) Number of migrants, refugees and internally displaced people protected or assisted with EU support.	TBD
	b) Number of irregular migrants returned/readmitted with EU support.	TBD
	c) Number of counter migrant smuggling or human trafficking and border management initiatives.	TBD

Attachment 2 – Donor Matrix

EU MIP Priorities 2021 - 2027	Other Development Partners' Strategies and/or Main Activities			
	Multilateral Partners		Bilateral partners	
Green Growth	ADB	<ul style="list-style-type: none"> Increased agriculture production for consumption and trade; Enhance efficiency of transmission and distribution system, and shift towards sustainable, indigenous and more affordable energy. Increased and more effective financial access, private sector engagement and disaster risk management. 	Australia	<ul style="list-style-type: none"> Agricultural productivity through agri-business and market opportunities; water resource management.
			JICA	<ul style="list-style-type: none"> Irrigation and canal infrastructure rehabilitation; irrigation management system; master plan studies on livestock and dairy development. The project for Capacity Development of Agricultural Extension Services in Balochistan Province (Technical Cooperation Project). The project for the Restoration of Livelihoods in newly merged Districts in KP Province (Ex. FATA) (grant Aid through FAO).
	FAO	<ul style="list-style-type: none"> Reviving livelihoods and food security in Sindh amid COVID-19 outbreak and natural hazards, including distribution of water storage tanks, drip irrigation and vegetable kits to help farmers during emergencies. Farmer-to-market linkages; agriculture productivity using ecosystem services to reduce fossil fuel dependence; rural employment through value addition and market linkages; PPPs for value chains capacity development for collection of gender disaggregated data for gender food security. 	Netherlands	<ul style="list-style-type: none"> Wetland; mangroves; biodiversity; and livelihoods.
			FCDO	<ul style="list-style-type: none"> Efforts to contain locust upsurge through supporting FAO-led interventions in building capacities of relevant government departments and local farming communities in locust affected areas. Access to finance for women, poor and marginalized groups; micro- and small-enterprises financing; PPPs; cash transfer for female-led households under social security program; disaster resilience.
	IFAD	<ul style="list-style-type: none"> Skills development and vocational training; access to finance and market for rural households. 	AFD	<ul style="list-style-type: none"> Wholesale markets and agri-business. Renewable energy generation including hydro, solar and wind; transmission networks upgrade; sectoral policy reforms.

Green Growth	IsDB	<ul style="list-style-type: none"> Hydro and wind power generation; and transmission and distribution infrastructure. Hydro and wind power generation; and transmission and distribution infrastructure. 	USAID	<ul style="list-style-type: none"> Technologies in water management practices and irrigation; SME development in agriculture and related industries. SME finance; debt capital market; public debt management.
	WB and IFC	<ul style="list-style-type: none"> Investment and reforms to increase water distribution efficiency; promote agriculture value chains; water resource management (small-scale community water infrastructure and storage in Balochistan) 	Germany	<ul style="list-style-type: none"> KFW - energy; energy efficiency; construction of hydro-power stations; solar and micro-hydel off-grid solutions. KFW - Glacier Monitoring Network and reforestation
	WB and IFC	<ul style="list-style-type: none"> PPPs for grain storage facilities; access to finance access for agribusinesses. thermal power generation; improve governance to cut losses. Relief efforts to reduce food insecurity from the 2020 locust outbreak. Reforms and investments to reduce load shedding; encourage regional power trade; shift the generation mix to low-cost sources by prioritizing supply of natural gas to thermal power generation; improve governance to cut losses. Infrastructure finance; increased financial support to SMEs and women; micro-insurance; insurance laws; reforms to enhance financial intermediation and access to finance by strengthening credit information. 	Germany	<ul style="list-style-type: none"> KFW - Microfinance support through PMIC; solar home systems; enhancing employment and income opportunities. GiZ - Renewable and electrical energy generation; energy efficiency and conservation.
	WFP	<ul style="list-style-type: none"> Food and nutrition security among vulnerable communities to address malnutrition; enabling environment for women's empowerment. 		
	UNDP	<ul style="list-style-type: none"> Enhancing food security through policy advice, technical assistance and finance. 		
	ILO	<ul style="list-style-type: none"> Promoting decent work in rural economy 		
	UN GEF	<ul style="list-style-type: none"> Sustainable land management; standards and labelling; biodiversity conservation. 		

Human Development	ADB	<ul style="list-style-type: none"> Better education and youth employment outcomes in line with the Sustainable Development Goals on quality education, good jobs, and economic growth 	Australia	<ul style="list-style-type: none"> Education access and quality; scholarships for post-graduate studies; women's education and skill development.
	WB and IFC	<ul style="list-style-type: none"> Low-cost private and public education to increase access and quality of education, especially for girls; develop youth skills for business. Supportive measures to strengthen inclusive and responsive education program and restore schools closed due to COVID-19. 	CIDA	<ul style="list-style-type: none"> Pre-primary and primary level quality enhancement; financial literacy and business development skills for women.
	UNDP	<ul style="list-style-type: none"> Education, recreation, skills development and employability support to communities suffering from displacement, insecurity and natural disaster. 	FCDO	<ul style="list-style-type: none"> Skills development; access to quality education particularly for women.
	UNESCO	<ul style="list-style-type: none"> Sector-wide education policy, planning and coordination; increasing access to and improving education quality; education for sustainable development; and heritage education. 	Netherlands	<ul style="list-style-type: none"> Vocational education and training; construction of schools and facilities.
			Germany	<ul style="list-style-type: none"> Vocational training; construction of centre of Excellence
			USAID	<ul style="list-style-type: none"> Education policy reforms; building and rehabilitating schools; higher education scholarships; university degree programs for future teachers; expanding girls access to quality education.
			JICA	<ul style="list-style-type: none"> Innovative skills approaches for equitable provision of technical/vocation education and vocational for women's economic empowerment; capacity building of teachers; policy and curriculum development; certification for non-formal education and literacy; upgradation of girls primary schools; scholarships/training opportunities
			GERMANY	<ul style="list-style-type: none"> School education and vocational training; women's empowerment through education

Governance, including RoL and Human rights	ADB	<ul style="list-style-type: none"> Improved public financial efficiency and trade competitiveness. 	Australia	<ul style="list-style-type: none"> Inclusive trade and investment-enabling policies, institutions and regulations; engaging with public and private sectors to address constraints to investment, trade and employment.
	IMF	<ul style="list-style-type: none"> Fiscal consolidation to build revenue and reduce public debt while expanding social spending; rebuild resilience and trade competitiveness and eliminate quasi-fiscal losses in the energy sector. Rapid Financing Instrument (RFI) as an emergency financing option for the government to meet the urgent balance of payment needs stemming from the outbreak of the COVID-19 pandemic. 	Germany	<ul style="list-style-type: none"> Improved governance through capacity building of law enforcing departments such as police and persecutors; establishment of community-based organizations with training in community management, communication monitoring and auditing.
	WB and IFC	<ul style="list-style-type: none"> Public resource management, transparency and accountability; governance reforms; reforms for debt policy and coordination, financial reporting, audit and land records; cities governance; private and financial sector reforms for improving investment climate and competitiveness; social protection. Emergency support to help tackle COVID-19 outbreak, including strengthening the national social safety net program. 	FCDO	<ul style="list-style-type: none"> Reforms and capacity building of federal and provincial governments for improved public financial management, accountability, transparency and service delivery.
			USAID	<ul style="list-style-type: none"> Reforms and capacity building for improved public financial management, governance, transparency, accountability, justice democracy