

SUMMARY

Annual Action Programme 2017 part 2 in favour of Pakistan, to be financed from the General Budget of the European Union

1. Identification

Budget heading	21.02.0200
Total cost	EUR 65 000 000 of EU contribution EUR 500 000 of ITC contribution for "GRASP"
Basic act	Financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

2. Country background

"Growth for Rural Advancement and Sustainable Progress" (GRASP) will cover the Provinces of Sindh and Balochistan. The majority of Pakistan's population lives in rural areas, where almost half of the labour force is employed directly or indirectly in agriculture or agri-related activities. The newly adopted Pakistan's National Multidimensional Poverty Index finds an average national poverty incidence of 20% with significantly higher figures in the rural areas (55%) compared to the urban ones (10%). The province of Balochistan has the highest poverty incidence (72%), Punjab the lowest (32%), whilst the provinces of Sindh and Khyber Pakhtunkhwa record incidences of 43% and 49% respectively. A vibrant Small and Medium Enterprises (SME) is necessary to absorb the increasing workforce and develop rural economies to reduce poverty. The business development climate in Pakistan is difficult for any enterprise and particularly for smaller and medium-sized ones. Of the rural, non-agricultural SMEs, 97% employ 1-5 persons. Around 70% of all non-agricultural SMEs are not formally registered and operate informally. National average per capita income recorded a growing trend and reached an average of USD 1,407 in 2016.

"Support to Parliamentary Development": Parliamentary democracy has only recently taken root in Pakistan after prolonged periods of direct military rule and weak civil governments since 1947. General Elections in 2013 marked a watershed moment in Pakistan as the power, for the first time, was democratically transferred from one elected government to another civilian set up. With the next general elections expected in June 2018, the newly acquired momentum for political continuity opens up a unique opportunity to enhance the relevance, legitimacy and supremacy of the Parliament. Progressive initiatives introduced through significant legal and constitutional measures have laid the basis for solid advancements towards the rule of law, human rights and citizenship. Post-18th Constitutional Amendment Pakistan represents a balanced federation with provincial assemblies now considerably empowered to make laws, better represent citizenry and hold the executive to account for public services delivery at the sub-national level. However, public confidence and trust in parliamentary performance remains limited.

3. Summary of the Action

1) Background:

"GRASP": The current economic growth in Pakistan as well as the strong domestic demand creates ample opportunities for gender-balanced SME development, especially in- and around the agricultural sector. This sector, and its related businesses, is currently not able to fulfil market demand. This inability to grow according to its full potential and limited productivity of smallholder enterprises further prevents the establishment of private sector-driven value addition and service provision, aggravated by a weak regulatory and institutional environment of business development. The proposed programme is a six-year programme that contributes to the reduction of poverty and sustainable, inclusive economic growth in rural areas through development of rural SMEs thereby creating gender-inclusive employment and income opportunities in the rural areas of Sindh and Balochistan provinces in Pakistan through targeted support to both the public and private sectors.

"Support to Parliamentary Development": The aim of the proposed programme is to support consolidation of the parliamentary democracy in Pakistan. The specific purposes include (1) Sustainable institutional strengthening and improved performance of the federal parliament (the National Assembly and the Senate), as well as (2) sustainable institutional strengthening and improved performance of the Provincial Assemblies.

Particular focus shall be placed on supporting the inclusion of women, youth and disadvantaged groups in the parliamentary processes. Key measurements for the success of this action would include: a degree to which legislative work is conducted in an inclusive and transparent manner, more citizens' engagement in parliamentary work, meaningful representation of constituents, including women, youth and disadvantaged groups, strengthened oversight of the executive, legislative work in support of commitments to international agreements, extent of revision of electoral legislation in line with EOMs recommendations

2) Cooperation:

"GRASP": The main policy of Pakistan is Vision 2025 and describes Pakistan's long-term development vision to become an inclusive upper middle income country by 2025. Key pillars, in line with the proposed intervention, include: a) the development of human/social capital, private sector and entrepreneur-led growth, b) improvement of national competitiveness through a cluster based approach, c) value chain development and technology innovation, and d) major institutional and governance reforms such as improving the regulatory environment and the formalisation of undocumented sectors. Other important national policies include the National Agriculture and Food Security Policy (2013), the National Strategic Trade Policy Framework (2015-18), the National Small and Medium-sized Enterprises Development Policy (2007), the Public Private Partnerships framework (2010), and the Pakistan National Climate Change Policy (2013) & Pakistan's Nationally Determined Contributions (NDC).

"Support to Parliamentary Development": The programme is complementary to the EU assistance for the federal parliament (06.2012-09.2016) and for provincial assemblies (11.2016-10.2019). In addition, EU assistance has been provided to the electoral processes with a new programme of EUR 15 million to start in 2017. The

donor group in the democracy sector comprises mainly DFID, USAID, Canada and EU and it ensures a very close coordination. DFID has started by the mid of 2016 a programme entitled Consolidating Democracy in Pakistan (GBP 30 million) that aims to support selected electoral reforms, strengthen federal and provincial legislatures, political parties and engage civil society for expanding democratic space. Synergy will also be built with smaller initiatives. The Westminster Foundation for Democracy provides some support to Punjab and Sindh Assemblies. Some exchange visits are supported by the British Council for the KP Assembly. USAID supports until 2019 political parties with a very narrow focus on working with parliamentarians. Through its assistance and the accompanying political dialogue the EU intends to remain a close strategic partner in consolidating the parliamentary democracy and its credible sustainable institutions.

3) Coherence with the programming documents:

Both actions are in line with the EU-Pakistan Multi-Year Indicative Plan 2014-2020. "GRASP" will particularly contribute to the objectives within the Focal sector "Rural Development", namely improved rural livelihoods by creating employment opportunities through facilitation of small and medium-sized enterprises development. The objectives of "GRASP" are further in complete alignment with the Communication on A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries, the EU Results Framework, the EU Rights-Based Approach, the EU Gender Action Plan 2016-2020, as well as with the new EU Consensus for Development.

4) Identified actions:

The overall objective of the "GRASP" is to support poverty reduction and sustainable, inclusive economic growth in rural areas of Pakistan. The specific objective of the action is to support gender inclusive income and employment generation, enhanced productivity and profitability of SMEs involved in primary production, service provision and value addition in and around selected clusters of production. In detail, the following activities will be carried out (related to outputs 1-3 below under point 5):

Output-1: Cluster with high potential, demand-oriented and gender-based employment as specified in provincial and district strategies will be identified. The national policy and legislation related to quality and sanitary/phytosanitary (SPS) measures will be reviewed and related institutional frameworks will be assessed.

Output-2: Within the selected value chains, "GRASP" will establish specialised producer groups and enhance capacities for improved production methods, quality of produce, compliance to standards (primarily social, environmental and quality standards).

Output-3: Commercially operating SMEs around the selected value chains will be supported to undertake value addition. The focus will be on business expansion of SMEs, building linkages with other value chain actors, market assessment and strengthening their capacity in product development and branding/marketing.

For "GRASP", the following three main outputs are expected:

1. Institutional capacity strengthened and business environment improved for rural SME development;

2. Agri-business services providing SMEs (run by male/female) and their business intermediary organisations (BIOs) are capacitated to enhance primary productivity and quality;

3. Commercially operating SMEs (run by male/female) are trained in appropriate and environmentally sustainable technologies to add value and enhance marketed volumes.

For "Support to Parliamentary Development", the expected outcomes of this Action should impact positively on the progress of the democratic transition and improved governance in Pakistan, limiting the risk of another military takeover of powers. Support for enhanced transparency and inclusiveness of parliamentary work shall contribute to building trust of citizens in the representative and responsive democratic system. Concerns and interests of women, youth and other disadvantaged groups will receive a special attention in this Action, with focused activities, which are aimed to support enhanced legislative performance serving a wide and equitable range of interests of the society. Inter-party fora and caucuses will be targeted to support consensus building and strategic actions on issues of common interest including international commitments, SDGs, human development, youth and women agendas.

5) Expected outputs:

1: Enhanced legislative, oversight, budgetary and representation functions;

2: Strengthened administration and support services;

3: Facilitated inclusion of women, youth and disadvantaged groups in parliamentary processes.

6) Past EU assistance and lessons learnt:

For "GRASP", analysis of past and ongoing development efforts demonstrate that rural SMEs have generally not been supported in an integrated manner. Development efforts are targeting either the poorest of the poor (no provisions for modestly successful enterprises) and/or are narrow, individually focused, which favour the bigger enterprises. In order to launch sustainable SME development, support is needed for the more entrepreneurial grass-root producers. Key lessons learnt from EU-funded poverty reduction initiatives like the Rural Support Programmes and from other rural development programmes include the following:

1. Evidence-based findings support that the RSP interventions have resulted in reducing poverty but these efforts do not necessarily lead to sharp increases in entrepreneurial activities. Investments through the Community Investment Funds have resulted in the creation of local infrastructure (roads, irrigation canals, schools, energy sources) which improves the business environment for economic development. The Village & Local Community Organisations provide useful entry points for interventions in rural communities. The Local Support Organisations are involved in District & Provincial planning and can positively liaise with public bodies;

2. Targeting almost exclusively women, such as the SRSO programme (Sindh Rural Support Organization) where 93% of the interventions are focused on women, is a suitable option for women empowerment. Insurance schemes are an effective mechanism to reduce vulnerability.

The recently completed EU-funded Trade Related Technical Assistance Programmes focused on selected sub-sectors (fisheries, mango, kinnow & leather) and demonstrated the presence of enterprises with export potential but one of the obstacles was the supply of primary products, which was not sufficiently consistent in terms of quality and quantity. The EU funded TVET-I & II programmes supporting vocational skills development in Pakistan, highlighted the importance of improving the quality and outreach of skill training provision in the rural areas and is to some extent responsive to few needs of the economic sector. There is, however, scope for a paradigm shift from skills for employment to skills for entrepreneurship especially in the rural context. This was also confirmed by the DG Industry department, Balochistan.

For "Support to Parliamentary Development", previous programmes have been reportedly lacking critical buy-in from the principal beneficiaries in the federal and provincial legislatures, which led to deviations and delays in implementation. This was also true for the initial years of the EU assistance and improved only by the end of 2015. This limitation shall be addressed through inclusive approach to programme development and implementation management. Key lessons from previous programs include the need to focus more on sustaining long term institutional changes, progress reporting of strategic plans and public sharing, and complementary focus of donor interventions. Future projects shall work with reformers, both within and outside the parliament. Particular attention should be paid to hiring project staff with good understanding of the political dimensions and understanding of the political culture. There shall be focus on visibility of strategic interventions not only among media, civil society and other external stakeholders, but also amongst internal stakeholders, particularly the parliamentarians.

7) Complementary actions/donor coordination:

Donor support and coordination in rural SME and agribusiness development is rather meagre, ad-hoc and informal. Whereas most donor assisted programmes have been supporting either export oriented sub-sectors, their main focus in SME development is the non-rural segment and having narrow scope with regard to geographical coverage. "GRASP" can leverage the lessons learnt and contextualise synergies in the target clusters through SME cluster platforms/networks and value chain platforms, where all stakeholders will be involved around a shared vision for the particular value chain. The proposed programme will ensure complementarity with the following donors' initiatives.

The World Bank's Competitiveness and Growth Development Policy (EUR 1.02 billion, 2016) is a macro-economic stabilisation support programme which will indirectly help in achieving the objectives of "GRASP". Furthermore, the World Bank's Sindh Resilience Project (USD 100 million, 2016) aims to strengthen the capacity of the province to manage disaster risks, which will create infrastructure and institutional development, thus indirectly supporting "GRASP" interventions. USAID's Agricultural Market Development Project (USD 24 million) is currently being implemented in support of export-oriented supply chains in the meat and horticultural subsectors which will be complemented by "GRASP" at the domestic level. AusAid's Market Development Facility (2013-17) provides matching grants to a few selected companies to encourage more risky endeavours in sectors such as livestock (wool), leather and horticulture. UNDP's Suppliers Development Programme focusing on marble was recently launched to support larger enterprises in developing their businesses.

"Support to Parliamentary Development" incorporates the importance of "consolidation of the role and authority of parliamentary and other representative bodies through credible elections and regular public consultations for better informed decision making and more effective public oversight and legislation." Furthermore, it is consistent with the EU Gender Action Plan 2016-20, and specifically with the priority area "Political and civil rights – voice and participation" (objective 11 on "Equal rights and ability for women to participate in policy and governance processes at all levels" and objective 12 on "Women's organisations/Human Rights Defenders freely able to work and protected by law".

4. Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation.

5. Cost and financing

Growth for Rural Advancement and Sustainable Progress	EUR 50 000 000
Support to Parliamentary Development in Pakistan	EUR 15 000 000
TOTAL	EUR 65 000 000



EN

This action is funded by the European Union

ANNEX I

of the Commission Implementing Decision on the Annual Action Programme 2017 part 2 in favour of Pakistan

Action Document for "**Growth for Rural Advancement and Sustainable Progress**"
(GRASP), Pakistan

1. Title/basic act/ CRIS number	Growth for Rural Advancement and Sustainable Progress (GRASP), Pakistan, CRIS number: ACA/2017/039280 financed under Development Cooperation Instrument			
2. Zone benefiting from the action	Asia, Pakistan The action shall be carried out at the following location: Pakistan, with focus on Sindh and Balochistan Provinces.			
3. Programming document	Pakistan Multi-annual Indicative Programme (MIP) 2014-2020			
4. Sector of concentration/ thematic area	Rural Development	DEV. Aid: YES		
5. Amounts concerned	Total estimated cost: EUR 50 500 000 Total amount of EU budget contribution EUR 50 000 000 Total amount of ITC contribution EUR 500 000 This action is co-financed by ITC for an amount of EUR 500 000			
6. Aid modality(ies) and implementation modality(ies)	<u>Project Modality</u> Indirect management with International Trade Center (ITC)			
7 a) DAC code(s)	43040 - Rural Development 32130 - Small and Medium sized enterprises (SME) development 25010 - Business support services and institutions 31120 - Agricultural development 31191 - Agricultural services			
b) Main Delivery Channel	41000 - International Trade Center (ITC)/ UNCTAD			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	X
	Aid to environment	<input type="checkbox"/>	X	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	X	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	<input type="checkbox"/>	X

	Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input type="checkbox"/>	X	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	X	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	X	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagship	This action contributes to the inclusive economic development in rural areas of Pakistan, addressing the issues related to <u>human social economic development, sustainable agriculture and environment & climate change</u> , transformation towards a green economy linked to markets.			
10. SDGs	Main SDG Goal on the basis of section 4.1 Goal 1. End Poverty in all its forms			

SUMMARY

The proposed programme, named Growth for Rural Advancement and Sustainable Progress (GRASP) is a six year programme that contributes to the reduction of poverty through development of rural SMEs thereby creating gender inclusive employment and income opportunities in the rural areas of Sindh and Balochistan provinces in Pakistan through targeted support to both the public and private sectors. The programme is part of the focal sector "Rural Development" of the Multiannual Indicative Programme for Pakistan 2014-20.

The current economic growth in Pakistan as well as the strong domestic demand creates ample opportunities for gender balanced SME development, especially in and around the agricultural sector. This sector, and its related businesses, is currently not able to fulfil market demand. This inability to grow according to its full potential and limited productivity of smallholder enterprises further prevents the establishment of private sector driven value addition and service provision, aggravated by a weak regulatory and institutional environment of business development.

The GRASP will address some of these issues by intervening at various levels:

1. Macro level (develop/ reform regulatory framework, policies & laws);
2. Meso level (institutional capacity building of intermediary institutions, e.g. provincial government bodies, private sector business associations, chambers of commerce and SMEs for quality improvement);
3. Micro level (direct interaction with the Business Intermediary Organizations (BIOs) and SMEs in the targeted sectors of value chains).

The Programme Overall Objective is to contribute to the reduction of poverty and gender inequality through developing sustainable economic growth in rural areas of Pakistan. The programme will intervene through 3 components: institutional strengthening and business environment; enhanced quantity and quality of primary production; and improved value chains.

The action is proposed to be implemented in the Sindh and Balochistan provinces, building upon community mobilisation and rural development projects already funded in these provinces by the EU. These districts where the EU funds activities are relatively safe and stable. However, should the situation negatively evolve, the project will adapt its programme of activities and geographical focus accordingly.

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

Since 2008, the Pakistan economy has been experiencing a steady but relatively slow growth. In 2015-16, GDP growth was 4.7%¹. The estimated total population is 195 million², with almost two-thirds of the population below 25 years of age. To absorb the new entrants to the labour market, economic growth levels need to double to at least 8%³.

The majority of Pakistan's population lives in the rural areas, where almost half of the labour force is employed directly or indirectly in agriculture or agri-related activities. The newly adopted Pakistan's National Multidimensional Poverty Index finds an average national poverty incidence of 20%⁴ with significantly higher figures in the rural areas (55%) compared to the urban ones (10%). The province of Balochistan has the highest poverty incidence (72%), Punjab the lowest (32%), whilst the provinces of Sindh and Khyber Pakhtunkhwa record incidences of 43% and 49% respectively.

A vibrant Small and Medium Enterprises (SME)⁵ is necessary to absorb the increasing workforce and develop rural economies to reduce poverty. The business development climate in Pakistan is difficult for any enterprise⁶ and particularly for smaller and medium sized ones⁷. Of the rural, non-agricultural SMEs, 97% employ 1-5 persons⁸. Around 70% of all non-agricultural SMEs are not formally registered and operate informally⁹. National average per capita income recorded a growing trend and reached an average of \$1,407¹⁰ in 2016. The China Pakistan Economic Corridor will create multiple benefits and opportunities for Pakistan.

Pakistan's infamous reputation with respect to gender is initiated by the very limited physical autonomy of women and their constrained access to resources. Pakistan has an adverse sex ratio of 109, well above the expected ratio of 99.2 and indicating systemic discrimination against women¹¹. Deep rooted systematic impediments to gender equality continue to prevent women from reaching their full potentials and exercising their rights as full and equal citizens.

Agriculture is the most important economic sector and contributes 21% to GDP, employs 45% of the country's labour force¹² in 8.3 million privately owned farms/ SMEs with an average size of 2.6 hectares (6.4 acres)¹³. Considering the increasing domestic demand, it is surprising that the agricultural sector, normally considered to be the engine for rural growth, appears not to be performing according to potential. Recently, the contribution of agriculture to GDP has been gradually declining to the extent that the sector demonstrated a negative

¹ Economic Survey of Pakistan 2015-2016, Ministry of Finance, Government of Pakistan

² Economic Survey of Pakistan 2015-2016 (cf above footnote)

³ Household Integrated Economic Survey 2013-14

⁴ Based on 2014/15 Multidimensional Poverty index (MPI) covering health, education and standard of living.

⁵ In the context of this document, SME applies to both agricultural and non-agricultural SMEs, unless specifically mentioned otherwise.

⁶ In 2015, Pakistan scored 138 out of 189 on the ease of doing business index, World Bank

⁷ SMEDA 2016, SME presentation

⁸ Economic Census, Government of Pakistan, 2005

⁹ Pakistan Economic Survey 2015-2016, Government of Pakistan

¹⁰ State Bank of Pakistan, 2016

¹¹ USAID- Pakistan gender analysis & gender assessment of stabilization programming, July 16, 2012, United States Agency for International Development (USAID) by Management Systems International (MSI) under the Monitoring and Evaluation Program (MEP).

¹² Pakistan Bureau of Statistics (Pakistan Labour Force Survey 2014-2015)

¹³ Agricultural Census, 2010, Government of Pakistan

growth of -0.2% in 2015-2016. Currently, agricultural productivity growth is one of the lowest in the world¹⁴ caused by outdated cultivation technologies and practices.

Two agricultural sectors have particular potential for economic development, climate change adaptation and mitigation measures. One is the livestock sector contributing 49% to the national agricultural value added and 12% to national GDP¹⁵. Forecasts for 2020 indicate that the demand for livestock products will surpass supply by almost 55.4 million tonnes, which is equal to the current level of annual production. Livestock farming and especially dairy is characterised by an overwhelming majority of small farm agricultural holdings (84%) owning less than 4 heads of cattle but with huge potential for reduced greenhouse gas emissions and sustainable use of natural resources, if modern technologies were applied. The other is the horticulture sector, contributing 12% to the national agricultural value added, demand exceeded supply by almost \$46.5 million of fruits and vegetables in 2014. Modern crop & husbandry practices and processing techniques offer opportunities to enhance productivity produce climate smart and enhance revenues sustainably. These two sub-sectors therefore offer potential, not only for economic growth and, due to the active involvement of women, for gender balanced growth but also for alignment to actions proposed in Pakistan's Nationally Determined Contribution (NDC) in order to contribute to climate change adaptation measures.

Pakistan is among the most severely threatened countries in terms of climate-induced challenges, amongst top ten most climate-affected countries on the Global Climate Risk Index. Much of the country is arid and semi-arid; hence 90% of agricultural production comes from irrigated lands. Besides, Pakistan is also a water stressed country with inadequate water storage facilities and an aging water infrastructure of the country's vast irrigation network. To address these multiple issues, the GRASP activities will be designed in an integrated manner in consultation with all the stakeholders.

1.1.1 Public Policy Assessment and EU Policy Framework

A - Pakistan policy framework: Pakistan Vision 2025¹⁶ describes Pakistan's long-term development vision to become an inclusive upper middle income country by 2025. Key pillars, in line with the proposed intervention, include: a) the development of human/social capital, private sector and entrepreneur-led growth, b) improvement of national competitiveness through a cluster based approach, c) value chain development and technology innovation, and d) major institutional and governance reforms such as improving the regulatory environment and the formalisation of undocumented sectors. In the post devolution period of the 18th Amendment (2010)¹⁷, provinces are responsible for rural development, including policy development, with national policies providing the overarching framework. For example, the Ministry of Human Rights is responsible for national level gender functions while the federal National Commission on the Status of Women (NCSW) and provincial women development departments (WDDs) take on the policy-related functions for gender equality. GRASP will provide support to the WDDs for required capacity building. **The National Agriculture and Food Security Policy (2013)**¹⁸, still draft, highlights the necessity for value added growth in the agriculture sector for both domestic and export markets. Support will be provided through the GRASP programme to update this draft policy in line

¹⁴ IFPRI 2016: Pakistan ranked 107 out of 109 countries for TFP agricultural productivity growth and 108 out of 111 for agricultural output growth

¹⁵ Economic Survey of Pakistan (2015-16), Ministry of Finance, Government of Pakistan

¹⁶ Pakistan 2025, Planning Commission, Ministry of Planning, Development & Reform, GoP

¹⁷ http://www.na.gov.pk/uploads/documents/1302138356_934.pdf

¹⁸ <http://www.mnfsr.gov.pk/gop/index.php>

with best international practices. The **National Strategic Trade Policy Framework (2015-18)** revolves around four main pillars, to which the GRASP expected results are well aligned, namely Product sophistication & diversification, Market access, Institutional development & strengthening and Trade facilitation. GRASP support will be provided to further augment its implementation and feed into the upcoming new policy at the federal level to the ministry of commerce. Other national policies to which GRASP is well aligned include the **National Small and Medium-sized Enterprises Development Policy (2007)** dealing with SMEs issues, the **Public Private Partnerships framework (2010)**¹⁹ defining the regulatory guidelines for the establishment of public private partnerships and the **Pakistan National Climate Change Policy 2013) & Pakistan's Nationally Determined Contributions (NDC) in the context of the Paris Agreement** and its Framework for Implementation relating to mitigation measures in different sectors including energy, industrial processes, agriculture and forestry. GRASP will provide support to improve their performance by filling-in the gaps based on their technical need assessment.

B - EU Policy Framework: within the **EU Multiannual Indicative Plan (MIP) 2014-2020**, GRASP will particularly contribute to the objectives within the Focal sector "Rural Development", namely improved rural livelihoods by creating employment opportunities through facilitation of small and medium-sized enterprises development. The objectives of GRASP are further in complete alignment with the **EC Communication on private sector development support in EU development cooperation**²⁰. GRASP is aligned to the **EU Results framework** and in line with the **EU Rights Based Approach**²¹ and the **EU Gender Action Plan 2016-2020**²² and in line with the new **EU Consensus for Development**.

EU-Pakistan Policy dialogue: The forums for EU policy dialogue with the government of Pakistan include the annual Joint Commission following the 5 year engagement plan, the MIP Steering Committees and the regular federal and provincial portfolio reviews. GRASP will develop a strategic forum of three tier (one federal, two provinces), dealing the specific issue of economic growth, focusing on rural areas, contributing to reinforce the capacities of the various stakeholders at the federal and provincials levels. This will allow the EU to have a more active role in the policy dialogue on this specific issue which is key for its contribution to reducing poverty in rural areas of Pakistan.

1.1.2 *Stakeholder analysis*

The beneficiary includes federal, provincial, public and semi-public institutions, service providing intermediate SMEs, business associations, chambers of commerce, producers, farmers, trade associations, women and poor population. The stakeholders consulted included: Federal and Provincial policy making departments i.e. commerce, industry, agriculture, planning and development, public and semi-public institutions like SMEDA, TVETA, private sector, SMEs, rural communities and private sector intermediary organisations including chambers of commerce and business associations. Two stakeholders workshops held in Quetta & Karachi were co-hosted by the government and validated the findings of the identification mission. Separate meetings were also held with Sindh and Balochistan

¹⁹ http://www.ipdf.gov.pk/prod_img/PPP%20Policy%20FINAL%2014-May-2010.pdf

²⁰ COM(2014) 263 final, Brussels, 13.5.2014 (cf above footnote)

²¹ *Tool-Box, a Rights-Based Approach, Encompassing All Human Rights for EU Development Cooperation:*

http://www.eidhr.eu/files/dmfile/SWD_2014_152_F1_STAFF_WORKING_PAPER_EN_V5_P1_768467.pdf

²² This guidance is intended for DEVCO staff based in Headquarters (HQ) and in Delegations, and for EEAS staff based in EU Delegations only. Though in the most part relevant to all, an adaptation of the guidance will be prepared by EEAS - DG NEAR - FPI and ECHO for their staff

authorities. The federal as well as both provincial governments have expressed a keen interest in the programme.

1.1.3 Priority areas for support/problem analysis

Pakistan's national economic growth and the growth in domestic demand offer huge potentials for development, especially for the agricultural sector and rural areas. At the same time, it can be observed that supply is not increasing to match the demand and that rural SMEs are not growing according to their full potential. Whereas the provinces of Balochistan and Sindh differ in many respects, in-depth analysis demonstrates that the problems related to the inability of the agricultural sector and rural SMEs to grow according to full potential, are similar and can be described as follows:

a) Weak business environment and institutional framework

In general, regulatory and institutional marketing systems in Pakistan are not properly functioning. The main government challenges are weak regulatory framework, ineffective taxation, an anti-export bias, cumbersome business regulations and poor civil service. This is affecting the business environment by inadequate governance, an excess of business regulations, price fixing and distortions²³. Pakistan Vision 2025 identifies private sector and entrepreneurship-led growth as the fifth pillar of growth and specifically mentions that “Government sees itself primarily as a facilitator, enabler and regulator of private initiative and enterprise, rather than an overarching direct producer of goods and services itself”, many government institutions still consider implementation of activities such as seed distribution as one of their core tasks. Addressing province-specific issues and improving service delivery requires a thorough understanding of the different growth paths in each province and their underlying constraints. The regulatory framework is currently not transparent or sufficiently participatory. Institutional benchmarking, certification and standardisation are also lacking, whereas the sector could greatly benefit from value adding quality indicators, including compliances for sustainable and fair production and processing practices such as Fair Trade, Climate-smart Agricultural Practices, Decent Employment etc.

b) Limited quantity and quality of primary producers

The persisting low levels of productivity of the primary producers are caused by the weak access to suitable inputs and services. This can to a large extent be attributed to the seasonal lack of purchasing power, from which even medium sized enterprises suffer²⁴. As a result, productive inputs have to be procured on credit, which is normally obtained from local middlemen²⁵. These traditional, informal credit practices have far fetching consequences: the producer normally pays back in kind, which severely limits his negotiation position and ability to take advantage of price differentiations. It also prevents producers from creating producer organisations as each is bound to a different middlemen/informal credit provider with different repayment conditions. This results in low price, which in turn locks the enterprise in the vicious cycle of indebtedness and low productivity from which producers can hardly escape. This cycle can only be broken if the purchasing power of the primary producers is enhanced and their vulnerability to external shocks is reduced. Only once the purchasing power of the primary producers is significantly and reliably enhanced, the larger service providing industries will recognise this large group as an economically interesting

²³ Finding the Path to Job Enhancing Growth, World Bank, Report nr 75521 PK, 2014

²⁴ Focus group discussion with middlemen and wholesale traders in Quetta, Field Notes attached to the Feasibility Study

²⁵ Aban Haqa, Amal Aslam, et al ; *Who is the "arthi": Understanding the commission agent's role in the agriculture supply chain*; A study by National Institute of Banking & Finance (NIBAF) & Pakistan Microfinance Network (PMN), Funded through the International Growth Centre – Pakistan, March 2013

group to cater for. Until present, the limited resources available, the small quantities required and the special care needed, are the reasons that the larger industries do not invest in developing a delivery network to the primary producers because this is considered very risky²⁶. It is however recognised that this group does potentially form an interesting client.

c. Limited access to value adding or manufacturing facilities and services

In the rural areas, small scale value adding or manufacturing facilities are often absent. Potential benefits exist for local value addition and for economies of scale, especially in the area of sustainable processing and packing facilities. This is only possible if primary producers would have more freedom of choice for inputs, services and markets. Indeed, wholesale traders are increasingly willing to collect larger and better graded commodities in the area of production. For instance, in the dairy sector and milk collection, the potential for SME development in the areas of collection, consolidation, marketing and related services (technicians, technologies) are significant. Labour productivity has to be enhanced and will lead to enhanced economic empowerment, especially for women. In the horticultural sector, profitability is hampered by inappropriate harvesting practices and post-harvest handling, often resulting in losses as high as 40%. Here too, ample opportunities for improved practices, women participation exist as well as for equitable SME development, for example, in the areas of storage and grading facilities and primary processing. The provision of business development and financial services is weak. Micro-finance institutions in Pakistan appear to have the required funding. At the same time, a number of constraints limit their suitability to service the informal SMEs sector: limited outreach, high risks, excessive rates, and the requirement for a formalisation of the businesses. Although the programme will try to facilitate access to financial resources, it is not its objective to directly work with micro-finance institutions.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Distortion by interventions of other donors in the same value chains reduce participation of beneficiaries in activities	Low	Effective donor coordination at the cluster level through the public-private partnership dialogue platforms and following a rigorous criteria for selection of beneficiary
General security situation not allowing proper implementation of the action.	Medium	The project will remain flexible to adapt to the fluctuating situation. However, most of the targeted areas are currently comparatively safe.
Insecurity, law and order situations and conflicts do not allow for implementation of the activities according to plans	Medium	Use of national organisations and empowerment of beneficiaries/ communities to minimise the risk of discontinuation of activities if security risk increases.
Endemic corruption and fraud in the institutions	Medium	Strict measures including budget formation, transparency, accountability, monitoring and audit will be in place.
Vested interests and other business disputes delay project activities or	Medium	Transparency and community participation to ensure that vested interest

²⁶ Quote from the director of Engro Fertilizers Inc, during the Stakeholders Workshop in Karachi 19.10.16

try to engage in corrupt or fraudulent practices.		cannot jeopardize operations
Land ownership especially in specific clusters Sindh may discourage innovations and productivity enhancement	Medium	Synergies with EU funded FAO land reform program for addressing land ownership issues and enhance awareness on rights.
Reluctance from government institutions to retract to core responsibilities and abandon disruptive practices (e.g. price fixing mechanisms) and from informal credit provider who see business at risk.	Medium	Intensive consultations and interaction among the value chain actors, private-private dialogue and round tables will clarify win-win situation for all value chain actors as well as the public sector
Price regulation by government distorts the market.	Medium	A viable strategic mechanism of free market operation will be developed in consultation with the provincial governments and concerned authorities.
Low skills level of workforce in rural areas may constrain value addition and investments in rural SMEs	Medium	Synergies with EU funded TVET provincial programmes for skills enhancement and sourcing skilled personnel for SMEs
Government funded subsidies prevent private sector development	Medium	Flexible use of the purchasing power enhancement tool to divert to non-subsidised areas
Lack of coordination among institutions involved in the programme. .	Medium	The envisaged coordination mechanism will provide support to this.
Assumptions		
<ul style="list-style-type: none"> - Public and private sector stakeholders are willing to participate in the public and private partnership fora and develop a shared vision for the cluster development; - Improved technology and human resources of sufficient calibre are available to support programme interventions locally. International experts available and willing to work in programme area; - Public and private stakeholders are gender sensitive and promote women participation & equality. 		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

Analysis of past and ongoing development efforts demonstrate that rural SMEs have generally not been supported in an integrated manner. Development efforts are targeting either the poorest of the poor (no provisions for modestly successful enterprises) and/or are narrow, individually focused, which favour the bigger enterprises. In order to launch sustainable SME development, support is needed for the more entrepreneurial grass-root producers. Key lessons learnt from EU-funded poverty reduction initiatives like the **Rural Support Programmes** and from other rural development programmes include the following:

- Evidence based findings support that the RSP interventions have resulted in²⁷ reducing poverty but these efforts do not necessarily lead to sharp increases in entrepreneurial activities. Investments through the Community Investment Funds have resulted in the creation of local infrastructure (roads, irrigation canals, schools, energy sources) which improves the business environment for economic development. The Village & Local Community Organisations provide useful entry points for interventions in rural communities. The Local Support Organisations are involved in District & Provincial planning and can positively liaise with public bodies.
- Targeting almost exclusively women, such as the SRSO programme where 93% of the interventions are focused on women²⁸, is a suitable option for women empowerment. Insurance schemes are an effective mechanism to reduce vulnerability.

The recently completed EU funded Trade Related Technical Assistance Programmes focused on selected sub-sectors (fisheries, mango, kinnow & leather) and demonstrated the presence of enterprises with export potential but one of the obstacles was the supply of primary products, which was not sufficiently consistent in terms of quality and quantity. **The EU funded TVET-I & II programmes** supporting vocational skills development in Pakistan, highlighted the importance of improving the quality and outreach of skill training provision in the rural areas and is to some extent responsive to few needs of the economic sector. However there is scope for a paradigm shift from skills for employment to skills for entrepreneurship especially in the rural context. This was also confirmed by DG Industry department, Balochistan.

3.2 Complementarity, synergy and donor coordination

Donor support and coordination in rural SME and agribusiness development is rather meagre, ad-hoc and informal. Whereas most donor assisted programmes have been supporting either export oriented sub-sectors, their main focus in SME development is the non-rural segment and having narrow scope with regard to geographical coverage. GRASP can leverage the lessons learnt and contextualise synergies in the target clusters through SME cluster platforms/networks & value chain platforms, where all stakeholders will be involved around a shared vision for the particular value chain. The proposed programme will ensure complementarity with the following donors' initiatives.

World Bank's Competitiveness and Growth Development Policy (€ 1.02 billion, 2016). This is a macro-economic stabilisation support programme which will indirectly help in achieving the objectives of GRASP. Secondly, the **World Bank's** Sindh Resilience Project (\$100 million, 2016) is to strengthen the capacity of the province to manage disaster risks, which will create infrastructure and institutional development, thus indirectly supporting GRASP interventions. **USAID's** Agricultural Market Development Project (\$24 million) is currently being implemented in support of export oriented supply chains in the meat and horticultural subsectors which will be complemented by GRASP at the domestic level. **AusAid's** Market Development Facility (2013-2017) provides matching grants to a few selected companies to encourage more risky endeavours in sectors such as livestock (wool), leather and horticulture. **UNDP's** Suppliers Development Programme focusing on Marble was recently launched to support larger enterprises in developing their businesses.

3.3 Cross-cutting issues

Activities focusing on gender equality and environmental sustainability will be structural elements of the proposed programme. GRASP will ensure that implementation is **gender**

²⁷ Baseline and impact studies of the different RSP programmes

²⁸ SRSO presentation June 2016

sensitive and contributes to legal and financial empowerment of women. Implementation strategies will be particularly geared towards reaching out to women. For instance, women extension and animal health workers will be supported, as well as training for women entrepreneurial skill development and facilitation with respect to access to markets, women empowerment through group formation and participation in dialogue platforms and common interest groups. **Combating desertification and soil degradation** will be spear-points in programme interventions. Particularly water management is an area of serious concern and GRASP will allocate social transfers in support of water and soil conservation techniques. Agricultural production practices will be transformed with technologies from conservation climate-smart agriculture and sustainable intensification and in line with the measures described in Pakistan's NDC, thus ensuring the application of more environmentally friendly low-emission production techniques and building climate resilience into the sector. GRASP will collaborate with research, to ensure that the message and methodologies disseminated are contributing to the preservation of natural resources. The value adding, **appropriate technology** component of the programme, will ensure that, whenever possible, equipment to be procured (e.g. for processing) with programme support, is powered by **renewable energy sources including waste to energy**.

4. DESCRIPTION OF THE ACTION

4.1. Objective

The **Overall Objective** of the programme is to support poverty reduction and sustainable, inclusive economic growth in rural areas of Pakistan.

The **Specific Objective** of the programme is to support gender inclusive income and employment generation, enhanced productivity and profitability of SMEs involved in primary production, service provision and value addition in and around selected clusters of production²⁹.

Outputs

The following three main outputs are expected:

Output-1. Institutional capacity strengthened and business environment improved for rural SME development³⁰.

GRASP will complement ongoing efforts in the area of business governance and provide support to the dialogue between the public and authorities at the federal & provincial level, creating a conducive environment for private sector.

Output-2. Agri-business services providing SMEs (run by Male/Female) and their business intermediary organisations (BIOs) are capacitated to enhance primary productivity and quality³¹.

The establishment of a surrounding network of SMEs, providing services at primary production level (agro-inputs, extension) will enhance productivity and quality. Dialogue will be strengthened amongst suppliers/ producers' interest groups around selected value chains in

²⁹ Multi Annual Indicative Plan (MIP) 2014-2020 EU Delegation Pakistan, chapter 3.1.2. result 3 Creating opportunities in rural areas to improve livelihoods and to obtain more and better jobs

³⁰ COM(2014) 263 final, Brussels, 13.5.2014 (cf above footnote); Section 2.2.1: Creating a business environment conducive to private sector initiative.

³¹ Vision 2025, Government of Pakistan Pillar VI Business clusters will be developed to promote competitiveness across small, medium and large enterprises. In the Agriculture sector, bridging 40% yield gap in major crops through enhancing technological intensity and 50% decrease in crop losses by 2025 by streamlining input supplies will also increase sector productivity

the targeted clusters. SMEs will be strengthened in the areas of business planning and compliance to social, environmental and quality standards. Linkages will be developed with MFIs, leasing and insurance providers etc. in line with EU PSD³².

Output-3. Commercially operating SMEs (run by Male/Female) are trained in appropriate and environmentally sustainable technologies to add value and enhance marketed volumes.

SMEs around the selected value chains will be supported to undertake value addition. GRASP will facilitate access to services such as insurance, micro-finance and collective actions, as well as business development services, promote collaborative efforts (common facilities) and public-private partnerships³³. If necessary, specialised services will be provided to women entrepreneurs. Technologies introduced will be environmental friendly of low-emissions and cleaner production & consumption techniques will be promoted, in line with Pakistan NDC.

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG Goal 1 (End Poverty in all its forms). This does not imply a commitment by Pakistan benefiting from this programme.

4.2 Main Activities

Activities to achieve the above mentioned three outputs will include support and capacity building for federal and provincial authorities as well as rural SMEs and business associations in Sindh and Balochistan provinces.

Output-1. A coordinated and tailored approach is required at the level of policy makers, institutions and SMEs in order to bring coherence in policy and institutional framework. A two-phased approach incorporating the design of rural SME development strategy & post-design implementation management support components is proposed. GRASP support will bring into fruition provincial rural SME strategies and actions plans that will be developed following a consultative process. During the inception phase, cluster with high potential, demand oriented & gender based employment as specified in provincial and districts strategies will be identified. The national policy and legislation related to quality and sanitary/phytosanitary (SPS) measures will be reviewed and related institutional framework will be assessed. Technical support will be provided to the SPS enforcement agencies including the Pakistan Standards and Quality Control Authority as well as the two provincial food authorities responsible for implementation. The resulting strategies will provide action-oriented blueprints for each Province and concerned district, to strengthen rural SMEs supply-side capacities, improve the business environment and investment climate, and focus on realistic and measurable actions for achieving these goals. Detailed action plans will enable the Provincial governments and other public and private sector stakeholders at federal/provincial levels to align interventions and track progress in a coordinated fashion. The programme will capacitate stakeholders at both federal and provincial levels to manage the implementation of each strategy/work plan through tailored capacity-building, advisory support and the provision of specialized online tools.

Public-private partnerships and fora will be established to be responsive to private sector needs and to ensure coordination, cooperation and improved relationships among stakeholders at all levels of the value chain (macro-meso-micro). Common interest groups, with linkages to

³² COM(2014) 263 final, Brussels, 13.5.2014 (cf above footnote); Section 2.2.4: Increased access to finance and deepening financial inclusion,

³³ COM(2014) 263 final, Brussels, 13.5.2014 (cf above footnote); Section 2.4.3: Facilitating public-private partnerships (PPPs) and multi-stakeholder alliances:

the SMEs, will be united in dialogue platforms to lobby for appropriate budget allocations, enactment of the regulatory framework, gender equality with respect to access to resources and assets and the establishment of a generally conducive business environment within the two provinces. Synergies between research and development, government and the private sector/SMEs will be strengthened for increased collaboration and enhanced interaction among value chain actors in line with the EU PSD COM 2014, section 2.2.1. Ongoing reform measures will be supported such as fiscal consolidation, including thorough tax policy and administration measures, a reorientation of the development budget, and a rebalancing of the intergovernmental fiscal relations. Institutionalized public-private dialogue is at the heart of GRASP interventions. Further, improvement of the regulatory framework for private-public partnerships will be supported. Modern norms and acts will be implemented to facilitate corporate transparency and protect the rights of minority shareholders, regulatory norms for micro insurance products, required to foster small entrepreneurs.

Sector specific studies will identify and collect all issues faced by businesses (particularly SMEs and informal traders) in rural areas, including of horizontal nature (e.g. taxes, land policies) and sector specific (e.g. price control) and define interventions, whilst assessing the root causes of regulatory and procedural obstacles. Regulatory obstacles (like price regulation) will be identified as well as procedural obstacles to pinpoint specific procedures/bottlenecks and agencies facing procedural inefficiencies. The project will focus on building a national quality and food safety culture through initiatives at policy level as well as by creating partnerships involving public and private stakeholders, including sector and consumer associations/groups.

Output-2. Within the selected value chains, GRASP will establish specialised producer groups and enhance capacities for improved production methods, quality of produce, compliance to standards (primarily social, environmental and quality standards) as well as building of climate resilience of the sector. Enhanced information mechanisms and linkages within the value chain will ensure that products do correspond to market demand and will allow strengthened negotiation position for producers, all this in line with EU PSD COM 2014, section 2.2.4.

Capacities of primary producers SMEs and smallholder farmers will be strengthened to improve their creditworthiness and access to funding. Financing and other gaps will be identified and quality, packaging, and standards identified by specialized consultants.

In collaboration with SME Bank and SMEDA, the feasibility of a matching grant facility will be assessed and established. SMEDA's business development services providers will be trained to deliver financial education and sensitize SMEs on financial advisory services and products. MSME and primary producers will be assisted to develop bankable business plans to apply for funding to address the financial needs identified and link them to relevant funding sources corresponding to their sector and level of maturity (Government sources, business expansion scheme funds, impact investment platforms, etc.). Additionally, a matching grant facility will be set up to support investment in implements, quality inputs (e.g. seeds), fertilizers, crop protection agents etc. at affordable terms. Sustainable natural resource management will be promoted through the adoption of climate smart technologies. , CSR requirements, development of by-products and zero waste thinking for food processors to optimise profitability and discover new market. Mobile digital technology will be introduced and disseminated to improve efficiency and farmers access to market pricing information, access to knowledge on good agricultural practices and weather forecasting services is leveraged. Furthermore, women BIOs are empowered to support their members to network, identify business opportunities, access information and training. GRASP will promote

collaborative efforts (common facilities) and public-private partnerships as well as specialised services for women entrepreneurs.

Output-3. Commercially operating SMEs around the selected value chains will be supported to undertake value addition. The focus will be on business expansion of SMEs, building linkages with other value chain actors, market assessment and strengthening their capacity in product development and branding/marketing, in line with GoP STPF 2015-18.

Support will be provided to SMEs to comply with legal and buyer quality requirements and contribute to the improvement of productivity, a reward mechanism will be established to promote the use of energy efficient technology, alternative energy solutions and to comply with sustainability standards and cleaner production process & practice. The programme will collaborate with financial institutions, including development oriented financial intermediaries such as the Pakistan Poverty Alleviation Fund, commercial MFIs and insurance providers. Special emphasis will be placed on the development of financial products corresponding to observed needs. Synergies will be built with the existing programmes including the EU-funded TVET programme for alignment and collaboration with government and the various donor funded programmes which are operating in the area.

The competitiveness of commercial SMEs will be enhanced in support of inclusive growth and private investment. SMEs will be assisted in designing outreach program, contract farming/outsourcing production, training on business linkages, developing linkages among value chain actors for enhanced inter-enterprise cooperation, particularly women and youth-owned high-growth potential SMEs will be supported in selected sectors. This will be done through development of partnerships with business incubators/accelerators to provide specific coaching/mentoring/networking support, partnerships with academia and training institutions. The adoption of alternative energy solutions and environmentally sustainable technologies will be enhanced for SMEs in selected sectors through campaigns on energy efficiency and alternative energy solutions; the establishment of a pool of trainers and advisers on energy management (ISO 50001) and cleaner production process. Organising exhibitions/fairs on these will be part of the activities.

The capacities of commercial SMEs are enhanced to improve their creditworthiness and access to finance (green finance) using environmentally sustainable technologies, in collaboration with SME Bank and SMEDA, a matching grant facility will be developed for the acquisition of equipment for sustainable value addition. SME capacities will be strengthened in market assessment, strategy & innovation, product development, marketing/branding, packaging, supply chain and logistics.

4.3 Intervention Logic

The programme will take a multi-stakeholder approach to ensure public and private engagement for enhancing sustainability. The intervention logic of the proposed programme thus consists of the support to the vertical and horizontal development of public sector authorities, policy dialogues at various level, targeted SMEs clusters, upgradation of value addition along the whole supply chain, increased integration of small producers into supply chains leading to enhanced income generating opportunities for the SMEs, so that overall value addition will allow transformation of the rural economy, particularly in Balochistan and Sindh provinces.

Experiences demonstrate that well-informed business advocacy and active collaboration between the private sectors and national governments contributes to building consensus around reforms and to achieving coherence among various policies and regulations. When it

functions well, dialogue helps ensure that reforms are driven by demand and grounded in acceptance by key constituencies, including SMEs.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is **72 months** from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 Implementation of the budget support component:

N.A.

5.4 Implementation modalities

5.4.1 Indirect management with an international organisation

This action may be implemented in indirect management with International Trade Center (ITC) in accordance with Article 58(1)(C) of Regulation (EU, Euratom) No 966/2012. This implementation entails all activities under section 4.1 & 2 (Result 1, 2, 3). This implementation is justified because ITC has good knowledge of and expertise in the region, notably in Pakistan where it has been active in the trade and private sector for the past 30 years. ITC has notably worked in the various provinces of Pakistan, especially in Sindh under EU funding. Moreover, ITC has implemented numerous EU-funded programmes in Asia, notably in Pakistan over the past 10 years: it is therefore familiar with EU procedures and implementation modalities, and, as a UN entity it is pillar assessed. From the technical expertise perspective, ITC has experience in business environment improvement as well as in value chain development, while mainstreaming gender and environmental issues. Finally, ITC has a good relationship with the federal and provincial authorities in Pakistan and will be able to mobilise partners for this project.

The entrusted entity would carry out the following budget-implementation tasks notably, carrying out procurement and grant award procedures, and awarding, signing and executing the resulting procurement contracts and grant contracts, notably accepting deliverables, carrying out payments and recovering funds unduly paid. Some activities under Result-1 will be implemented with its own staff.

The entrusted international organisation is currently undergoing the ex-ante assessment in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012. The Commission's authorising officer responsible deems that, based on the compliance with the ex-ante assessment based on Regulation (EU, Euratom) No 1605/2002 and long-lasting problem-free cooperation, the international organisation can be entrusted with budget-implementation tasks under indirect management.

5.2. Scope of geographical eligibility for procurement and grants

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

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult

5.3. INDICATIVE BUDGET

	EU contribution (EUR)	Indicative third party contribution	Total Cost (to be confirmed)
5.4.1. Indirect management with ITC	48 000 000	500 000	48 500 000
5.9 Evaluation and 5.10. audit	850 000	-	850 000
5.11. Communication and visibility	750 000	-	750 000
Contingencies	400 000	-	400 000
	50 000 000	500 000	50 500 000

5.7 Organisational set-up and responsibilities

The main stakeholders are the Government of Pakistan (at the federal and provincial levels) through its relevant Ministries and Departments such as the Ministry of Industry, the Ministry of Commerce, the Ministry of Agriculture and provincial Planning & Development Departments in Sindh and Balochistan governments. ITC will act as the implementer of the planned activities, in close collaboration with national and provincial authorities and relevant SMEs as well as related private sector organizations. The EU Delegation will ensure oversight of the effective implementation of the actions.

A coordinated structure of governance will be established, linking three project steering committees, one at the federal level and one each at the provincial level i.e. Sindh and Balochistan provinces. All the three Project Steering Committees (PSC) consisting of experts from relevant disciplines, both internally and externally from relevant government bodies, the EU Delegation, partners, and others as required will be formed. The PSC co-chaired by EUD and a Government counterpart will meet every six months to monitor and oversee programme implementation. Policy dialogue will also be supported by the PSC. The links between the policy dialogue and outcomes of the project will be established and it is of particular importance to bring together the key ministries (including the Treaty Implementation Cell for GSP+ located in the Prime minister office) during implementation. Technical sectoral working groups will be established particularly under the livestock and horticulture sector. A Programme Support Unit comprising of senior management will be established by ITC and will meet quarterly to provide technical guidance and monitor the progress of the project.

5.8 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the log frame matrix (for project modality) or the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

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

The implementation of the all actions including undertaking of baseline studies, data gathering and monitoring will be responsibility of the implementing agency, ITC in this case. ITC will develop a programme specific monitoring mechanism, based on logframe as well as develop a detail budget for all actions. Following contracting ITC, upon its launch, the project will start with a 6-months inception phase. During the inception, a number of critical steps will be taken. The first PSC meeting will review and validate the results:

- Project Implementation and Coordination Unit: opening of project office(s), recruitment of personnel and procurement of project equipment
- Inception: carry out baseline studies and data analysis to define realistic baseline data and targets, confirm needs analysis, carry out technical assessments, implementing partner identification and selection, preparation of joint action plans, awareness raising etc.
- Development of the overall work plan as well as the detailed work plan and budget for the first 12 months which will also be submitted to the PSC for validation
- Creation of the project communication strategy and plan to ensure visibility for the EU, the Government of Pakistan, ITC and other partners. The strategy will include the use of specific information dissemination means and of national and regional media to communicate and ensure the visibility of the project and results achieved.
- Project Government Structure: set up of Project Steering Committees (PSCs), including its Terms of Reference, outlining its composition, roles and responsibilities

A set of indicative, objectively verifiable indicators have been identified in the logical framework. To the extent possible the baselines and targets have been entered. Additional work is required to collect and validate baselines. It is important to jointly agree with project stakeholders on targets to ensure buy-in and to develop a common responsibility for the project objectives. This will be done in the 6-months inception phase. Performance indicators as per the project's logical framework will be monitored and reported on in each progress report (at Output level). ITC will also monitor the project progress and results through its internal monitoring and result-based management (RBM) system.

A mid-term review is planned at the end of the second year. ITC will be responsible for carrying out the review. The main objective is to inform and guide the second half of the project's implementation phase.

5.9 Evaluation

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

The mid-term evaluation will be carried out for all complement with specific aspects that can be highlighted such as the intention to launch a second phase of the action.

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that complement with specific aspects that can be highlighted such as an innovative action or a pilot being tested, etc.

The Commission shall inform the implementing partner at least 3 months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, two contracts for evaluation services shall be concluded under a framework contract in 2021 and in 2024 (end of the programme).

5.10 Audit

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

Indicatively, one contract for financial verification services shall be concluded under a framework contract in 2023.

5.11 Communication and Visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

Subject in generic terms, if	Type (works,	Indicative number	Indicative trimester of
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possible	supplies, services)	of contracts	launch of the procedure
Communication and visibility	Service	1	2 nd quarter 2018*

** Possibly as part of the larger communication and visibility contract consisting of funds pooled from different decisions.*

6. PRE-CONDITIONS

NA

APPENDIX – INDICATIVE LOGFRAME MATRIX

ANNEX 1 - INDICATIVE LOGFRAME MATRIX (PROJECT MODALITY³⁴)

Growth for Rural Advancement and Sustainable Progress (GRASP), Pakistan
CRIS number: ACA/2017/039280

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
OVERALL OBJECTIVE: Impact	<i>To support poverty reduction and sustainable, inclusive economic growth in rural areas of Pakistan.</i>	1. SDG Goal 1 on poverty reduction* 1.1. % change in MPI (selected districts of Balochistan and Sindh) 1.2. % change in economic growth per province 1.3. % contribution by agriculture sector	1. 20% population under the national poverty line (MPI 2016) 1.1. Sindh: 43% Balochistan: 72% 1.2. Economic growth Sindh: 3.4% , Balochistan: 2.7% 1.3. Agriculture ratio- National: 21% of GDP Sind: 29% Balochistan: 16%	1. Rate of poor down 2 -3% by 2023. 1.1. Same as above per province 1.2. provincial GDP growth rates 4-5% (2023) 1.3. Provincial agriculture growth rates 20-30% (2023)	1. SGDs Report by UN, WB For 1.1 to 1.3 - Pakistan Economic Survey, Published Government Statistics (National/ Provincial), multi-Dimensional Poverty Index (MPI) Data,	

³⁴ Mark indicators aligned with the relevant programming document mark with '*' and indicators aligned to the EU Results Framework with '**'.

SPECIFIC OBJECTIVE(S) Outcomes	<i>To support gender inclusive income and employment generation, enhanced productivity and profitability of SMEs involved in primary production, service provision and value addition in and around selected clusters of production.</i>	<p>1. % change in income of project * beneficiaries (disaggregated by sex and poverty score)</p> <p>2. number of full time equivalent (FTE) jobs supported (disaggregated by sex and poverty score)</p> <p>3. % change in investment in the targeted value chains</p>	0 (2016) to be determine by the project baseline studies within first 6 months of project implementation.	<p>1. 30% increase in the income of beneficiaries (2023)</p> <p>2. 30% increase in FTE (2023)</p> <p>3. 40% increase in investment in targeted value chains</p>	<p>1. Value Chain Studies, Mid-term & final evaluation</p> <p>2. Project reports, mid-term & final evaluation, Beneficiary Reports and Records</p> <p>3. Project reports, mid-term & final evaluation, Beneficiary Reports and Records</p>	<p>For 1-3</p> <ul style="list-style-type: none"> - Absence of adverse climatic events and stable law and order situation - Improved technology and human resources of sufficient calibre are available - public and private sector partnership develop a shared vision for the cluster development
Outputs	<p>Output-1. Institutional capacity strengthened and business environment improved for rural SME development.</p> <p>1.1: Rural SME Development Strategies and Action Plans are designed and validated in at both federal and provincial levels.</p> <p>1.2: Technical working groups for the livestock and horticulture sub-sector developed.</p> <p>1.3: SMEs assisted in business registration and government compliance</p> <p>1.4: SPS legal and institutional framework reviewed and strengthened</p>	<p>1.1. number of federal and provincial SME Development Strategies and Action Plans are developed and validated.</p> <p>1.2. Number of Sectoral technical working groups developed and meet on quarterly basis.</p> <p>1.3. Number of Rural SME assisted in registration/ compliance</p> <p>1.4. 1. Number of product specific guidelines for SPS compliance per value chain developed and</p>	<p>1.1. 0 (2016) no Strategy, action plan for rural SME development</p> <p>1.2. 0 (2016)</p> <p>1.3. 0 (2016)</p> <p>1.4. 0 (2016)</p>	<p>1.1. Approved One federal and 02 provincial rural SME development strategies, action plans (2023)</p> <p>1.2. 02 technical working groups established and meet on quarterly basis (livestock and horticulture)</p> <p>1.3. 100 Rural SME assisted, 50 in each of the selected value chain (2023)</p> <p>1.4. 1. At least 03 SPS products developed (2023)</p>	<p>1.1. Approved Strategies & action plans</p> <p>1.2. Minutes of the Meeting of Technical Working Groups/ List of Participants</p> <p>1.3. registration Documents, Project progress Reports .</p> <p>1.4.1. SPS guide-Lines, progress Reports</p>	<p>1.1. Approval of work plans by Project Steering Committees</p> <p>1.2. Technical Working Groups constituted and operational in time</p> <p>1.3 – 1.5 Stakeholders mobilized for collaboration</p>

		implemented by targeted districts 1.4.2. Number of GoP staff capable of supervising enacting compliance.			1.4.2. 05 VC develop (23)	1.4.2. GoP reports	
	1.5: Private sector led public-private alliances are functional to provide leadership and coordination support in the supported value chains.	1.5.1. Number of market-led public-private alliances/networks/ platforms established 1.5.2. Number of value chain road-maps developed and implemented	1.5 0 (2016)		1.5.1. At least 5 alliances/ province developed (2023) 1.5.2. two VC road Map developed (2023).	1.5.1. MoUs, Rules Of alliances, Progress reports. 1.5.2. agreed value Chain road map	

	<p>Output-2. Agribusiness service providing SMEs (run by Male/Female) and their BIOs are capacitated to enhance primary production and quality.</p> <p>2.1. Rural SMEs and smallholder producers improve their creditworthiness and access to funding with the support of institutions and agri-business service provider representative bodies.</p> <p>2.2: Products and services for primary producer and rural SMEs developed and adapted by agribusiness service providers, their BIOs and financial institutions.</p> <p>2.3. BIOs (including women-representing BIOs) empowered to support their members to network, identify business opportunities, apply sustainable, environmental and quality standards and technologies.</p>	<p>2.1. Change in number of SMEs provides advisory services to smallholder producers in targeted value chain cluster with EU support (disaggregated by sex).</p> <p>2.1. 2. Change in number primary producers and rural SMEs that are satisfied with quality of the advisory services</p> <p>2.2. Number of primary producer access inputs and services provided by rural SMEs, BIO and MFIs per target value chains cluster (disaggregated by sex)</p> <p>2.3.1. Number of BIOs (including women-representing BIOs) provide need-based services</p> <p>2.3.2. Change in number of smallholder farmers meeting quality standards required by markets and regulations (disaggregated by sex)</p> <p>2.3.3. Proportion of area cultivated supported primary producers</p>	<p>For all</p> <p>0 (2016)</p> <p>to be determine by the project baseline studies within first 6 months of project implementation</p>	<p>For all (2023)</p> <p>2.1. 50 SMEs provides advisory services to smallholder producers targeted value chain cluster</p> <p>2.1.2. 70% of primary producers are satisfied with the quality of the advisory services received from public and private institutions</p> <p>2.2.. 3000 – 5000 primary producers access inputs and services provided by rural SMEs, BIO and MFIs target value chain cluster (disaggregated by sex)</p> <p>2.3.1. At least 5 BIOs per province provided demand-driven services to its members</p> <p>2.3.2. 60% of targeted smallholder farmers meeting quality standards required by markets and regulation (disaggregated by sex)</p> <p>2.3.3 . 30% of area cultivated by</p>	<p>2.1. Project progress report, beneficiary database</p> <p>2.1.2. Project progress report, beneficiary database</p> <p>2.2. Project progress report, beneficiary database</p> <p>2.3.1 – 2.3.3 - Project progress report, beneficiary database</p>	<p>For 2.1 to 2.4</p> <p>- rural SMEs willing to work with small producers</p> <p>- MFI taken on board</p>
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	<p>2.4. Mobile digital technology improves farmers' access to market pricing information, knowledge on good agricultural practices, and weather forecasting services.</p>	<p>brought under sustainable land management practices**.</p> <p>2.4. Proportion of supported primary producers in targeted value chain cluster reporting improved access to market pricing information, knowledge on good agricultural practices, and weather forecasting services through mobile digital technology**.</p>		<p>supported primary producers brought under sustainable land management practices.</p> <p>2.4. 60% of supported primary producers in targeted value chain cluster reporting improved access to market pricing information, knowledge on good agricultural practices, weather forecasting services through mobile digital technology.</p>	<p>2.4. Project progress report, beneficiary database</p>	
	<p>Output-3. Commercially operating SMEs (Male/Female) are trained in appropriate environmentally sustainable technologies value and enhance marketed volumes</p> <p>3.1: SMEs across selected value chains are supported and contribute to inclusive growth and private investment .</p> <p>3.2: High growth potential SMEs apply technologies for value addition.</p>	<p>3.1. Number of value adding SMEs supported per value chain cluster in project development, business planning and supply chain management</p> <p>3.2. number of rural SMEs supported applying environmentally sustainable cleaner production technologies**,</p>	<p>For all</p> <p>0 (2016)</p> <p>Details to be determined during the project baseline study</p>	<p>For all (2023)</p> <p>3.1. 50 value adding SMEs supported per value chain cluster in product development, business planning and chain management</p> <p>3.2. 80% of supported SMEs applying environmentally sustainable technologies, practices and standards**.</p>	<p>3.1. Project Reports, SMEDA Reports, beneficiary database.</p> <p>3.2. Project Reports, beneficiary database.</p>	<p>For 3.1 – 3.7</p> <p>- R&D institutions taken on board for developing and marketing environmental friendly technologies.</p>

	<p>3.3: SMEs' compliance capacity with regards to food safety and sustainability standards is enhanced and meets buyer quality requirements.</p> <p>3.4: Access to alternative energy solutions and environmentally sustainable technologies is enhanced for SMEs in selected value chains</p> <p>3.5: SMEs are supported to improve their creditworthiness and access to finance (including green finance) using environmentally sustainable technologies.</p> <p>3.6: Financial institutions offer financing for environmentally sustainable Technologies.</p> <p>3.7: SMEs included in inclusive supply chain and have enhanced access to national and regional markets</p>	<p>3.3. number of SMEs reporting compliance with food safety regulations and sustainability** standards</p> <p>3.4. number of smallholder farmers applying water saving, desertification mitigating measures, and climate smart agricultural practices**</p> <p>3.5. number of SMEs accessing finance in support of environmentally sustainable technologies**</p> <p>3.6. change in the amount of green finance</p> <p>3.7.1. Proportion of raw material sourced from smallholder farmers by rural SMEs supported by EU within targeted value chain clusters</p> <p>3.7.2. Increased farm gate price</p> <p>3.7.3. Turn-over of SMEs in value chain</p>		<p>3.3. 30% of supported SMEs reporting compliance with food safety regulations and sustainability standards</p> <p>3.4. 80% of rural SME supported smallholder producers are applying water saving, desertification mitigating measures, and climate smart practices</p> <p>3.5. 50% increase in number of SMEs accessing finance; 90% of SMEs pay their debt on time.</p> <p>3.6. 50% increase in number of formal loans with matching grant</p> <p>3.7.1. 80% of raw material sourced from smallholder farmers by rural SMEs supported by EU within targeted value chain clusters</p> <p>3.7.2. 30% increase in farm gate price</p> <p>3.7.3. 50% increase in SME turnover</p>	<p>3.3. Project Reports, beneficiary database.</p> <p>3.4. Project Reports, beneficiary database.</p> <p>3.5. Project Reports, beneficiary database.</p> <p>3.6. Project Reports, beneficiary database.</p> <p>3.7. 1 to 3.7.3 Value chain and impact studies</p>	
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This action is funded by the European Union

ANNEX II

of the Commission Implementing Decision on the Annual Action Programme 2017 part 2 in favour of Pakistan

Action Document for “**Support to Parliamentary Development in Pakistan**”

1. Title/basic act/ CRIS number	Support to Parliamentary Development in Pakistan CRIS number: ACA/2017/039-285			
2. Zone benefiting from the action/location	Asia, Pakistan - the action shall benefit the following locations: Islamabad, Provinces of Punjab, Sindh, Khyber Pakhtunkwa, Balochistan, Gilgit Balistan and Azad Jammu and Kashmir			
3. Programming document	Multi-Annual Indicative Programme (2014-2020)			
4. Sector of concentration/ thematic area	Good Governance, Human Rights and Rule of Law	DEV. Aid: YES		
5. Amounts concerned	Total estimated cost: EUR 15 000 000 Total amount of EU budget contribution EUR 15 000 000			
6. Aid modality(ies) and implementation modality(ies)	Project modality: Direct management –procurement of services and Direct management – procurement of supplies;			
7 a) DAC code(s)	15152 – Legislature and political parties			
b) Main Delivery Channel	50000 Other (52000 - Other includes 'for profit', consultants and consultancy firms)			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>		X
	Aid to environment	X	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	X	<input type="checkbox"/>
	Trade Development	X	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	X	<input type="checkbox"/>	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC)	Human Development			

thematic flagships	
10. SDGs	<p>Main Goal: 16 Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels;</p> <p>Secondary Goal: 5 Achieve gender equality and empower all women and girls.</p>

SUMMARY

Parliamentary democracy has only recently taken root in Pakistan after prolonged periods of direct military rule and weak civil governments since 1947. General Elections in 2013 marked a watershed moment in Pakistan as the power, for the first time, was democratically transferred from one elected government to another civilian set up. With the next general elections expected in June 2018 the newly acquired momentum for political continuity opens up a unique opportunity to enhance the relevance, legitimacy and supremacy of the Parliament. Parliament has demonstrated remarkable resilience and historic unity in taking forward the agenda of democratic reform in recent years. Progressive initiatives introduced through significant legal and constitutional measures have laid the basis for solid advancements towards the rule of law, human rights and citizenship. Post-18th Constitutional Amendment Pakistan represents a balanced federation with provincial assemblies now considerably empowered to make laws, better represent citizenry and hold the executive to account for public services delivery at the sub-national level. However, public confidence and trust in parliamentary performance remains limited.

The overall objective of the programme is to support consolidation of the parliamentary democracy in Pakistan. The specific purposes include (1) Sustainable institutional strengthening and improved performance of the federal parliament (the National Assembly and the Senate) and (2) sustainable institutional strengthening and improved performance of the Provincial Assemblies.

Particular focus shall be placed on supporting the inclusion of women, youth and disadvantaged groups in the parliamentary processes. Key measurements for the success of this action would include: a degree to which legislative work is conducted in an inclusive and transparent manner, more citizens' engagement in parliamentary work, meaningful representation of constituents, including women, youth and disadvantaged groups, strengthened oversight of the executive, legislative work in support of commitments to international agreements, extent of revision of electoral legislation in line with EOMs recommendations.

1.1 Sector/Country/Regional context/Thematic area

After various political upheavals during the last seven decades, Pakistan seems to have acquired a semblance of democratic stability. Holding of orderly elections in 2008 and 2013 and a peaceful transfer of power from one elected civilian government to another contributed to strengthening of the overall political system. However, there is a growing public pressure on the elected governments for improved performance, service delivery, and a more inclusive and welfare state model. Certain political traditions and practices point towards the dominating role of executive, which at times tends to overshadow the judiciary and legislature too.

Democratic institutions in Pakistan owe their existence to the Constitution of 1973. Subsequent developments including military interventions weakened the role of parliamentary democracy. Besides limited technical capacity to discharge effective legislation, oversight and especially representation functions, Parliament could not undertake critical legislative reforms addressing serious gaps that frequent dictatorial interventions and mix of politics with religion had caused.

The democratic model in Pakistan started producing results in 2006 when two mainstream parties – Pakistan Muslim League –Nawaz (PMLN) and Pakistan People's Party (PPP) signed a Charter of Democracy (CoD) to move forward in light of critical lessons learned from the bitter political past of the 1990s. Furthermore, long due constitutional, legal and political reforms introduced by PPP led coalition after the 2008 elections transformed the landscape of governance and brought the role of Parliament at the centre of public discourse. Parliament started asserting its role as an empowered

institution and survived against all odds. In addition, mainstream parliamentary parties showed maturity and left behind political partisanship while taking major legislative decisions.

General Elections 2013 were marked by intense political battles with the arrival of a new third major political party – Pakistan Tehreek-e-Insaf (PTI) - drawing support mainly from urban youth. PMLN was able to form a government in the centre as well as the largest province – Punjab. PPP that enjoyed reputation of a truly federal party up to 2013 was confined to the province of Sindh. With the province of Khyber Pakhtunkhwa (KP) led by PTI, Balochistan saw a power arrangement between left leaning National Party and PMLN.

Civil military imbalance that has been the bane of the democratic system in Pakistan, remains shaky. Security environment in the country has returned to relative normalcy but larger ideological and political issues have yet to be resolved. Spectre of sectarianism, extremism and targeted attacks against minorities looms large in Pakistan. Vibrant media continues to report incidents of human rights violations, lack of rule of law and ineffective development planning. With conflict winding down in Afghanistan, Pakistan took on the hardened militants and launched military operations in 2009 and in 2014. The security challenges are far from over causing a considerable drain on resources and distracting broader efforts towards deepening democracy in the country.

Administratively, Pakistan is divided into settled, unsettled and semi autonomous regions. Federally Administered Tribal Areas (FATA) remain outside the remit of Parliament as only the President is empowered to legislate for FATA. Similarly, Provincially Administered Tribal Areas (PATA) do not belong to KP Assembly as an approval of President is needed to make laws for PATA. Gilgit Baltistan (GB) and Azad Jammu and Kashmir (AJK) Legislative Councils enjoy a separate administrative status but remain part of the constitutional framework of Pakistan. Like its predecessors, PMLN government has formed a committee to introduce reforms for mainstreaming FATA into the mainland.

Federation of Pakistan was finally restored to its original shape only after the passage of the 18th Amendment to the Constitution in 2010, which reduced Presidential powers and transferred them to the Prime Minister, especially the power to dissolve Parliament. The landmark legislation transformed Pakistan from a semi-presidential to a parliamentary democracy. The most critical effect of this amendment has been the devolution of administrative, policy and legislative functions to the Provinces. Financial resources are now transferred from the federation to the provinces guaranteeing optimal provincial autonomy. In particular, responsibility for implementation of SDGs, protection of human rights and rule of law measures now rest with the provinces. Central government can now only steer a national policy articulated towards the achievement of these goals in all provinces and districts, by providing support and monitoring and evaluating mechanisms.

1.1.1 Public Policy Assessment and EU Policy Framework

This action is in line with the EU-Pakistan Multi-Year Indicative Plan 2014-2020 that underlines the importance of “consolidation of the role and authority of parliamentary and other representative bodies through credible elections and regular public consultations for better informed decision making and more effective public oversight and legislation.” Furthermore it is consistent with the EU Gender Action Plan 2016-20, and specifically with the priority area "Political and civil rights – voice and participation (objective 11 on "Equal rights and ability for women to participate in policy and governance processes at all levels" and objective 12 on "Women's organisations/Human Rights Defenders freely able to work and protected by law".

The Constitution provides that the Parliament of Pakistan shall consist of President and the two Houses known as the National Assembly (House of Representation) and the Senate (House of Federation). The National Assembly has an edge over the Senate by legislating exclusively on money matters. Other than parliament, there exist some institutions shaping legislative agenda. The most important of these is the Council of Common Interest, which deals with subjects that need inter-provincial arbitration. Council of Islamic Ideology has a recommendatory role to ensure that no law contrary to Islam is enacted. National Commission of Human Rights (NCHR) and National

Commission on the Status of Women (NCSW) also shall provide their specialized input upon request. Ministry of Law and Justice serves as an advisory arm of the government that renders advice to the Federal and Provincial Governments on legal and Constitutional questions and legislative matters. This Ministry is effectively in-charge of government's legislative agenda. Because of the limited in-house capacity for drafting and review of Bills, Parliament occasionally calls upon the Law Ministry to provide drafting assistance as well as the advice on constitutional and legal matters. Similarly, the Ministry of Parliamentary Affairs is the main coordinator between the Executive and the Legislature.

The National Assembly with the help of EU launched its 2nd Strategic Plan (NASP) 2014-2018, which contains six priority goals aimed at strengthening its human resource management, creation of parliamentary service cadre, strengthening of Pakistan Institute for Parliamentary Service, promoting e-Parliament and consolidating legislative, oversight and representational functions. A dedicated Project Management Unit is operating to implement NASP and a Strategic Planning Oversight Committee (SPOC) is a multi-party forum owning the coordination of reforms. The implementation plan of NASP defines measurable indicators, however implementation of the plan has been uneven. Some targets under NASP have been achieved including establishment of a Legislative Drafting Unit in the NA, increases in staff for the Research and Library Wing of the NA Secretariat, creation of a Parliamentary Budget Office (PBO) and a Human Rights Desk at PIPS. EU supported also development of parliamentary oversight tools and capacity development of the Public Accounts Committee. Members Legislative Drafting Research Support (MLDRS) was established in the Senate.

The Senate of Pakistan has recently carried out initiatives to strengthen the House of Federation in line with the Senate's Administration Strategic Plan. Chairman's project 'Restoration of Majesty and Transparency' is also implementing an outreach program and an inter-institutional dialogue. An annual report 'Report to the People of Pakistan' is published. 'Senate Forum for Policy Research' has also been established consisting of the sitting and retired senators/ MPs to act as a Think Tank.

Parliament role is limited in ratification and oversight of international agreements. Agenda of electoral reforms remains unfulfilled as parliament has yet to pass comprehensive laws. All provinces have held local government elections and there is increasing demand for effective transfer of resources from provinces to districts but local governments across Pakistan remain ineffective due to delays in transfers of development funds, limitations to their powers by the provincial authorities and overlaps of their mandate with the Constituency Development Funds managed by MPs and MPAs.

The Pakistan Institute for Parliamentary Services (PIPS) was established in 2008 as an independent body to ensure bipartisan analysis of the most sensitive national matters and to provide training. It is in its early stages of institutional development. Provincial assemblies face common challenges of under resourced secretariats with very limited capacities. EU's on-going assistance to the four Provincial Assemblies and two Legislative Councils has initiated work towards strengthened institutional development and strategic frameworks, better equipped elected representatives, selected committees and other parliamentary bodies, and improved transparency and accessibility.

In June 2014, the Speakers of National and Provincial Assemblies established legislative Task Forces on Sustainable Development Goals (SDGs) in their respective Houses. Following which, a SDGs Coordination Secretariat has been established at the NA in April 2016. Likewise, Women's Parliamentary Caucuses (WPCs) are already in place in National and Provincial Assemblies. However, there is a need for capacity building of the SDGs Task Forces as well as the WPCs.

Political parties mostly depend on strong leaders rather than programmes and they lack the culture of transparency about their own operations. Regulatory mechanisms for political finance are also weak. Election campaigns are largely designed on political rhetoric rather than parties' informed positions on issues. Politicians draw on family networks, traditional groupings and caste and ethnic ties. Technical assistance for party development has been provided by few donors for over a decade now.

Young Parliamentarians Forum (YPF) of the NA is a very active multi-party group, which leads the debates and advocacy on issues relevant for the youth, which constitute around 30% of the MPs and

around 60% of the population. The forum engages with a wide spectrum of society including CSOs, minorities, and religious representatives. In 2016 it has defined its own strategic plan and initiated some interaction with other young parliamentarians from the region through a SAARC Young Parliamentarians Conference on Peace and Harmony for Development. The YPF has also demonstrated that as a cross party forum, it is willing to raise sensitive issues such as the plight of the transgender community with key decision makers including the police and religious leaders.

Women parliamentarians have demonstrated great initiatives including the establishment of Women's Parliamentary Caucuses (WPCs), which have already achieved landmark legislations on women's rights including domestic violence prevention, and highlighted a wide range of women's issues. There are four Provincial WPCs and two WPCs in territories of Gilgit-Baltistan (GB) and Azad Jammu & Kashmir (AJK) in addition to a federal one representing nearly all parliamentary political parties. Provincial Caucuses had embarked upon ambitious strategic roadmaps that include work on domestic violence, acid attacks, marriages and divorces of Hindus and Christians, and the sexual harassment bill. Caucuses in Sindh, Balochistan and Khyber Pakhtunkhwa have begun work on their agendas.

Despite some recent initiatives to improve linkages between citizens and the parliament, a gap persists in knowledge about the performance of parliament. The engagement of civil society in parliamentary processes is very limited. Parliamentary transparency is constrained as most of the business of Committees is conducted through in camera sessions. Moreover, the proceedings are not broadcast live on television except the Question Hour and some selected important sessions.

1.1.2 Stakeholder analysis

National Assembly of Pakistan: NA performs legislation (in respect of the powers enumerated in the Federal Legislative list), oversight and representation functions, and through its Public Accounts Committee scrutinizes public spending.

Provincial Assemblies: Functions of these assemblies are the same as those of NA but they have got an expanded mandate in terms of legislation, however, weak capacities of their secretariats impact negatively on their performance. **Women** Parliamentary Caucus has limited capacities.

Senate of Pakistan: The Upper House gives equal representation to all federating units and promotes national cohesion and harmony. Senate is a permanent House, which symbolizes a process of continuity in the national affairs.

Secretariats of NA and Senate: Due to limited experience with democracy, Secretariats continue to suffer capacity gaps.

Pakistan Institute for Parliamentary Services (PIPS): It is an autonomous body that provides technical assistance to parliamentarians and staff, resource centres, research and training to federal, provincial assemblies, GB and AJK assemblies). It coordinates on implementation of the SDGs country-wide and has satellite one person offices in the provincial assemblies.

Political Parities: Main parties like PMLN, PPP, PTI, MQM have a lead role in NA and Senate. On-going political negotiations by the parliamentary parties are expected to have direct bearing on the quality of the jointly agreed electoral reforms and the oversight of their effective implementation. **Women** positions in political parties require substantial strengthening.

Civil Society Organizations: CSOs are engaged in watching parliamentary performance, and in advocating for consolidation of democracy. CSOs are particularly interested in seeing their parliament improving the public outreach and engagement. **Women CSOs** raise the issues of the weak position of women in political parties and assemblies.

Media: Pakistan has witnessed sudden outburst of electronic media with more than hundred channels and many actively and competitively flashing news 24/7. These media outlets coupled with daily newspapers exist in all languages, regional outlook, shades and colours. Certain media outlets openly side with centre, right or left tendencies of political spectrum. Although the role of media is critical, its reporting on the parliamentary performance remains underdeveloped due to lack of expertise, and

awareness of journalists about the parliamentary business. **Women** Journalists lack skills to report on parliamentary work with a gender lens.

Election Commission of Pakistan (ECP): There is direct interface between ECP and Parliament as it oversees the gateway for parliamentarians' entry into the legislative houses. Currently the Parliamentary Committee on Electoral Reform is closely working with ECP on revision of electoral legislation. **Gender and disability** wing of ECP required improved capacities.

Judiciary: Judiciary is known more for its political role than dispensing justice. From appointments in electoral set-ups, policy directions to adjudication matters, the judiciary has become a key stakeholder in parliamentary democracy. It is actively asserting its role in advancing electoral reforms. However, the need remains for a broader policy dialogue aimed at streamlining and rationalizing the role of judiciary in democratic process and supremacy of constitution.

Executive: It plays a key role in maintaining not only law and order but also enforcing rules and regulations including safety and security of parliamentarians and their democratic institutions. Assemblies need stronger capacities to oversee functioning and reforms of the bureaucracy.

1.1.3 Priority areas for support/problem analysis

This action will address a number of institutional constraints, which hamper capacities of legislative houses both at federal and provincial levels that mainly revolve around lack of adequate administrative and technical support of legislative, oversight, budgetary and representation functions. Central issue to be assisted is the committee system. Research facilities, committee offices, IT tools, well-equipped library, trained and specialized staff are few of the resources that committees in federal and provincial assemblies lack. Rules of Business require review in order to allow to improve legislation with citizens'/technocrats' input. Linkages with think tanks and academia are under developed. Federal parliament has developed recently its legislative drafting capacities, however these are very limited in the provincial assemblies. Insufficient mechanisms are in place for legislative scrutiny.

A critical problem area pertains to Pakistan's stance and responsiveness towards its international commitments. There is limited evidence reflecting parliamentary business is supportive of international obligations towards matters such as human rights and SDGs. National discourse continues to centre on quality of human development across the country. After devolution, provincial assemblies are faced with challenges beyond their capacities. Legislative performance falls short of serving a wide and equitable range of interests of the society.

Budget functions still face capacity gaps at the federal level, and there is a lack of institutional support for assisting the MPs on budget scrutiny issues in the provinces. There is nearly a complete absence of Budget Offices particularly in PAs to assist MPs in budget related inputs. Lack of capacity among MPs to review allocations and expenditure remain a key concern. Secretariat doesn't have sufficient resource/adequate systems to train and sensitize Members. PAC undertakes some rigorous scrutiny through the audit office but there too remain certain legal and procedural loopholes resulting in very slow and delayed scrutiny, inadequate follow up and insufficient reporting and transparency. Furthermore, Rules of Business and the government business cycle do not support sufficient timeframe for budgetary debate.

Effective good governance, rule of law and service delivery by the Executive is also not sufficiently supported by the parliamentary oversight. MPs lack sufficient understanding about the structure, functions and mechanisms of governance. Secretariats of almost all assemblies are unable to manage Question Hour due to limited technical and IT capacity. Executive Branch doesn't take Questions seriously and Ministers don't come to answer questions. Digital database of Questions is not available online for MPs (through intranet) and civil society (through website). There is insufficient capacity of Committees to reach out to citizens for oversight agenda making. Rules for Public Hearings are insufficient. Another challenge is the absence of institutional support at the constituency level that could allow public feedback to feed into the legislative priorities to better reflect the interests of the constituents, the wider society and disadvantaged groups. On the demand side, limited number of

CSOs are operating thereby providing limited space to conduct public scrutiny. This Action will support public hearings so that citizens and experts are regularly consulted.

There are insufficient internal mechanisms, procedures and avenues for parliamentary transparency and outreach. Communication and information exchange is limited between secretariats and MPs and among MPs due to absence of intranet and other IT facilities. Annual progress reports and End of the Mandate Performance Reports by Assemblies require improved coherence and regularity. Parliamentary transparency is a key concern and the Right to Information Acts do not cover functioning of all assemblies. Media coverage remains short of professional standards and there is a limited awareness among the media of the parliamentary work, which will be addressed in this Action. Legislative reporting is another area where much more needs to be done to improve capacity of journalists covering parliamentary proceedings, including with a gender lens.

Support is required to address weak technical capacity within secretariats to efficiently plan, budget, monitor and evaluate the implementation of Strategic Plans and report progress. Human Resource Management has yet to be streamlined despite availability of constitutional framework that allows independence. Insufficiently resourced secretariats, absence of well-defined job descriptions and unclear reporting lines in the organizational designs undermine performance of the parliamentary service. Core issue is the very limited in-house expertise for using Information Management Systems and ICT tools for efficient delivery of parliamentary functions. EU has assisted NA ICT Unit in rolling out and implementation of ICT Action Plan through some technical assistance but the lack of hardware and software limited the progress of the e-parliament project.

On another front, despite quota seats, concerns of women and minorities are not being meaningfully represented in parliamentary business. There is insufficient participation of disadvantaged groups in key decisions regarding legislation and oversight. Voices of women and minorities are undermined in assemblies because of being ‘non-representative’ of the constituents. There is limited existence of cross-party fora inclusive of minorities. Inadequate access of disadvantaged groups in the business of PAs and lack of capacities among MPs representing them for collective bargaining and lobbying remain serious challenges. There is a lack of capacity among the disadvantaged groups / their organisations to engage in the assemblies business. Sensitization among MPs to concerns of women, minorities and youth need to be supported. Rules and practices should be reviewed in PAs for reaching out to the disadvantaged groups for feedback on legislation and oversight issues. Institutional linkages between PAs and think tanks / CSOs and rights based groups / institutions need to be strengthened.

Women’s participation in political arenas is driven by the percentage of seats reserved in federal and provincial assemblies and local governments, but women’s impact on political processes or decisions has been limited. The exception is passage of some legislation on issues of concern to women, such as making child marriage a crime and providing protection against harassment in the workplace, as these are often credited to women in the legislatures. In addition, legislation has been passed to establish gender-related institutions in the post-devolution period. Future challenges remain to ensure that there are no negative revisions to laws, such as those that reduced quotas for women in some provincial assemblies and local governments. Despite some progress in legislation, there are gaps between these legal frameworks and the realities experienced by women in households and society. The National Baseline Study 2012 noted that while the Constitution guarantees fundamental rights to women and considers them equal citizens, a “cycle of oppression” for women continues due to traditional and cultural practices.

While the Senate of Pakistan has established an Ethics Committee and a code of conduct, in general there are no mechanisms for preventing conflict of interest that can help oversee members running businesses other than representing their constituent in the parliament. This kind of mechanism supported through this Action could help to uphold the legitimacy and integrity of parliamentarians.

Pakistan has a long history of close relations with European nations. Within the parliament, Friendship Groups have been formed and the International Relations Wing of NA has been coordinating meetings and visits. However, a lot can be done to improve their performance.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Security incidents causing damage to parliamentary businesses	M	Engage from the outset to incorporate security elements in strategic planning of each House
Democratic transition is discontinued due to military take over	L	Political dialogue.
Security threat to democratic leadership causing discontinuity of policy	M	Support political parties and encourage credible alternatives
In-House change of Political leadership affecting implementation of program	H	Engage with parliamentary leadership
Corruption undermining effectiveness of deliverables	M	Political engagement and enhanced focus on transparency
Early elections are called	M	Reassess timing and scope of programme. Adapt the program for greater impact on immediate priorities
Assumptions		
Pro-reform leadership of parliamentary houses; Parliamentary parties support improved performance of parliamentarians and Secretariats; Parliamentary bureaucracy is not resistant to reforms; Political stability; Timely, orderly and credible elections in 2018 and peaceful transfer of power/government formation; Proactive and vigilant media and civil society; Security environment remains conducive, no major terror incident or natural disaster; No foreseeable threat to parliamentary supremacy; Timely electoral reforms; synergy with existing programmes.		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

Many previous programmes have been reportedly lacking critical buy-in from the principal beneficiaries in the federal and provincial legislatures, which led to deviations and delays in implementation. This was also true for the initial years of the EU assistance and improved only by the end of 2015. This limitation shall be addressed through inclusive approach to programme development and implementation management. Key lessons from previous programs include the need to focus more on sustaining long term institutional changes, progress reporting of strategic plans and public sharing, and complementary focus of donor interventions. Future projects shall work with reformers, both within and outside the parliament. Particular attention should be paid to hiring project staff with good understanding of the political dimensions and understanding of the political culture. There shall be focus on visibility of strategic interventions not only among media, civil society and other external stakeholders, but also amongst internal stakeholders, particularly the parliamentarians.

3.2 Complementarity, synergy and donor coordination

Economic Affairs Division of the Ministry of Finance is responsible for coordination of aid. At the sector level, PIPS is theoretically in-charge of donor coordination on behalf of federal parliament and provincial assemblies but it lacks the capacities. NA has rendered donor coordination function to its Project Management Unit within the secretariat. The programme is complementary to the EU assistance for the federal parliament (06.2012-09.2016) and for provincial assemblies (11.2016-10.2019). In addition EU assistance has been provided to the electoral processes with a new programme of EUR 15 Mln to start in 2017. Donor group in the democracy sector comprises mainly DFID, USAID, Canada and EU and it ensures a very close coordination. DFID has started by the mid of 2016 a programme entitled Consolidating Democracy in Pakistan (GBP 30 Mln) that aims to support selected electoral reforms, strengthen federal and provincial legislatures, political parties and engage civil society for expanding democratic space. Synergy will be also built with smaller initiatives. Westminster Foundation for Democracy provides some support to Punjab and Sindh Assemblies. Some exchange visits are supported by the British Council for the KP Assembly. USAID

supports until 2019 political parties with a very narrow focus on working with parliamentarians. Through its assistance and the accompanying political dialogue the EU intends to remain a close strategic partner in consolidating the parliamentary democracy and its credible sustainable institutions.

3.3 Cross-cutting issues

In line with Pakistan's international commitments to promote civil and political rights of all, this Action shall support inclusive parliamentary processes and in particular **women** empowerment within the legislatures i.e. through the Women Parliamentary Caucuses, their role in committees and as a staff of secretariat. **Young** Parliamentary Forum will be supported to implement its strategic plans. Furthermore, a **rights based approach** will be integrated in the activities supporting implementation of the SDGs. **The rights holders/vulnerable groups, such as women and minorities** shall also benefit from the enhanced engagement of the civil society in the work of the assemblies. The programme will address issues of **good governance and conflict prevention** by fostering citizens-state dialogue and trust building.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

The overall objective of the programme is **to support the consolidation of parliamentary democracy in Pakistan.**

The purpose is the following: **Sustainable institutional strengthening and improved performance of the federal parliament** (the National Assembly and the Senate) **and of the Provincial Assemblies and two regional legislatures** (Gilgit Balistan and Azad Jammu and Kashmir).

Result 1: Enhanced legislative, oversight, budgetary and representation functions.

Result 2: Strengthened administration and support services.

Result 3: Facilitated inclusion of women, youth and disadvantaged groups in parliamentary processes.

This programme is relevant for the Agenda 2030, It contributes primarily to the progressive achievement of SDG Goal 16 Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels; but also promotes progress towards Goal 5 Achieve gender equality and empower all women and girls. Relevant targets under these two broad goals include: 16.6 Develop effective, accountable and transparent institutions at all levels; 16.7 Ensure responsive, inclusive, participatory and representative decision-making at all levels; 5.1 End all forms of discrimination against all women and girls everywhere; and 5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life". This does not imply a commitment by the country benefiting from this programme.

4.2 Main Activities

Separate sets of activities will be planned and implemented for each of 6 assemblies and each council according to specific needs and baselines.

Result 1: Enhanced legislative, oversight, budgetary and representation functions.

Indicative Activities for the National Assembly and the Senate:

- a. orientation and experience sharing workshops for MPs on analysing and amending legislation;
- b. targeted study visits/exchanges of MPs and support staff with parliaments having effective legislative, oversight, budget and representation functions;
- c. assist in developing/amending legislation to support compliance with obligations under international treaties and in developing capacities for improving related oversight;
- d. support institutional mechanisms and opportunities for governance watch dog organisations and civil society, including women, inputs into the work of committees and caucuses;
- e. assist amendment of Rules of Procedures to provide for more effective budget and legislative scrutiny, oversight and engagement with civil society;
- f. provide assistance and on the job training of technical support staff to selected committees;

- g. capacity development to support annual planning and budgeting for selected committees to allow effective implementation of oversight work (hearings, using external expertise);
- h. assist development of in-house capacities for engaging with media, and media sensitization on the role of parliament;
- i. support initiatives improving access to information about parliamentary activities including working with the Parliamentary Reporters Association;

Indicative Activities for Provincial Assemblies and regional legislatures:

- a. capacity development of MPAs to analyse and amend legislation within the Province;
- b. more systematic exchanges of best practices between the Provinces through the creation of inter Provincial platforms for experience sharing (to include GB and AJK);
- c. targeted study visits/exchanges of MPAs and support staff with parliaments having effective legislative, oversight, budget and representation functions;
- d. support in a preparation of baseline studies combined with on the job training of technical support staff on international treaties and conventions obligations in specific areas to be agreed;
- e. assist in developing/amending legislation to support compliance with obligations under international treaties and in developing capacities for improving related oversight;
- f. support institutional mechanisms and opportunities for civil society to be able to provide more meaningful inputs into the work of committees and caucuses;
- g. assist review and amendment of Rules of Procedures to provide for more effective budget and legislative scrutiny, oversight and engagement with civil society;
- h. provide expert assistance and on the job training of technical support staff to selected committees;
- i. capacity development to support annual planning and budget for selected committees to allow effective implementation of oversight work (hearings, using external expertise);
- j. assist development of in-house capacities for engaging with media;
- k. assist media to better understand their role in the parliamentary governance model and enhance the quality of parliamentary reporting;
- l. support initiatives improving access to information about parliamentary activities;

Result 2: Strengthened administration and support services.

Indicative Activities for the National Assembly and the Senate:

- a. assist development of institutional capacities of the secretariats for strategic and operational planning, operational budget preparation, implementation, monitoring, evaluation, and reporting;
- b. support the assessment and revision of the organisational design and staffing of administration and technical support services and in capacity development for human resource management;
- c. support development of IT tools and staff capacities for electronic documentation and archiving;
- d. support creation of research and resource/library facilities for each of the Houses while focusing on online knowledge resources as well, and assist digitalised archiving of existing legislation;
- e. support the Senate in capacity development of a legislative drafting unit;
- f. capacity development of the staff of research and resource centres and assistance in building sustainable links with the academia and think tanks.
- g. support the NA SDGs Secretariat to develop capacities for monitoring and evaluation and for implementation of its communication strategy;
- h. support in a preparation of baseline studies combined with on the job training of technical support staff on international treaties and conventions obligations in specific areas to be agreed;
- i. provide technical assistance for specialised thematic research and seminars;
- j. purchase IT equipment (hardware and specialised software) and furniture for selected facilities, build capacities of secretariat staff to operate and maintain the provided supplies;
- k. capacity development of administration and technical support services to provide for continuous staff and MPs training/orientation function including on-line, self-driven training modules;
- l. assist secretariats in preparation and implementation of training for administrative and technical staff (development of training curricula, training materials, trainer manuals, Training of Trainers);
- m. develop capacities and provide technical assistance to the Senate's Media Cell in implementation of its communication plan and public education programmes;

- n. assist the secretariats in developing quality public hearing modules based on the best practices.

Indicative Activities for Provincial Assemblies and regional legislatures:

- a. assist development of institutional capacities of the secretariats of the PAs for strategic and operational planning, operational budget preparation, implementation, monitoring and evaluation;
- b. support development of IT tools and staff capacities for electronic documentation and archiving,
- c. support creation of research and resource/library facilities for each of the legislatures while focusing on online resources as well, and assist digitalised archiving of existing legislation.
- d. linking resource centres of assemblies to allow sharing of selected documents as may be required;
- e. capacity development of the staff of research and resource centres and assistance in building sustainable links with the academia and think tanks.
- f. provide technical assistance for specialised thematic research and seminars;
- g. purchase IT equipment (hardware and specialised software) and furniture for selected facilities, build capacities of secretariat staff to operate and maintain the provided supplies;
- h. capacity development of secretariats to provide for continuous staff and MPAs training/orientation including greater use of on-line, self-driven training modules;
- i. assist secretariats in preparation and implementation of training for administrative and technical staff (development of training curricula, training materials, trainer manuals, Training of Trainers);
- j. assist secretariats in developing and piloting public hearing modules based on the best practices.

Result 3: Facilitated inclusion of women, youth and disadvantaged groups in parliamentary processes.

Indicative Activities for the National Assembly and the Senate:

- a. support to women caucus and to Young Parliamentarians Forum in developing and implementing their action plans (including budgeting);
- b. support assessment of situation of disadvantaged groups and policy recommendations to address their needs (support field trips of MPs if required) and advocacy to introduce changes as necessary;
- c. assist development of a comprehensive program for orienting MPs and training the staff on gender lens and gender-based budgeting approaches;
- d. support exchanges with selected parliaments that apply gender-lens approaches;
- e. support the secretariats to develop a methodology for systematic consideration of legislation with lens of gender and inclusion of disadvantaged groups;
- f. assist use of the pilot results from the work provincial assemblies and possible development of a results based methodological approach that costs the impact of proposed legislation;
- g. support Women's Parliamentary Caucus' dialogue with political parties for equitable representation of women in key positions in parliament, in parties' structures and in the electoral processes;
- h. assist in assessing barriers to effective participation of minority groups and incorporation of their concerns in the parliament business; development of an action plan to address these issues;
- i. support to field missions by parliamentary committees to disadvantaged regions to assess situation and to report back to the Parliament on proposed remedial action or legislative work required;
- j. assistance in an assessment of access issues faced by people with disabilities development of an action plan to address them including the value added of proposing legislation;
- k. support "reach out" ventures like seminars with academia, youth, civil society and experts.

Indicative Activities for Provincial Assemblies and regional legislatures:

- a. support to women caucus and to Young Parliamentarians Forum in developing and implementing their action plans (including budgeting);
- b. support situational assessments of disadvantaged groups and elaboration of policy recommendations to address their needs (support related field trips of MPAs if required);
- c. assist secretariats to develop a comprehensive program for orienting MPs and training staff on gender lens and gender-based budgeting approaches;
- d. support inter Provincial exchanges and visits to other parliaments that apply effective gender-lens approaches to legislation development;
- e. support the secretariats to develop and pilot test a methodology for systematic consideration of gender lens, inclusion of disadvantaged groups and cost implications of proposed legislation;

- f. support the Women's Parliamentary Caucuses' dialogue for equitable representation of women in key positions in parliament, in parties' structures and in the electoral processes;
- g. assistance in assessing barriers to effective participation of minority groups and incorporation of their concerns in the parliament business; development of an action plan to address these issues;
- h. support to field missions by parliamentary committees to disadvantaged regions to assess situation;
- i. assist in assessment of issues faced by people with disabilities and recommendations for actions.

4.2 Intervention Logic

This Action has been designed to support sustainable institutional strengthening of the federal and regional legislatures. Political neutrality shall remain the core principle. This Action will complement the on-going EU assistance to the Provincial Assemblies and the recently completed EU assistance to the federal parliament. It will build on a good dialogue and partnership for reforms established between the EU and the parliament. A substantial support is still required to enable full application of the 18th Constitutional Amendment concerning devolution of powers to the provinces. Ownership of reforms shall be supported through the Steering Committees in each of the assemblies. General Elections planned by the mid of 2018 will be factored in the project work plans.

The expected outcomes of this Action should impact positively on the progress of the democratic transition and improved governance in Pakistan, limiting the risk of another military takeover of powers. Support for enhanced transparency and inclusiveness of parliamentary work shall contribute to building trust of citizens in the representative and responsive democratic system. Concerns and interests of women, youth and other disadvantaged groups will receive a special attention in this Action, with focused activities, which are aimed to support enhanced legislative performance serving a wide and equitable range of interests of the society. Inter-party fora and caucuses will be targeted to support consensus building and strategic actions on issues of common interest including international commitments, SDGs, human development, youth and women agendas.

5. Implementation

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.1 will be carried out and the corresponding contracts and agreements implemented, is 48 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 N/A

5.4 Implementation Modalities

5.4.1.1 Procurement (direct management)

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Institutional development of federal and provincial legislative houses	Service	1	2 nd quarter 2017

IT Equipment and other supply needs of federal and provincial assemblies	Supplies*	1	2 nd quarter 2017
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* Technical specifications for supplies will be agreed in consultation with each of the legislatures. The on-going EU assistance will advance this task to facilitate early contracting.

5.5 Scope of geographical eligibility for procurement and grants

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

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.6 Indicative budget

	EU contribution (amount in EUR)
5.4.1. - Results 1-3	
5.4.1.3. – Procurement (direct management)	
One service and one supply contract	14 400 000
Procurement – total envelop section 5.4	14 400 000
Communication and visibility*	300 000
Evaluation and Audit	200 000
Contingencies	100 000
Total	15 000 000

* this will probably be contracted as part of a larger contract of the EU Delegation

5.7 Organisational set-up and responsibilities

Project steering committees (PSCs) for respective legislatures at federal and provincial levels will be established to guide the project implementation. Their composition and terms of reference will be agreed in the inception phase. EU will be involved as an observer. Technical assistance team will provide administrative support. PSCs will meet at least once per year. **Technical working groups** reporting to the PSCs may also be constituted, co-chaired by relevant staff of assemblies to lead on specific project activities. They can meet more frequently as required.

Capacity development and technical assistance: EU Delegation to Pakistan will procure services of a company or a consortium that will be responsible for the implementation of capacity development and technical assistance. The team will include up to 4 key experts (including the Team Leader). Team Leader (TL) will be responsible for implementation management, in coordination with different stakeholders. The experts shall be located ideally in the premises of respective secretariats, provided sufficient office space would be made available or alternatively in outside locations possibly close to the assemblies. Large pool of short-term experts will be mobilised regularly in line with the detailed implementation plan approved by the PSCs. Each expert will be approved by the EU Delegation after prior consultation with the respective assembly representative.

5.8 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partners shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular half-yearly progress reports and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the log-frame matrix. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details. The final report, narrative and financial, will cover the entire implementation period.

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

5.9 Evaluation

Having regard to the nature of the action, a mid-term and final ex-post evaluations will be carried out for this action or its components via independent consultants contracted by the Commission. Midterm evaluation will be carried out for the purpose of problem solving, course correction, learning purposes, in particular with respect to adapting planning of activities based on lessons learnt. Final ex post evaluation will be carried out for accountability, and learning purposes at various levels (including policy revision) taking into account in particular the fact that lessons learnt could feed into any following EU assistance programming.

The Commission shall inform the implementing partner at least 15 days in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities. The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project. Indicatively, one contract for evaluation services shall be concluded indicatively in the 2nd quarter of 2019.

5.10 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements. Indicatively, one contract for audit services shall be concluded in the 1st quarter of 2021.

5.11 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU. This action shall contain communication and visibility measures, which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above. In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements. The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

Direct implementation modalities will be used for implementation of those activities. Services will be contracted by the EU Delegation possibly to be combined in one contract with the assistance planned

for the assemblies or as part of a larger contract of the EU Delegation dedicated to a joint communication and visibility activities covering all sectors of cooperation and using budget allocations under different decisions.

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Communication & visibility	Service	1	3 rd quarter 2017

6 PRE-CONDITIONS

N/A

APPENDIX – INDICATIVE LOGFRAME MATRIX

APPENDIX - Indicative Log-frame

* - aligned with the sector policy framework (National Assembly Strategic Plan 2014-18, Pakistan Vision 2025)

** - aligned with the EU International Cooperation and Development Results Framework

Overall objective: Impact					
Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Consolidation of the parliamentary democracy*	1. Percentile rank score for political stability and absence of terrorism *	1. 0.95 (2015)	1. Higher scores than in 2015	1.World Wide Governance Indicators/Interactive Access/Table view/All years/Pakistan/Political stability	
	2. Score for political participation	2. 4.2 (2016)	2. Higher scores than in 2016	2.Bertelsmann Stiftung Status Index, score for political participation, yearly reports	
	3. Percentile rank score for Voice and Accountability **	3. 27.09 (2015)	3. Higher scores than in 2015.	3.Worldwide Governance Indicators/Interactive Access/Table view/ All years/Pakistan/Voice and accountability	
Specific Purpose (Outcome)					
Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions

<p>Sustainable institutional strengthening and improved performance of the federal parliament (the National Assembly and the Senate) and of the Provincial Assemblies and two regional legislatures (Gilgit Balistan and Azad Jammu and Kashmir).*</p>	<p>1. Extent to which Electoral Legislation has been revised in line with recommendations of the EU Election Observation Missions</p> <p>2. Number of laws passed to support obligations with Pakistan's international commitments</p> <p>3. Degree to which Legislative work is conducted in an inclusive and transparent manner. Legislative business is representative of citizens' priorities, including women</p> <p>4. Degree to which oversight of executive is strengthened</p> <p>5. Improved performance of parliamentary institutions*</p> <p>6. Integrity of NA safeguarded by improving its representative role thereby making it more informed and respected within and in all constituencies*</p>	<p>1. 2017 - Electoral bill under discussion. The draft, if passed, would bring from a meagre 14 to 32 the total of addressed EOMs 2013 recommendations and provide Pakistani democracy with a powerful tool for progress.</p> <p>2. 0</p> <p>3. Insufficient internal mechanisms, procedures and avenues for parliamentary transparency and outreach. Limited public hearings. Committees lack capacities for meaningful input in budgetary, oversight and legislative processes.</p> <p>4. Insufficient time for budgetary debate. Lack of specialised technical input to Committees</p> <p>5. 2016 reports of assemblies, civil society and media. Limited parliamentary data and reporting.</p> <p>6. Limited inputs of the society into the parliamentary work, limited public information</p>	<p>1. Draft Electoral Bill passed as it is bringing the total of addressed EOMs recommendations to min of 32, enabling meaningful electoral reforms.</p> <p>2. Min 6</p> <p>3. Parliamentary transparency and outreach enhanced. Enhanced collaboration with civil society, including women. Qualitative improvement evidenced also by an increased number of hearings. Improved quality of legislative analysis and amendments.</p> <p>4. Parliament holds the Executive Branch accountable. Sufficient time is available for a robust debate on Budget with meaningful input by parliamentarians</p> <p>5. Baseline assessment and benchmarking of parliamentary performance conducted in 2018. Qualitative improvement recorded in the following years. Regular and improved quality reporting by all assemblies (including benchmarking)</p> <p>6. Amended and implemented Rules of Procedures to enhance transparency, efficiency and responsiveness</p>	<p>1. Scrutiny of published legislation</p> <p>2. Published legislation, GSP+ Review Reports</p> <p>3&4. Amended Rules of Procedures and Conduct of Business in all Houses, yearly report of assemblies</p> <p>5. Reports of assemblies, civil society and media</p> <p>6. Adopted revised Rules of Procedures. Civil society surveys/reports of parliamentary performance</p>	<ul style="list-style-type: none"> • pro-reform leadership of parliamentary houses • Parliamentary parties support improved performance of parliamentarians and Secretariats • Parliamentary bureaucracy is not resistant to reforms • Political stability • Timely, orderly and credible elections in 2018 and peaceful transfer of power/government formation • Proactive and vigilant media and civil society • Security environment remains conducive, no major terror incident or natural disaster • No foreseeable threat to parliamentary supremacy • Timely electoral reforms • synergy with existing programmes
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	7. Multi-party fora and caucuses progressing with consensus based actions reflecting issues important for women, youth and disadvantaged groups.	available. Related Rules of Procedures requiring revision. 7. WPC and YPF in place but requiring capacity development and assistance	7. Women Parliamentary Caucus contributing to a strengthened position and voice of women MPs in the assemblies and improved representation of interests of women and disadvantaged groups. Young Parliamentary Fora contributing to a strengthened position and voice of young MPs in the assemblies representing the interests of Youth and disadvantaged groups.	7. Reports of work of WPC and YPF, related laws drafted/passed	
Results chain	Indicators	Baselines 2016 (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
1.1 Enhanced legislative, oversight, budgetary and representation functions;	<p>1.1.1 Degree to which the Senate and NA have moved from the traditional mode of working towards e-Parliament by undertaking reforms in using information and communication technologies (ICT)*</p> <p>1.1.2 Status of oversight and budgetary scrutiny so that accountability and transparency prevails*</p>	<p>1.1.1 Senate utilises ICT tools which require better integration and its resource and research centre requires substantial support in ICT. NA automation programme progresses slowly due to lack of ICT supplies. Limited use of ICT by provincial assemblies; the minimum level in Baloochistan and councils</p> <p>1.1.2 Committees lack capacities for meaningful input in budgetary, oversight and legislative processes. Budgetary debates are limited. NA benefited from some related capacity development. Rules</p>	<p>1.1.1 NA Strategic Plan targets for e-parliament implemented. ICT needs comprehensively addressed for each assembly and council.</p> <p>1.1.2 Increased focus on quality budget scrutiny and oversight in committee work, related amendments to Rules of Procedures adopted</p>	<p>1.1.1 ICT tools in place and automated work processes</p> <p>1.1.2. Records of committee work</p> <p>1.1.3 Revised organisational design and staffing,</p>	<ul style="list-style-type: none"> • Institutional ownership • Overlapping functions of PIPS vis a vis parliament secretariat • Effective coordination between NA & Senate Secretariats • Interest of MPs and MPAs to participate in briefings and capacity development • Secretariat staff available and committed to capacity development • Availability of staff, who could be

<p>1.2 Strengthened administration and support services;</p> <p>1.3 Enhanced inclusion of women, youth and disadvantaged groups in parliamentary</p>	<p>1.1.3 Ability of Parliamentary secretariats to provide full range of the required administrative and technical support</p>	<p>of business requiring revision</p> <p>1.1.3 Insufficient secretariat support available to support MPs in federal and provincial assemblies. Public Accounts Committees do not have effective follow up mechanisms</p>	<p>1.1.3. Adequate staffing and staff capacities in place. Key IT and other resources in place to support improved parliamentary performance. Rules of business revised to enable improved performance</p>	<p>capacity development records</p> <p>1.1.4 Records of committees work and drafted/passed legislation</p>	<p>trained in operating and maintaining any equipment purchased under this project</p> <ul style="list-style-type: none"> • MPs and MPAs able to make effective use of ICT tools • Interest in the provinces to create YPFs • Political buy in
	<p>1.1.4 No of legislative acts assisted to support international obligations</p> <p>1.1.5 Extent to which Rules of Procedures have been revised</p> <p>1.2.1 Status of revision of the organisational design and staffing</p> <p>1.2.2 Extent to which the legislative drafting units are capacitated and operational</p> <p>1.2.3 Status of development, revision and operationalisation of a quality public hearing module based on best practice</p> <p>1.3.1 State of development and implementation of action plans for Women Parliamentary Caucuses (WPCs) and the Young Parliamentarians For a (YPFs)</p>	<p>1.1.4 0</p> <p>1.1.5. Rules of Procedures existing but requiring revisions</p> <p>1.2.1 Some revision of HR initiated in NA and Senate</p> <p>1.2.2 Legislative units requiring improved staffing and capacities. NA unit provided with capacity development in 2016.</p> <p>1.2.3 NA has a public hearing module which still needs to be effectively utilised</p> <p>1.3.1 NA YPF Strategic plan 2016-20 in place but more detailed implementation plan needed, Some strategic</p>	<p>1.1.4 Targets to be agreed through meetings of the project Steering Committees.</p> <p>1.1.5 Rule of Procedures revised to provide for more effective budget and legislative scrutiny</p> <p>1.2.1 Revision of organisation designs and staffing agreed and implementation progressing</p> <p>1.2.2 Improved skills of staff and improved performance of the units</p> <p>1.2.3 Quality public hearing modules in place and used effectively by each assembly</p> <p>1.3.1 Strategic plans for WPCs in place. Action plans for YPF/s and WPCs (including budgeting) developed and implementation progressing.</p>	<p>1.1.5. Revised adopted Rules of Procedures. MOUs with academic institutions / think tanks / policy institutes / Area Study Centres</p> <p>1.2.1 Adopted organisational chart and staffing tables</p> <p>1.2.2 Project and training reports</p> <p>1.2.3 Revised public hearing module and NA's records of its utilisation</p> <p>1.3.1 Adoption of Action plans, implementation reports</p> <p>1.3.2 Assessment</p>	

<p>processes;</p>	<p>1.3.2 Extent to which the needs of disadvantaged groups have been assessed and communicated to MPs and MPAs</p> <p>1.3.3 Status of a programme to orient MPs and MPAs and train staff on gender lens and gender-based budgeting.</p> <p>1.3.4 Status of review to assess system of reserved seats for women, in line with UN General Assembly resolution 66/130 which calls on countries to review the differential impact on their electoral systems on the political participation of women**</p>	<p>roadmaps in place for WPCs; no YPFs in place in Provincial Assemblies. Establishment of YPFs facilitated in provinces</p> <p>1.3.2 A comprehensive assessment required to feed the work of Parliament</p> <p>1.3.3 Not existent.</p> <p>1.3.4 Not existent</p>	<p>1.3.2 Assessments completed and consulted from 2018/19</p> <p>1.3.3 MPs and MPAs acquainted with gender-lens and gender-based budgeting tools and utilising them in budget scrutiny</p> <p>1.3.4 Review and related consultations conducted</p>	<p>report and records of related consultations</p> <p>1.3.3 Programme documents and implementation records. Records of budget scrutiny work</p> <p>1.3.4 Review report and records of related consultations</p>	
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