

Multiannual Indicative Programme

2007 – 2010

Pakistan

Country/Sub-Region:	Asia
Budget Years:	2007-10
Budget Lines:	1910
Legal Base:	DCI - Development Co-operation Instrument
Cost of Order:	€200 million

1. SUMMARY OF THE MIP

The MIP for 2007-10 reflects the focus on poverty reduction in the CSP for 2007-13, while concentrating and consolidating EC support and enabling the EC to continue the drive to provide the bulk of its support, if possible, through sector approaches and budgetary support. The new MIP will build on the EC's experience and expertise in the selected focal and non-focal areas.

In line with the priorities defined in the CSP, the proposal is to concentrate assistance on two focal areas: Rural Development and Natural Resources Management in NWFP and Baluchistan plus Education and Human Resources Development. Together these focal areas will receive an estimated 87% of the available budget.

The non-focal areas – Trade Development and Economic Cooperation, Democratisation and Human Rights and Anti-money Laundering - will together receive an estimated 13% of the available resources.

2. INDICATIVE BUDGET

Planned (MIP)

The financial allocation for the 2007-2010 period is €200 million.

Focal area 1	
Rural Development and Natural Resources Management	54%*
Focal area 2	
Education and Human Resources Development	32%
	<u>Total focal:</u> 86%
Non-focal area 1:	
Trade Development and Economic Cooperation	
6.5%	
Non-focal area 2:	
Democratisation and Human Rights	6.5%
Non-focal area 3:	
Anti-money Laundering	1%
	<u>Total non-focal:</u> 14%
	<u>Grand total</u>

* indicative percentages +/- 10 %

3. PRIORITIES AND ACTIONS

3.1 Priority 1- Rural Development and Natural Resources Management in NWFP and Baluchistan

3.1.1 Strategic context and justification

NWFP and Baluchistan are the most disadvantaged provinces in Pakistan in terms of poverty and human development indicators. It is declared government policy to bring them into the development mainstream. These provinces bordering Afghanistan and Iran are also important from the angle of regional stability and conflict prevention. There are therefore strong reasons for the Government of Pakistan and the EC/EU to engage in cooperation here. EC programmes in these provinces should also be seen as complementary to EC involvement in Afghanistan.

Natural resources management has arguably been neglected in Pakistan's border areas, strained by the impact of long-standing regional conflict and the heavy influx of refugees from Afghanistan.

Pakistan's rural development strategy, as outlined in the Poverty Reduction Strategy Paper (PRSP), combines agricultural development with non-farming activities such as microfinance and public works programmes. The PRSP places particular emphasis on water management, including expansion of storage capacity and more efficient use of water.

Availability of water is an important factor. Lack of sufficient water is known to have strengthened the case for opium production in adjacent regions of Afghanistan. While the Pakistani authorities have done an effective job in controlling drug cultivation, the country's border provinces have seen a slight re-emergence of poppy-growing in recent years. High poverty levels and low border security could add to the incentive to engage in both drug trafficking and consumption.

This focus is also in line with the priorities agreed at the Johannesburg Summit on Sustainable Development. The cross-cutting nature of sustainable resources management makes it a key concern in the context of integrated rural development.

Regional development should be seen as an outcome-oriented focal area. EC operations on this priority will be closely coordinated with the efforts of the international community in supporting a comprehensive solution to the largest refugee population in the world by providing permanent livelihoods to the communities hosting the large number of Afghan refugees on Pakistan's territory. Close collaboration will be ensured with the EC operations under the CSP/MIP for Afghanistan. With humanitarian assistance, including ECHO operations, due to be phased out in 2006, it will be crucial to ensure a successful transition from relief towards an area-based development approach for the benefit of the affected border areas in Pakistan. The government of Pakistan is fully committed to and supports the "Afghanistan Comprehensive Solution" and has pledged to work towards a lasting solution, in close coordination with UNHCR and the donor community.

3.1.2 Actions

3.1.2.1 Objectives

The overall objective is poverty alleviation in the border provinces of NWFP and Baluchistan, in order to improve the prospects for sustainable development, economic prosperity, income generation and productive and decent employment opportunities, thus contributing towards enhancing Pakistan's economic and social cohesion.

The specific objectives of broad-based regional development and natural resources management include:

- improved natural resources management (integrated water resources management, conservation of rangelands, improved conservation of biodiversity, sustainable forest management);
- development and rehabilitation of rural and community physical infrastructure (flood protection, feeder roads, irrigation, drainage, and sustainable, reliable and affordable access to energy services, introduction of new technologies);
- participation of women in development activities;
- better livelihoods, employment opportunities and incomes (need-based training for rural livelihoods, non-farm activities and self-employment, link to micro-credit);
- stronger capacity for implementing development programmes at federal, provincial, district and tehsil (sub-district) level;
- Provision of alternatives to drug production and trafficking and improvement of border security.

Special attention will be paid to rehabilitation and upgrading of refugee-impacted areas and to promoting cross-border cooperation and commercial links with Afghanistan.

3.1.2.2 Expected Results

- Enhanced management capacity and improved governance at provincial and local levels to achieve poverty reduction and efficiently implement the GoP's Poverty Reduction Strategy;
- Lower levels of poverty and deprivation, improved possibilities for income generation and creation of productive and decent employment opportunities;
- A stronger leading role for local communities as the driving force behind poverty alleviation and socio-economic development;
- More sustainable use of natural resources, including water, rangelands and forests;
- Provision of alternatives to drug production and trafficking;
- Increased access to sustainable and affordable energy services.

3.1.2.3 Activities

Three types of action can be taken to achieve regional development in the border provinces of NWFP and Baluchistan:

- Support to the provincial authorities along with engaging them in a policy dialogue, with particular emphasis on making devolution work.
- A community approach based on social mobilisation and capacity-building to improve and build community infrastructure, whenever feasible using a labour-intensive approach, to secure better access to social services and micro-credit, to improve social safety nets, to develop human and natural resources and forge better links with public and private development agencies.

The challenge will be to find the right mix between these types of operations at provincial level in a complex socio-economic scenario. In doing so, it is essential to build convergence between the relevant government agencies, the private sector and civil society. Possible lines of intervention are the following and may be combined:

Development policy support and public-sector management in NWFP. This action will strengthen implementation of provincial policies, with particular reference to public-sector management of rural development, natural resources or the social sectors. Emphasis will be placed on management of public expenditure, greater accountability and ensuring that public/private partnerships function effectively to facilitate public-sector funding for private-sector delivery.

Rural development and improvement of livelihoods in NWFP. This action will involve priority districts, with special attention to refugee-impacted areas, alternative livelihoods and stability in border districts as well as support to trade and development in the Peshawar-Jalalabad corridor connecting NWFP with Afghanistan. A holistic approach will ensure involvement of local governments and communities by clearly defining criteria for available grants and by building capacity to access these grants combined with training for skills development. Supporting measures will place emphasis on governance and policy reforms.

Integrated area development in selected districts of Baluchistan. As planned for NWFP, these grants will target needy districts. However, the specific conditions in Baluchistan should be taken into account. These are marked by low population density and harsh conditions - lack of water, limited availability of fertile land and lack of infrastructure, combined with disaster-proneness (droughts, flash floods). Particular emphasis will be placed on conservation of natural resources and environmental sustainability. Technological innovation, including use of renewable energy sources, could play an important role here. Community mobilisation and capacity-building at local level are essential for the success of this programme.

Support to refugee-impacted areas. This action aims at supporting sustainable development of refugee impacted areas. This would address challenges posed by protracted displacement and the emerging shift from a refugee problem to a migration and integration issue. Options to fund such an action include a possible multi-donor trust fund or target grant schemes. Allocation of funds to refugee-impacted areas could also be used as leverage towards arriving at durable legal arrangements for Afghans who remain in Pakistan.

3.1.2.4 Implementation

Different implementation arrangements will have to be worked out for NWFP and Baluchistan to ensure alignment with the Provincial Reform Programmes and to

coordinate with the provincial authorities. The Federally Administered Tribal Areas (FATA) form a separate administrative entity within NWFP province and may be included in the programme, following a needs profile.

Improvements in governance are crucial – implementation arrangements should contribute to making devolution work through an improved public finance framework and execution of budgets. Whenever possible, projects will work through a strengthened provincial budget system. In order to achieve a better impact at policy level, close cooperation with other donors, in particular IFIs, will be envisaged.

District and sub-district level administrations bear prime responsibility for provision of services at the local level. Their role will be reinforced through a system of performance and conditional grants.

Given the persisting concerns about implementation capacity in the districts due to lack of manpower and incomplete devolution, workable arrangements would have to be made with provincial and local authorities to subcontract part of the development work to civil society organisations, in particular in relation to mobilising the communities concerned, awareness-raising and capacity support. Where appropriate, projects will link up with specialised agencies on credit provision and training.

3.1.2.5 Cross-cutting issues

These include conflict-prevention (including security, disarmament and non-proliferation issues) and poverty alleviation (overarching goals), gender (ensuring participation of women), the environment (natural resource management programmes to be screened for environmental impact) and governance (improved institutional capacity at local level and enhanced community participation). The support for rural development and natural resources management will maximise synergies and linkages with initiatives on education/human resources, human rights and support for civil society.

3.1.2.6 Risks and assumptions

To ensure coherence and sustainability, it will be essential to set up multi-donor funding mechanisms and government leadership. However, fiduciary risks need to be minimised in terms of the transparency of budget execution of government or donor funding. Field-level activities will depend strongly on the political will of the local authorities concerned to support programme activities. Weak institutional and human capacity could hamper implementation, in particular in remote areas, but special efforts will be made to address this through capacity-building. Overall the precarious political and security situation in provinces on the border with Afghanistan remains a major risk factor.

3.1.2.7 Main Indicators

Output indicators will be defined during programme identification phases. Outcome indicators will be in line with PRSP monitoring requirements and could include: average income (disaggregated by gender, geographic and ethnic origin), access to

social services, skills training, employment and entrepreneurial opportunities, better use of water and forests and reduced environmental degradation.

3.1.2.8 Estimated EC contribution

The EC contribution to the regional Rural Development and Natural Resource Management Programme and support to Afghan refugee-impacted areas is estimated at 54% of the resources available over the period 2007-10. Final amounts will depend on the needs assessed during the programme identification phase and on the absorption capacity of government systems, projects or possible multi-donor mechanisms.

3.1.2.9 Co-ordination

The different components of the programme will be identified and designed in very close collaboration with EU Member States active in the border provinces (in particular the UK, Germany and the Netherlands). Joint programmes could be envisaged in cooperation with other key bilateral or multilateral donors. The EC will interact closely with the UNHCR and other donors in discussions with the GoP to support durable solutions for Afghan refugees-impacted areas. Implementation of programmes will also be coordinated with planned ECHO operations in Pakistan under the DIPECHO facility.

3.1.2.10 Indicative timeframe

Overall assessment, discussions with the GoP and joint donor planning could start with the programme formally identified during 2006. Implementation will be phased in, beginning in 2007.

3.2 Priority 2- Education and Human Resources Development

3.2.1 Strategic context and justification

Pakistan's high growth rates in recent years have not yet been converted into significant improvements in poverty reduction, employment creation and social development. Human development indicators, including education, continue to lag far behind other countries in South Asia. Conscious of its weak performance in education and its adverse impact on sustained economic growth and poverty, the Government of Pakistan (GoP) has embarked on a reform of the education system. The reform has two elements: a fundamental overhaul of the system, based on the National Education Sector Reform (ESR) Strategy, and a comprehensive reform of public finance and governance, including devolution of power to the districts. Mainstreaming madrasa education by introducing general education subjects is one of the key elements of the ESR strategy.

The GoP's spending in relation to GDP remains the lowest in South Asia and will need to increase substantially if Pakistan is to achieve its Millennium Development Goals (MDGs) by 2015. An added challenge is the limited capacity of budgetary and public management systems to absorb and implement the budget allocations planned. There is a continuing need for donors to focus on capacity-building, governance and

public finance, particularly if a sector approach is taken. Shifting responsibility for delivery of basic social services from the provincial government to the elected local governments as part of the devolution scheme is expected to increase accountability to the beneficiaries. The scale of the problem, the ongoing reform efforts and devolution have led the EC to conclude that additional support to education is clearly warranted.

Strengthening education is a critical element for creating a stable, prosperous and democratic Pakistan. This will be important not only to curb extremism but also to promote a flexible, well trained workforce to enhance Pakistan's growth potential. The GoP has therefore embarked on a number of initiatives to facilitate Pakistan's transition to a knowledge-based economy. These include improved technical and vocational training systems and skills development for income generation, employment creation and productivity growth in rural areas.

3.2.2 Action

3.2.2.1 Objectives

The overall objective is to increase access to universal basic education and to support the improvements in the quality of education and human resources development in order better to prepare Pakistan's transition to a knowledge-based economy. This will improve total factor productivity, increase employment and economic growth. In the medium term quality education will also contribute to conflict prevention.

The specific objectives will be further defined during the identification phase. They include:

- to contribute to an enabling environment for expanded education access to education and improved service delivery through continued development of a policy framework in education, planning and governance;
- to improve the link between basic and elementary education and other forms of education (i.e. secondary and vocational), including facilitation of skills development to enter the labour market;
- to enhance access to education by girls and women;
- to build up capacity for planning, policy analysis and applied research;
- to improve collaboration between public and non-state actors in the education sector.

3.2.2.2 Expected Results

- Advanced progress by Pakistan towards achieving "Education for All" and MDG education indicators by 2015;
- Strengthened capacity of the education system to deliver quality and access to education with a focus on girls and women, in particular in the following areas: skill enhancement of teachers and institutional leaders; improved local government capacity to deliver of education services; strengthening leadership and management at federal, provincial and district level; improved planning and budgeting processes; improved financial management and procurement procedures; and strengthened role of parents, communities and non-state sector in education;

- Vocational education and training delivery improved in a market oriented framework so that young and unemployed will be better skilled to (re-) enter the labour market and find gainful, productive and decent employment.

3.2.2.3 Activities

Activities will support the GOP in attaining the Human Resources and Education objectives under the Medium-Term Development Framework (MTDF) for 2005-10 and the PRSP. These may include:

Support to education and human resources policy. The proposal is to provide where possible budget support at national level in liaison with an IFI to support the priorities in relation to education policies and improving governance in the social sectors under the Poverty Reduction Strategy Paper. This will also support consolidation of the devolution process. The federal government retains a key role in policy formulation, monitoring and evaluation of social sector programme implementation, and continues to implement federally-funded demand-side action in the field of education. The project will enable the EC to participate in a policy dialogue in an area where it has a strategic interest. This will be supplemented by TA to build capacity for planning, policy analysis and applied research at national level. A further contribution will be training of specialised education managers.

Support to provincial education programmes. Provinces like Baluchistan and NWFP have some of the worst education indicators in Pakistan. The EC will contribute to address this problem in cooperation with other donors, preferably under a sector approach. Activities will include providing of targeted infrastructure and capacity-building of public officials, promoting public-private partnerships, and building capacity among civil society organisations. The approach can encompass a broad spectrum of educational activities, including secondary and vocational education plus training in employable skills. Adult literacy and non-formal education could be further components.

Public-private partnerships for education in the Northern Areas. Based on experience with the ongoing EC Northern Areas Education Project (NPEP Phase II) the activities will focus on increasing government cooperation with civil society in providing effective education services. Forming effective public-private partnerships is part of the government strategy for reform of the education sector, not least because the private sector is currently the most dynamic segment of education and government is fully aware that the private sector is needed to transform the country's low education indicators.

Activities carried out in the field of higher education will be financed within the context of the regional programming for Asia.

3.2.2.4 Implementation

Implementation mechanisms and/or partners will be specified during the identification phase. The choices made will reflect the EC's overall policies and include the following criteria:

- Whenever possible, EC support should be part of a sector approach, using government systems and procedures within the context of an overall reform programme, and budgetary aid is the preferred form of aid delivery;

- Preferably the action should form part of a multi-donor scheme, since an individual donor approach would not be substantial enough in terms of impact; influencing spending priorities and generating continued momentum for reform;
- It is vital to link up with international financial institutions (IFIs). Experience in Pakistan has shown that education sector reforms can be made more successful if public finance management and governance, two areas in which IFIs have taken a keen interest and where donor coordination is essential, are tackled at the same time;
- Working with IFIs, the EC can have a comparative advantage as a grant donor, in providing the TA and capacity building necessary to underpin macro-level and educational reform;
- Since delivery in the education sector is first and foremost the task of provincial and local governments, the focus will be on provincial sector policy reform and support to districts, under the national policy framework. This is in line with current donor practice of acting mainly at provincial level.

3.2.2.5 Cross-cutting issues

Greater attention needs to be paid to gender issues in education, as the female-male literacy gap has widened in Pakistan over time, taking the country further away from achieving its MDGs. Due attention will be given to governance as one of the key areas for action in the education system. Mainstreaming of environmental education in particular programmes will be considered. Preventive education on HIV/AIDS will be incorporated through counselling and teacher training.

3.2.2.6 Risks & assumptions

Commitment on the part of the federal and provincial governments to achieving the MDGs on education, improved public financial management and governance in education plus higher public education budgets (and spending) will be key assumptions for the success and sustainability of EC/donor action. Risks remain with regard to the often unclear and evolving roles and responsibilities of the different layers of government under devolution.

3.2.2.7 Main Indicators

Programme-specific indicators will be defined during programme identification phases. Overall indicators for this focus area will be linked to the PRSP goals and MDGs and may “outcome indicators” for education will include: introduction and achievement of minimum service standards, gross enrolment rate, completion rate, literacy rate, average drop-out rate, teacher absenteeism, satisfaction with teacher performance (all disaggregated by gender and geographical area), employment performance by skill level, plus indicators of planning and implementation capacity within the provincial and district administrations and effective use of budgetary allocations for education. HIV/AIDS incidence may be a relevant indicator in relation to education on family health and welfare.

3.2.2.8 Estimated EC contribution

The EC contribution to the Education and Human Resources Development Programme is estimated at 33% of the total resources available for the period 2007-10. Final amounts will depend on the needs assessed during the programme identification phase, on the absorption capacity of government systems, on commitment to systematic reform and actual budgetary allocations and spending on education (donor funding should not “crowd out” public resources towards other sectors) and on the maturity of sector planning, donor harmonisation and sector programmes during the period of the MIP.

3.2.2.9 Coordination

The EC is a member of the government-led education donor group at federal level and will continue actively to promote multi-donor and sector approaches in education. Very close collaboration or possibly joint programmes will be envisaged with other EU Member States active in the education sector (the UK, Germany, and the Netherlands) and other key bilateral or multilateral donors, in particular IFIs. This will build on ongoing joint assessments and province-level co-ordination (as in Sindh and NWFP).

3.2.2.10 Indicative timeframe

Preparation for the first elements of the programme will start in 2006 and continue as an ongoing process throughout the duration of the MIP, with implementation expected to start in 2007.

3.3 Non-focal area 1: Trade Development and Economic Cooperation

3.3.1 Strategic context and justification

The CSP envisages continued support for trade-related technical assistance and enhanced business and economic cooperation between the EU and Pakistan. A number of economic and financial reforms have contributed to making Pakistan’s economy more open, liberalised and investment-friendly. Macroeconomic stability, including strong economic growth, sound monetary policy, reduction of the debt burden and rising private investment, have resulted in successful completion of the IMF’s Poverty Reduction Growth Facility at the end of 2004. Despite the positive outlook, much remains to be done to ensure that economic growth does benefit the poor.

Pakistan’s economic development needs to be maintained through enhanced trade and investment, notably by ensuring a dynamic and competitive business sector. Based on the experience from the first wave of bilateral economic cooperation programmes, coupled with regional programmes and the Trade Needs Assessment, the Commission will continue to implement programmes on trade-related assistance and business/investment cooperation. To complement this, support to initiatives targeted on export-oriented development of SMEs in Pakistan will be considered. As far as trade and investment are concerned, Pakistan’s national trade policy provides a broad

framework within which links with the private sector need to be developed. Corporate social responsibility and public-private partnerships on business and economic cooperation should also be promoted.

In addition to its bilateral programme, the EC is funding economic cooperation in Pakistan through regional programmes such as Asia-Invest (for business cooperation) and Asia-Link (for cooperation on higher education).

3.3.2 Action

3.3.2.1 *General and specific objectives*

- To foster Pakistan integration of Pakistan into the multilateral trading system, as well as trade cooperation in South Asia;
- To make trade and investment work for the creating income and better employment opportunities in Pakistan while taking into account the social dimension of globalisation;
- To promote business and investment cooperation between the EU and Pakistan;
- To contribute to developing dynamic and competitive export-oriented SMEs.

3.3.2.2 *Expected results*

- Increased regional trade between Pakistan and other South Asian countries;
- Increased trade, investment and business links between Europe and Pakistan;
- Enhanced capacity of relevant government departments and private-sector representatives on trade, investment and corporate social responsibility;
- Improved regulatory framework for trade and investment, coupled with a more competitive environment and higher employment generation;
- Higher growth and productivity in the SME sector, through increased exports, more innovation and a skilled labour force.

3.3.2.3 *Activities*

Trade and investment programme. Trade-related technical assistance activities will be based on the experience from the first major bilateral cooperation programme launched in this field in 2004 and the trade needs assessment conducted in 2005. Emphasis should be placed on support to (i) development and implementation of the GOP's medium-term trade strategy in line with the PRSP and MTDF; (ii) the Doha Development Agenda, including capacity-building, policy and sectoral dialogue on key issues such as IPRs, standards and quality, trade in agriculture and services, textiles, trade facilitation, investment and export diversification; and (iii) regional and bilateral trade cooperation. Activities to support business cooperation between the EU and Pakistan could include strengthening export-oriented SMEs, promoting women and youth entrepreneurship and corporate best practices including social responsibility and identifying new investment opportunities.

3.3.2.4 Implementation

Economic cooperation projects will be implemented in the context of the Government's MTFD and relevant sectoral policies. The possibility of initiating a bilateral programme or of working in a regional facility needs to be assessed.

3.3.2.5 Cross-cutting issues

Cross-cutting issues defined in the CSP – gender, human rights, including core labour standards, governance and the environment – will be mainstreamed in the projects.

3.3.2.6 Risks and assumptions

The Commission will have to ensure close cooperation and ownership of economic cooperation programmes on the part of the government in areas that until now have lacked clear sectoral policies and sufficient budgets at federal level. The Commission will have to work alongside other key donors to ensure maximum donor efficiency and harmonisation, and firm government commitments.

3.3.2.7 Main indicators

Programme-specific indicators will be defined during programme identification phases. Overall indicators for trade/SME-related programmes include (i) increased trade and investment between Pakistan, other South Asian countries and the EU; (ii) higher employment, notably in export industries; (iii) increased institutional and human capacity in government and private sector on trade and business/economic cooperation; and (iv) more competitive SMEs in the export sector.

3.3.2.8 Estimated EC contribution

On average the EC contribution to economic cooperation activities is estimated at 6.5% of the resources available over the reference period 2007-2010.

3.3.2.9 Coordination with Member States and other donors

Effective coordination will be ensured through existing donor coordination groups, such as on trade and poverty reduction. In addition, a new donor group on SMEs is about to be created at the initiative of the EC. Regular meetings of EU economic counsellors is another example of active coordination with Member States.

3.3.2.10 Indicative timeframe

Preparations for the first components of the programme will start in 2006 with implementation expected to start in 2007.

3.4 *Non-focal area 2: Democratisation and Human Rights*

3.4.1 Strategy context and justification

Despite some positive measures adopted by the government of Pakistan in the field of human rights and the priority placed on reforms of the judiciary, concerns remain about access to justice for vulnerable groups of society, including women, children and religious and/or ethnic/tribal minorities. Women find it difficult to assert their rights and to achieve full social and economic empowerment in a patriarchal and feudal society. Most lack the education to challenge gender-based discrimination. A social misconception about the role and rights of women has made it difficult to review gender-biased laws and practices in public office. In any case, women are not aware of the remedies at their disposal or are reluctant to seek recourse to complex and expensive judicial remedies. If this situation is to improve, women need to gain confidence in their rights and access to effective means of redress.

The Commission will address child protection issues in a broad sense, including violence, abuse, exploitation and discrimination. This should build on activities under the previous Country Strategy Paper on child labour and related fields, such as trafficking, bonded labour and juvenile justice.

Minorities in Pakistan continue to suffer from discrimination, for instance in the form of disproportionate application of certain laws, including the blasphemy and hudood laws.

The European Commission has increasingly been supporting democratisation in Pakistan from its thematic budget lines (European Initiative for Democracy and Human Rights) and by supporting the electoral process (Electoral Observation Mission in 2002 and MIP for 2006). It is important to maintain this commitment on a longer-term basis to lay a firmer foundation for democratic development at both the structural and human levels. The 2007 elections will vote in new representatives for national and provincial assemblies, who may need assistance to upgrade their technical knowledge and expertise on development, management and public affairs. At local level, the European Commission has reiterated its interest in supporting the devolution process. Empowerment of local bodies has also made a positive contribution to strengthening the democratisation process by increasing citizens' involvement in local public affairs. The reservation of seats for women in local government bodies has further strengthened democratisation by encouraging women's political empowerment and consequently promoting women's rights and role in society. Unfortunately, the elected councillors often lack the skills and knowledge required by their functions, resulting in waste of development funds allocated to the districts, missed opportunities for development, siding of illiterate councillors and failure to set up adequate forums for interaction with citizens. Training is required to build up the capacity of the councillors so that they can perform efficiently.

On the theme of Democratisation and Human Rights the main areas of activity will therefore include a) access to justice for vulnerable groups and b) strengthening the devolution process by building up the capacity of elected representatives.

3.4.2 Action:

3.4.2.1 Objectives

Access to justice for vulnerable groups

The overall objective of this action is to increase access to justice for vulnerable groups of society, with special emphasis on women, children and religious and/or ethnic/tribal minorities. Specific objectives will be determined during the identification phase and may include:

- to create a sound and positive environment for vulnerable groups to assert their rights;
- to bring about revision of the national legislation and support formulation of a national strategy to mainstream women's rights in all policies; and
- to support mechanisms providing easier access to justice for vulnerable groups.

Building up the capacity of elected representatives

The general objective is to foster democratisation.

Specific objectives will be determined during identification phase and may include:

- to improve the quality of work performed by elected representatives;
- to improve the quality of the projects and services designed and/or adopted by elected representatives;
- to strengthen women's political empowerment;
- to increase protection and promotion of human rights;
- to improve the interaction between the private and public sectors.

3.4.2.2 Expected results

i) Access to justice for vulnerable groups

- Increased awareness about women's rights;
- Revision of controversial laws;
- Maintaining the rights of vulnerable groups as a high priority on the government's agenda;
- Looking into options for alternative ways of resolving disputes;
- More confident use by vulnerable groups of the mechanisms available to assert their rights;
- Reduction in the number of family law cases pending before the courts.

ii) Building elected representatives' capacities

- Improved technical and managerial capacities of the elected representatives;
- Increased involvement of women in local affairs;
- Appropriate use of public funds and more development and human rights projects;
- Establishment of an effective and sustainable forum and/or mechanism for interaction between elected representatives and civil society;

3.4.2.3 Activities

i) Access to justice for vulnerable groups

- To launch a mass awareness campaign on the rights of vulnerable groups;
- To support national institutions to promote the rights of vulnerable groups and their access to justice;
- To support the establishment of alternative mechanisms for resolving disputes.

ii) Building up the capacities of elected representatives

- Training for elected representatives on general management, public finances, development projects and any other areas deemed necessary;
- Literacy courses for councillors;
- Raising awareness of elected representatives on democratic and human rights issues;
- Providing elected representatives with material to help them perform their duties;
- Establishment of platforms or mechanisms for interaction with civil society.

3.4.2.4 Implementation

Detailed implementing arrangements and partnerships will be finalised during the identification phase of the programme in 2006-2007. Key players in the programme on access to justice for vulnerable groups will be the Ministry of Law and Justice, the Ministry of Women's Development, the National Reconstruction Bureau and civil society. For the activities on accountability the key players will be the National Reconstruction Bureau and the Ministry of Women's Development. The EC will seek partnerships with other donors active in the field of access to justice and democratisation (i.e. ADB, UNDP, UK, NL and USAID). Particular attention will be paid to the DFID's Civil Society Empowerment Initiative which shares some of the objectives of this MIP.

3.4.2.5 Cross-cutting issues

Good governance and gender will be cross-cutting issues with a view to ensuring responsible, effective and transparent management of public affairs for all action proposed in these programmes. Providing the poor with easier access to justice and to their elected representatives to convey their needs, will put them in a better position to assert their rights and obtain assistance. Political empowerment of women will help to put women's needs and rights on the local political agenda or to raise their profile. From the angle of conflict prevention, fair and transparent electoral and justice systems would contribute to increasing the political stability of the country in the long run and thus decrease the danger of socio-political conflicts and crises.

3.4.2.6 Risks and assumptions

One underlying assumption and precondition is the government's commitment to address sensitive aspects of the rights of vulnerable groups and to strengthen the democratic process and institutions in the country. The risks in this activity are linked to the reaction from the elected representatives to this foreign assistance and the cultural resistance to change allowing greater participation of women. In the case of

the assistance to councillors, the provinces will also have to be kept informed and somehow involved in view of the resistance to the devolution process on behalf of the provincial governments.

3.4.2.7 Main indicators

Programme-specific output indicators will be defined during programme identification phases. Overall, outcome indicators on access to justice for vulnerable groups may include:

- Decrease in the number of reported violations of rights of vulnerable groups;
- Reform of gender-biased legislation;
- Lower numbers of pre-trial detentions;
- Establishment of and reports on mechanisms put in place to provide access to justice.

Indicators for building up the capacity of elected representatives may include:

- Decisions and resolutions adopted and expenditures and projects undertaken by the assemblies and councils;
- The inclusion of women's rights and needs on the agenda of assemblies and councillors;
- The level of participation by women as candidates, particularly those elected, in the next elections;
- The level of cooperation between elected representatives and civil society.

3.4.2.8 Estimated EU contribution

It is estimated that 6.5% of the total resources available under the MIP will be allocated to this non-focal area.

3.4.2.9 Coordination

The European Commission will work closely with relevant authorities, including the Ministry of Women's Development, the National Commission on the Status of Women, the Ministry of Law and Justice, the Ministry of the Interior and the National Reconstruction Bureau.

Cooperation will be sought with other donors and multilateral agencies engaged in programmes on access to justice and democratisation. The Commission will maintain contacts with all donors concerned through regular coordination meetings organised locally.

The European Commission will ensure full consistency between the proposed programme and the European Initiative for Democracy and Human Rights. Particular efforts will also be made to coordinate the EC-funded activities with the local EU policy on human rights.

3.4.2.10 *Indicative timeframe*

The first phase of this programme will correspond to the first MIP to strengthen the mediation system and ensure the continuous efforts required to change attitudes within society.

3.5 Non-focal area 3: Anti-money laundering

3.5.1 Strategy context and justification

UNSCR 1373, adopted after the terrorist attacks of 11 September 2001 in the USA, imposes wide-ranging obligations on all States to prevent and suppress the financing of terrorism, to establish adequate penalties for terrorist offences, to deny safe haven to terrorists and to co-operate with other States in criminal proceedings or investigations relating to terrorist acts. The Resolution also established the Counter-Terrorism Committee (CTC) of the UNSC which monitors the implementation of counter-terrorism activities.

In its conclusions of 22 July 2002, the General Affairs Council put a strong emphasis on the need for the EU to assist third countries in implementing their obligations under UNSCR 1373. An initial assessment missions to Pakistan with participation of experts from Member States was deployed in January 2003 and resulted in the selection of possible activities for Commission support, in particular in the field of anti-money laundering.

In this area the Government of Pakistan is looking for assistance in the drafting and implementation of the appropriate legislation related to the establishment of a Financial Intelligence Unit. The GoP's strategy in this field is aiming to strengthen the legal and institutional system, involving financial regulatory bodies, law enforcement agencies and the judicial sector. The State Bank of Pakistan, the Ministries of Interior and Finance, the Securities and Exchange Commission and National Accountability Bureau all play a role in this field. A Working Group to curb money laundering, comprising representatives from various institutions has been established to create an effective legal framework on money laundering. A draft law on money laundering has been prepared.

3.5.2 Objective

To contribute to the efforts of the Pakistani authorities to implement UNSCR 1373.

3.5.3 Expected results

- i) The institutional capacity within the Pakistani authorities will be strengthened and better links and information exchange will be developed with relevant European bodies in the fight against financing of terrorism, as well as related and unrelated criminal activities (drugs, arms trade, human trafficking).
- ii) The overall integrity and reputation of the Pakistani financial sector will be enhanced.

3.5.4 Activities

- i) Support the establishment of a Financial Intelligence Unit.
- ii) Examine policies in the field of the financing of terrorism and support the consolidation of the legal framework in line with the aims of international

recommendations. Strengthen the institutional and regulatory capacity to implement the international “acquis”.

iii) Support the institutional development of relevant institutions, including the Securities and Exchange Commission (SEC) and the State Bank of Pakistan (SBP), taking into account available equipment and level of staff expertise.

iv) Identification of key officials for training either on site or in Europe. This will include discussion and preparation of a curriculum with selected experts/institutions for such officials.

3.5.5 Implementation arrangements

Coordination of operational activities will be conducted by Economic Affairs Division, Ministry of Finance and Ministry of Foreign Affairs in order to ensure consistency with overall national and UN security requirements. It is essential to keep contact with other donors in Pakistan, notably Member States, US, Australia, WB, and the ADB.

3.5.6 Risks and assumptions

Sustained government commitment to fight the financing of terrorism and money-laundering is a key requirement for this activity. This concerns in particular the drafting and implementation of related legislation but also full cooperation of related government bodies represented on the National Committee.

Effective co-ordination of and between donors, including consensus on objectives, ways and means.

Consistency of approach with input from relevant regional bodies.

Passage of law enabling National Committee and FIU to be established.

3.5.7 Main indicators

Project-related indicators include a consolidated financial intelligence strategy and the related legal framework, number of persons trained, and better capacity to deal with investigations of suspicious transaction reports.

3.5.8 Estimated EU contribution

It is estimated that approximately 1% of total resources available under the MIP will be allocated to this non-focal area.

Indicative Timetable

3 years

4. ALIGNMENT, HARMONISATION AND CONSULTATION

4.1 *The dialogue with the government / alignment with national policies*

The majority of donors in Pakistan, including the EC, align their co-operation strategies with the Poverty Reduction Strategy Paper (PRSP). The PRSP is built around four pillars: (i) achieving broad-based economic growth focusing on the rural economy, (ii) improving governance and consolidating devolution, (iii) investing in human capital and delivery of basic social services and (iv) targeting the poor and vulnerable. The CSP and MIP are fully compatible with the strategy and respond to all these objectives, with the EC focusing on the rural economy in border provinces and human capital.

The immediate challenges pertain to rolling out the PRSP to the provinces to ensure that it becomes the key reference document for decision-making at central government, provincial government and district levels. The EC emphasises that the PRSP and the Government's five-year Medium-Term Development Framework (MTDF) should be aligned and monitored more consistently. The MTDF for 2005-10 focuses on economic growth supported, in particular, by development of infrastructure, human resources and technology. Within this framework, the EC has – as a grant donor - a comparative advantage in focusing on human resources.

The proposed MIP corresponds to the country's needs indicated by the government in ongoing formal and informal discussions and responses to requests made at the Pakistan Development Forum 2005. The future direction of the EC programme have also been brought up in discussions with the Economic Affairs Division of the Ministry of Finance in Islamabad since January 2005. An outline MIP was first discussed in June and July 2005.

4.2 *Consultations with civil society*

The EC recognises the particular contribution made by NGOs/Non-State Actors, including social partners, to overall socio-economic development. Engaging civil society is therefore an increasingly important area in EC-Pakistan cooperation. Continuous consultations are being held with a variety of leading players in civil society, such as development and humanitarian NGOs, human rights groups, private businesses and employers, the media and academics.

A consultative convention of NGOs and non-state actors attended by more than 300 organisations from across the country considered and discussed a number of issues related to the sustainability of EC-funded social sector interventions. Simultaneously, consultations were held on the priorities of the development agenda of civil society in Pakistan and potential future EC assistance programmes. These consultations included leading Pakistani NGOs like Shirkat Gah (a women's rights organisation), Strengthening Participatory Organisations (a leading civil society development organisation), the Aga Khan Foundation, the NGO Resource Centre, South Asia Partnership – Pakistan, EIDHR partner organisations, European NGOs and other partner organisations, intelligentsia and religious scholars.

4.3 Harmonisation and coordination with Member States and other donors

Together with the efforts to increase aid effectiveness, the Commission is committed to the Paris Declaration on alignment and coordination of policies and harmonisation of procedures. The Council conclusions of November 2003 called for the development of EU roadmaps on harmonisation in all countries. In close cooperation, the EU Presidency and the Commission are currently pro-actively taking steps towards developing a harmonisation roadmap (see Annex 5.2).

Continuous co-ordination between donors is a precondition for improving aid-effectiveness. More than ten formal and informal thematic donor coordination groups have been established. The European Commission Delegation actively participates in these, which include sectoral donor groups on education, environment and forestry, the Interagency Gender and Development Group (INGAD), and groups on human rights, trade, micro-finance and financial services, and governance.

The establishment of a high-level government-led donor coordination mechanism to monitor implementation of the PRSP is an encouraging development. This is coupled with greater informal and formal donor coordination that has already improved coherence in the policy dialogue with the government.

EU Member States hold regular coordination meetings at country level. However, out of the 16 Member States currently represented in Pakistan, only a few provide substantial development aid, in particular the United Kingdom, Germany and the Netherlands. Others contribute through more limited action and micro-projects. In close cooperation with the EU Presidency, the EC is currently preparing a roadmap to closer harmonisation.

4.4 Consultations with other stakeholders

The MIP was developed in close and ongoing interaction with other donor agencies active in Pakistan, including other “like-minded” bilateral donors, UN agencies, the World Bank and the Asian Development Bank. International NGOs also provided very valuable input and experience for preparing the EC strategy for the year ahead.

5. INFORMATION ON CURRENT PROJECTS

S.No.	Project No.	Title	Start Date	End Date	Commitment (€)
1	ASIE/2002/002-468	The Northern Pakistan Education Programme	08.05.03	08.05.08	20,000,000
2	ASIE/2002/002-470	REACH OUT II "a nationwide integrated health and drug services program for street drug users in Pakistan	01.04.03	01.04.07	993,360
3	ASIE/2000/002-582	Institute for Educational Development	31.05.01	31.05.07	10,000,000
4	ASIE/2002/002-640	Financial Services Sector Reform Programme	22.05.02	21.06.07	50,000,000
5	DDH/2002/002-697	Human rights and democracy microprojects 2002 Pakistan	01.04.05	01.04.06	500,000
6	DDH/2001/002-887	Micro-projects, Delegation Pakistan	01.07.04	30.06.05	500,000
7	ASIE/2001/002-966	Strengthening of Livestock Services	01.10.03	31.12.09	22,900,000
8	ASIE/2003/005-718	Trade Related Technical Assistance	09.06.04	31.12.06	5,000,000
9	DDH/2003/005-957	B7-701 EIDHR microprojects 2003, Pakistan	--	--	500,000
10	ASIE/2004/006-071	EU-Pakistan Small Projects Facility	01.06.05	31.12.06	970,000
11	DDH/2004/016-752	19 04 03 EIDHR microprojects 2004, Pakistan	--	--	435,000
12	DDH/2005/017-239	Microprojects 2005 - Pakistan Campaigns 2 and 4	--	--	745,000
13	ASIE/2004/090-425	LEGOV; Strengthening Legislation to Facilitate E-Governance in Punjab Government, Pakistan	01.12.04	01.12.05	200,000
14	ASIE/2004/090-991	Improvement of Quality of Life of Inhabitants and Scavengers through Sustainable Waste Management	01.01.05	01.01.07	633,330
15	ASIE/2005/100-938	Human Resource Development for the Graphic Media Industry of Pakistan	01.05.05	07.05.06	135,809
16	FOOD/2000/047-252	Emergency prevention control of trans-boundary animal diseases	23.07.01	22.06.05	1,800,000
17	ONG-PVD/2000/011-397	North West Frontier Province/Federally Administered Tribal Areas- Comprehensive eye care programme, Pakistan	01.07.99	01.01.05	500,000
18	ONG-PVD/2000/011-415	Latrines and Sanitation Project, Punjab, Pakistan			219,161
19	ONG-PVD/2000/011-641	Child labour rehabilitation centres - reinsertion of working children through skills training in Pakistan	01.01.01	01.07.05	140,425
20	ONG-PVD/2001/011-764	Kashmir Community Watsan Programme -Pakistan	12.01.02	11.01.06	662,416
21	ONG-PVD/2001/011-822	Empowering vulnerable workers in Pakistan	01.04.01	31.03.06	1,366,580
22	ONG-PVD/2003/019-881	Improving the reproductive health & rights of people in extreme needs: Kohat, Pakistan	01.05.03	30.04.07	737,153
23	ONG-PVD/2003/020-028	Tackling poverty in Pakistan coastal communities	01.03.03	01.03.07	731,250
24	ONG-PVD/2004/064-439	Building and Construction Improvement Programme (BACIP) - Entrepreneur Training & Employment Generation, Pakistan	02.09.04	31.03.08	211,527
25	ONG-PVD/2004/066-459	Increased accessibility to, and utilization of, affordable, high quality sexual and reproductive health (SRH) services and information among underserved and marginalised women, men and young people of Swat and Quetta districts, Pakistan	11.12.04	10.12.08	690,140
26	SANTE/2003/048-644	Building up Rights-based Approaches to HIV/AIDS in Pakistan A National Civil Society Capacity Building Project	01.01.04	31.12.06	3,302,262
27	SANTE/2004/080-494	Women's Reproductive Health Care Project - Khanpur	01.04.05	31.03.08	1,433,724
28	SANTE/2005/101-571	Increasing TB case detection and treatment in Balochistan	01.06.05	31.05.08	2,562,973
29	SANTE/B7-6312/2001/0466	Safe Motherhood Applied Research and Training Project	01.11.02	30.10.05	1,492,037
30	B7-701/2003/092	Strengthening Civil Society participation to promote and defend workers rights	02.03.04	02.03.07	793,010
31	B7-701/2003/015	Ending Discrimination and Violence Against Women in Pakistan	22.05.04	22.05.07	763,134
32	B7-701/2003/171	NGO Net for women and children rights	09.03.04	09.03.06	748,080
33	B7-703/2001/0386	Creation of a Protection Unit in Afghanistan and Pakistan	15.03.02	14.06.05	368,425
TOTAL					132,034,796

5.1 List of geographic, thematic and horizontal Programmes and Projects for the 2000-2006

5.2 Harmonisation Roadmap

In response to the November 2004 decision by the General Affairs and External Relations Council, the Commission is pro-actively encouraging the development of an EU roadmap for donor harmonisation in Pakistan, in close cooperation with the UK, the Netherlands and Germany, all active members of the newly established sub-group on donor harmonisation, under the Donor Poverty Reduction Working Group. Both groups are currently co-chaired by the Commission, which is a sign of its commitment

to play a leading role in donor alignment and harmonisation. The plan is to develop, jointly with the Economic Affairs Division of Pakistan's Ministry of Finance, a roadmap setting out shared principles and practical steps. The German government is supporting the process with a planned project to support the donor coordination capacity of the government of Pakistan.

5.3 Meetings with EU Member States for preparation of the MIP

- Presentation of outline CSP/MIP to EU Development Counsellors in Islamabad on 5 July 2005 – Minutes by UK Presidency available.
- Presentation of outline CSP/MIP to Deputy Heads of Mission followed by discussion, in Islamabad, on 12 July 2005 – Minutes by Delegation available.
- Discussion during meeting of EU Development Counsellors on 8 September 2005 – Minutes by Presidency available.