



This action is funded by the European Union

ANNEX 4

of the Commission Implementing Decision on the Annual Action Programme 2015 Part III and 2016 Part II in favour of the Asia region to be financed from the general budget of the European Union

Action Document for International Labour and Environmental Standards Application in Pakistan's SMEs

1. Title/basic act/ CRIS number	International Labour and Environmental Standards Application in Pakistan's SMEs (ILES), Pakistan (CRIS N°. DCI/ASIE/2015/037-890)			
2. Zone benefiting from the action	Pakistan The action shall be carried out countrywide for Specific Objective I, and for Specific Objective II, in 4 major cities: i.e. Faisalabad, Sialkot, Lahore (Punjab province) and Karachi (Sindh province).			
3. Programming document	Multiannual Regional Indicative Programme for Asia for the period 2014-2020			
4. Sector of concentration	Regional Integration - Trade Related Assistance (Non-ASEAN Countries)			
5. Amounts concerned	Total estimated cost: EUR 12.600.000 Total amount of EU budget contribution EUR 12.000.000 This action is co-financed by ILO for an amount of EUR 600.000			
6. Aid modalities and implementation modalities	Project Modality Indirect management with ILO			
7. DAC codes	33110 – Trade policy and administrative management			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development /good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	NT	Sign. obj.	Main objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

9. Global Public Goods and Challenges (GPGC) thematic flagships	SWITCH TO GREEN – Supporting private sector-led inclusive green growth, Trade integration for green and inclusive growth, Rights-based development for the working poor, Supporting low carbon development.
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Summary

Pakistan has ratified a number of international UN and other conventions. Effective implementation and consistent reporting on these Conventions creates opportunities for the country in terms of its suitability to attract foreign direct investment (FDI) and trade. However, the performance and global image of Pakistan's compliance with international labour and environmental standards (ILES) are far from optimal. In order to address this, Pakistan needs to:

- a) strengthen its ILES enforcement;
- b) enhance implementation and monitoring capacity;
- c) improve ILES compliance by private sector Small and Medium Enterprises (SMEs);
- d) strengthen reporting mechanisms.

The country still lacks sufficient legal and institutional frameworks and capacities for implementing and enforcing compliance with ILES. Stakeholders such as civil servants, employers, workers, producers, buyers and consumers lack knowledge, information and awareness on ILES and their impact on sustained economic growth.

Pakistani manufactures in textile and leather are important economic development drivers. However, their contribution to the broader country development as well as future competitiveness will be defined by the capacity of the public and private sectors to appropriately implement ILES. The proposed programme will address these issues over a period of 6 years.

The programme aims at promoting compliance with ILES through a systemic approach that will intervene at the:

- **Macro** (labour and environmental policy, law and regulatory framework development and/or reform and implementation),
- **Meso** (institutional capacity building of tripartite intermediary institutions, e.g. government bodies, private sector associations and workers and employment organizations),
- **Meta** (changing attitudes and perceptions among stakeholders on ILES compliance), and
- **Micro** level (direct interaction with industrial actors including SMEs in textile & leather sectors, associations, workers and employers organizations).

The programme's **Overall Objective** is to promote sustainable and inclusive growth in Pakistan by supporting the economic integration of Pakistan into the global and regional economy by improving compliance with labour and environmental standards and increased competitiveness.

This will be achieved through two Specific Objectives focusing on the (i) public-sector and (ii) private sector.

The programme's overall **Specific Objective** is to promote the enforcement, implementation and compliance with the ILES by public and private sector institutions and organizations in Pakistan.

Specific Objective 1 - To assist public sector institutions (Federal and in the four provinces of Punjab, Sindh, KPK and Baluchistan) to improve the enforcement of existing legislation and compliance with ILES in Pakistan as well as define new laws where necessary.

Specific Objective 2 - To assist the textile and leather sectors' SMEs to institutionalise the implementation of, and compliance with, ILES legislation through their active engagement.

1 CONTEXT

1.1 Country Context/ Sector/ Thematic area

Pakistan is facing varying economic, political and social challenges with overall GDP growth rate reduced to around 2% in 2007-08 and only increased up to 4.14% in 2014-15. The slow economic growth remains significantly hampered by the energy crisis and the fragile law and order situation, contributing to a barely conducive business environment¹.

Population growth coupled with unbalanced industrial expansion has placed enormous pressure on the country's resource base, results in unabated pollution (air, water, land, noise), and has significantly limited decent work opportunities. Insecure and low-paid jobs with lack of access to social security are increasing unchecked; hence, attention to promote awareness on decent jobs is urgently needed. For sustainable development, adequate measures for effective social, economic, and environmental improvements are a pre-requisite. Pakistan, thus far, has a mixed record in achieving such improvements².

Over the last decade, Pakistan has experienced significant political changes with the first transfer of power between elected governments during 2013. Devolution in 2010, following the 18th constitutional amendment has substantially altered the roles and responsibilities of federal and provincial authorities, with several functions including education, health, social welfare, agriculture, labour and environment related administration. These increased provincial responsibilities have been matched by transfer of greater financial resources from federal to provincial levels, through the 7th National Finance Commission (NFC) Award in 2009.

The Government's long term development plan articulated under Vision 2025³ highlights the imbalances between economic development and social development. The plan recommends improvement through relevant policies to position Pakistan among the top 25 economies of the world by 2025. The key challenges identified include human resource development, inclusive growth, infrastructure deficit and leveraging world trade & markets, governance as well as issues related to climate and environment, water, energy and food security.

Pakistan has the 9th largest labour force in the world with 59.6 million workers. Despite strong economic growth during the first years of the century, employment growth and labour productivity increases lagged behind. Furthermore, there were no signs of structural change in employment and economy with the bulk of labour force (43.7 %) still working in the agriculture sector, slow growth in the manufacturing sector which employs less than 15% of the labour force, and most of the population still deprived of productive work with fair income, safe and decent working conditions, social protection, and the freedom to organise and participate in the collective bargaining. Labour force participation rates are lower than the average for the region and of the employed; the majority works in the informal sector (73.6%) and in vulnerable forms of employment (more than 50%). While the unemployment levels are low compared with the global average (around 6%) this hides significant structural underemployment, low human resource development, prevalent poverty and a high dependency ratio.

¹ Pakistan is ranked 110th out of 170 countries in terms of ease of doing business. Pakistan compares poorly on the World Economic Forum's Global Competitiveness Index (GCI), ranking at 133 out of 148 countries in competitiveness. UNDP Human Development Report 2013 ranked Pakistan at 146th out of 187 countries on the HDI ranking that measures health, education and standard of living.

² On MDGs, Pakistan has adopted 16 targets and 41 indicators against which progress towards achieving the Eight Goals is measured. Time series data available for 33 of these indicators reveal that Pakistan is on track to achieve the targets on 9 indicators, whereas its progress on 24 indicators is off track. (source:

<http://www.pk.undp.org/content/pakistan/en/home/mdgoverview.html>)

³ Pakistan 2025, Planning Commission, Ministry of Planning, Development & Reform, Government of Pakistan,

Despite these challenges, labour issues have received low priority. As a result, the labour management system has severely deteriorated during past decades and capacities of labour administration have been further weakened due to the devolution process. No major reform initiative has been taken for the improvement of labour administration in spite of growth of population and of industrial and service-related workplaces. Labour inspection is the major function of the labour administration, but poorly performed. Workers and employers have failed to follow the principles of tripartite consultation, workplace cooperation and personal safety issues. No systematic data-collection mechanism exists to gauge the exact situation and performance of different dimensions of labour management in the country.

Pakistan is a water stressed country⁴ with average per capita water availability at 964 m³ per annum⁵. Unsustainable water use, poor water management and governance practices are deteriorating water quantity & quality, thus creating serious social and economic repercussions. Rapid industrialization and urbanization (37% of population living in cities) add to air, water and land pollution, compounded by inadequate or improper waste management. These issues, coupled with the high incidence of poverty, are serious threats to sustainable development.

The proposed action, not only furthers the existing efforts, but is also very relevant to the fact that Pakistan has been granted the GSP+ status for facilitating textile export to Europe. The textile and leather sectors are a crucial target area for this initiative as they are two of the most labour, water and energy intensive, polluting, and energy consuming sectors in Pakistan. Owing to their resource intensiveness and significant contribution towards trade & GDP of the country, support is urgently needed to strengthen the labour and environmental standards compliance in these sectors, to improve Pakistan's global image in the multilateral trade system, and to contribute to the GSP+ related obligations and its upcoming review for Pakistan.

In addition, better ILES compliance simultaneously addresses various interrelated labour and environment issues, e.g. efficiently running machines leads to improved energy efficiency, limited chemicals consumption, limited emissions, etc. and in turn decreases the chance of industrial accidents & improves working conditions and occupational health safety.

1.1.1 Public Policy Assessment and EU Policy Framework

Pakistan's recent national strategy, *Vision 2025*, recognises that water, energy, human resources development, competitive value-added private sector and entrepreneur led growth is indispensable for long term development. However, sector specific policies including labour, industrial production and water are not properly aligned with international standards, and remain mostly unimplemented due to lack of capacity of federal and provincial authorities. This indicates the crucial need for mainstreaming international labour laws and Multilateral Environmental Agreements within national standards and for building government capacity to implement these international protocols. The necessary financial resources are also not readily available to back the implementation of these policies. The new National Textile Policy (2014-19) and upcoming Strategic Trade Policy also have clear commitments for enhanced compliance with labour and environmental standards and would require support for implementation during the course of ILES Programme implementation. In addition to economic, trade and investment related policies, Pakistan has also recently taken steps to address the more fundamental human and labour rights issues in its national policies. With the adoption of the National Policies and Plans of Action to Eliminate Child Labour and Abolish Bonded Labour and the Decent Work Country Programme 2010-15, the government has set priorities in the areas of labour law reform; employment generation & skills; social protection and tripartism & social dialogue.

⁴ The threshold of water scarcity <1000 m³/capita (Ref: International decade for Action 2005-2015. www.un.org/waterforlifedecade)

⁵ Economic Survey of Pakistan, 2013-14

The ILES project will contribute towards an umbrella programme developed by the Government of Pakistan, Ministry of Overseas Pakistanis & Human Resource Development (OP&HRD) for ‘strengthening national capacities for ILS Compliance in Pakistan’. The Ministry requested major donors for support on different components of the umbrella programme.

Under the Multi-annual Regional Indicative Programme for Asia (2014-20), as part of the EU’s Aid for Trade activities, trade-related assistance – including strengthening of regulatory systems – is made available for non-ASEAN members. The main objective of this support is to ensure that countries can benefit from regional and multilateral trade liberalisation, opening markets and tackling their competitiveness gaps. In this context harmonisation and mutual recognition of environmental, social and ethical standards remain crucial for sustained development. This is also linked with the Multi-annual Indicative Programme (MIP) 2014-2020, and is complementary with the focal areas identified in the MIP. The leather and textile sectors being crucial export sectors, involving 45% of Pakistan’s industrial labour force are, now, even more in the need of being supported for ILES compliance as well as contributing to GSP+ related obligations of Pakistan.

1.1.2 Stakeholder Analysis

Stakeholders involved during the formulation stage included: UN agencies and international organisations such as ILO, UNIDO, GIZ and World Wide Fund for Nature (WWF); National Government Ministries including the Ministry of Overseas Pakistanis and Human Resource Development (MoOP-HRD), Climate Change Division (CCD), Ministry of Textiles, Ministry of Commerce; Provincial Government Departments (such as Environment Protection Department (EPD) of Punjab and Sindh, Punjab Small Industries Corporation (PSIC)); and representatives of private sector textile and leather SMEs and industrial associations (e.g. All Pakistan Textile Processing Mills Association (APTPMA) and Pakistan Tanneries Association (PTA)). Two multi-stakeholder consultative sessions were held, with participants from the private sector (e.g. representatives from industrial associations and chambers of commerce) and public sector respectively, to seek and incorporate their feedback on the project design and approach.

Target Groups

- **Ultimate beneficiaries:** Pakistani workers in selected textile and leather industries, and Government institutions at federal, provincial and local levels including Ministry of OP-HRD, Climate Change Division and Provincial Departments of Labour and Environment Protection.
- **Direct Beneficiaries:** Textile sector SMEs⁶ (including, spinning, weaving, processing and ready-made garments), Leather sector SMEs⁷ (including tanneries, finishing, and finished goods), Sector Associations (e.g. APTMA and PTA), Workers’ and Employers’ Organizations.
- **Intermediate Beneficiaries:** Trade associations, Buyers/Consumers (general public), Chambers of Commerce, academic and research institutions
- **Public Sector:** Federal and provincial ministries and line departments and related ministries.
- **Private Sector and Social Partners:** The targeted beneficiaries include SMEs and business associations.
- **Social partner** organizations includes all Government, Workers’ and Employers’ Federations.

⁶ Textile sector SMEs include 1545 registered textile processing mills, 1000 spinners in Pakistan, 841 woven and 704 Knitwear units. (Source: APTPMA, Pakistan EPA 2009, “Draft Textile Sector Report”, CPI and NEC). The selection of SME’s for the project will be guided by a set of criteria to be agreed by the stakeholders including the EU which will guarantee demonstrated results for the business case on LES and upscale/replication.

⁷ Leather sector SMEs include 850 registered tanneries, 461 leather garments manufacturing units, 524 footwear manufacturing units, 142 leather goods manufacturing units (Source: Pakistan Tanners Association, Cleaner Production institute, NEC).

1.1.3 Priority Areas for Support / Problem Analysis

A) Component 1 - Compliance with Labour Standards

While progress is being made, there remain considerable gaps in labour standards legislation and enforcement by the public sector and in implementation & compliance by private sector enterprises.

Problem Analysis - Key Issues: Pakistan has inherited most of its labour laws from British India, and mostly are obsolete in terms of coverage and prevention. No major reform initiative has been taken for the improvement of labour administration in spite of growth of population and of industrial and service-related workplaces. Labour inspection is in a poorly state, Workers and employers failure to follow the principles of tripartite consultation, no personal safety issues, non-availability of systematic data-collection mechanism. In post devolution scenario (18th constitutional amendment), responsibility for labour legislation devolved to the provinces indicates that Provincial Governments did not receive any additional technical resources for their expanded responsibilities. This shift has exacerbated the weaknesses in labour legislation, with delays in drafting and adopting legislation at the provincial level. The complicated labour judiciary system further weakens the outreach of labour administration to undertake effective management and successful adjudication. Capacity gaps still exist as human resources are limited, weak technical expertise coupled with other bottlenecks such as hardware and infrastructural deficits, impeding effective reporting and limited consultation process and no involvement of social partners in the development of legislation at the provincial level. The Employers' (EFP) and Workers' (PWF) organizations have limited capacity to respond to diversified needs in the provinces and also lack capacity to undertake independent analytical studies, systematically collect data and carry out evidence-based advocacy for the welfare of workers. The Occupational Safety and Health (OSH) institutions have eroded due to lack of resource-allocation and the OSH system does not meet the requirements of ILO standard (Convention 155)⁸. After the factory-fire in Baldia Town Karachi, a 'Joint Action Plan on OSH in Sindh' was developed; however, there has been very slow progress on its implementation.

Overall, compliance with the labour standards in the industrial sector of Pakistan is low, leading to overspread inobservance of labour rights, poor employment conditions, increases in industrial accidents and occupational diseases⁹, which ultimately result in low productivity¹⁰ and competitiveness¹¹.

The sectors specifically targeted by the project, provides employment to about 40% of industrial labour force. Employment in the sectors has increased by 8% in the period 2004-08. However employment challenges are overspread in the sectors. Minimum monthly wages in the clothing industry in Pakistan is amongst the lowest in the region, concerns in occupational health and safety are widespread as shown after recent incidents in Karachi and Lahore, low levels of labour productivity, excessive working hours and the occurrence of incidents of child labour or forced labour, along with important concerns regarding the effectiveness of freedom of association and

⁸ ILO Convention 155 on Occupational Safety & Health Management System has not been ratified by Pakistan consequently, there is no credible OSH-Management System in the country – which results in frequent workplace accidents. After Baldia Town Garment Factory Fire in 2012 in Karachi (which was exporting readymade garments to KiK in Germany), the Provincial Government of Sindh along with Workers and Employers signed a Joint Action Plan for 'Promoting Workplace Safety & Health in Sindh'.

⁹ As per 'Decent Work Country Profile' of Pakistan 2014, frequency of industrial accidents increased from 2.1% (2002-03) to 4.1% (2012-13).

¹⁰ Pakistan ranked 23 out of 24 Asian economies as per Creative Productivity Index of ADB in 2014. (source: http://www.adb.org/sites/default/files/publication/59586/creative-productivity-index_0.pdf)

¹¹ Pakistan ranked 25 out of 27 Asian economies as per 'Economic Growth Competitiveness Indicator' of World Economic Forum (source: <http://www.globalpropertyguide.com/Asia/competitiveness>)

collective bargaining. This makes these sectors deserving specific attention. In addition, workers in this sector, particularly those at the tail end of the value chain, are largely informal, with persistent decent work deficits¹² (i.e. in which the absence of contracts, non-adherence to minimum wages, undefined working hours, absence of voice and representation, and gender disparities as well as presence of child and bonded labour)¹³. Outsourcing also prevails and the work carried out at household level giving way to the phenomenon of Home Based Workers (HBW's) where incidences of child labour are also known to occur. Finally, gender considerations also need to be taken into account to increase the participation and working conditions of women, with a limited presence in the labour force in these sectors (average of 20%).

Due to their large number, labour inspectors hardly reach such workplaces due to very few numbers of inspectors in addition to the issues of deficient institutional arrangements and lack of capacities of inspectors. Effective monitoring can be enhanced with the involvement of 'Industrial Associations' who have precise information on the profile, location and business details of enterprises under their purview. These Associations can also be instrumental in stimulating bi-partite dialogue between 'Employers' and 'Workers' at their workplaces for workplace-improvement initiatives.

The private sector has a strong role in terms of advocacy for better working conditions, implementing and monitoring labour laws as well as in influencing labour policies in Pakistan. However, due to a general lack of awareness about labour laws and the International Labour Standards framework, the private sector considers compliance with labour standards simply as an additional cost, underestimating the potential benefit to business. In other words the nexus between labour law compliance and good business practice, as well as trade is still underappreciated. This calls for new forms of cooperation between government bodies, business and society to promote effective labour market governance.

Trade Unions are also key as parties in tripartite dialogue, mainly caused by important gaps in evidence-based advocacy on the side of trade unions. This reaffirms the need of combining support to social dialogue platforms and processes with targeted support to workers organisations. Civil society active on related research and advocacy issues includes well-reputed local Karachi-based Pakistan Institute of Labour Education & Research (PILER), as well Islamabad based Friedrich Ebert Stiftung (FES).

The project will also work to enhance awareness among consumers and buyers should promote and implement incentive mechanisms that facilitate adherence to labour standards, as well as incremental improvements in the enterprises through which their goods are sourced.

Priority Areas for Support – Key challenges to address: In a nutshell, adherence to labour standards in Pakistan is not satisfactory although a process of reforms has started. Working conditions in many industries, particularly in SMEs, are mostly substandard and in some instances even life threatening. This is evidenced by tragic instances of factory fires and building collapses with many lives lost¹⁴. The Government has a key responsibility to create optimal labour market

¹² According to the 2014 DW Country Profile for Pakistan, 73.3% of the workforce is engaged in the informal economy across various sectors.

¹³ It should be noted that Pakistan is yet to ratify Convention 177 concerning Homework, however policy dialogue is underway.

¹⁴ In 2012, Pakistan witnessed a tragic factory fire in Baldia Town in which over 250 lives were lost. This subsequently led to the development of a Joint Action Plan on OSH.

regulations and compliance strategies in close collaboration with Workers and Employers Organizations.

The public sector will engage primarily the Ministry of Overseas Pakistanis and Human Resource Development (MoOP-HRD), Climate Change Division (CCD). The action will be further coordinated with the Ministry of Commerce, under the leadership of the Treaty Implementation Cell (TIC) which is currently supported for GSP+ purposes by DG Trade, established in the Prime Minister's office to coordinate with its provincial branches, Ministry of Textile Industry and Ministry of Industry & Production. All of these have limited capacity of their potential contribution to international standards compliance and the link with productivity and competitiveness, therefore needs to be further supported.

B) Component 2: Compliance with Environmental Standards

As discussed in the context for the programme, lack of environmental standards legislation, its poor enforcement by the public sector, and weak implementation and compliance in the private sector in the country is far from satisfactory.

Problem Analysis – Key issues: Responsibility for environmental legislation was devolved to Provinces after the 18th Constitutional Amendment. Already weak National and Provincial level legislation has not been further strengthened. There is lack of enforcement and monitoring, and weak capacity of institutions at federal and provincial levels responsible for enforcement of environmental administration. These factors contribute to overall degradation of the environment and depletion of natural resources, increasing water, air, and land pollution and climate change impacts. Water pollution due to industrial effluents is particularly concerning Pakistan, a water scarce country.

A large part of Pakistan's exports consist of textiles and leather goods, translating into considerable environmental and health hazards from high production volume. Although many harmful chemicals have been identified and banned by various MEAs ratified by Pakistan, some are still in use, including in the textile and leather sectors, mainly due to lack of enforcement and inadequate screening mechanisms. Workers are generally unaware of the effects of hazardous chemicals, e.g. allergic reactions and liver and kidney poisoning, to which they are exposed. Industrial workers and communities residing near industrial sites, particularly women and children, are furthermore susceptible to hazardous chemical exposure, pollution (water and air) and unsustainable production processes. Contamination of natural water bodies, wastage of resources, unsafe disposal of solid waste, and energy & water inefficiency, as well as workspace safety and noise pollution, are key environmental issues associated with textile and leather sectors.

To counter these issues, Pakistan needs strengthening of its capacity to enforce and monitor obligations and standards under relevant MEAs and national environmental standards. Pakistan has formulated a number of environment-related policies and established National Environmental Quality Standards (NEQs), although work is still needed to identify gaps and mainstream MEAs within standards, which shall be addressed by this programme. The lack of knowledge and awareness among legislators and policy makers, industrialists, workers and managers, labour leaders, lawmakers and enforcers, concerned government officials, civil society and other key stakeholders is a major issue that hinders adherence to environmental standards. Capacity in government institutions at federal and provincial levels needs to be built and strengthened within the purview of the existing environmental legislation. There is a critical need to furthermore strengthen the capacity of Pakistan's institutions to implement and monitor the obligations stipulated by MEAs, particularly those regarding water, energy and chemicals use. A Chemicals Management System, for example, does not exist in Pakistan that contributes to accidents or malpractices and mechanisms and systems to change practices and consumer choices – such as through eco-labelling – have not yet been developed.

Owing to low resource efficiency and associated environmental challenges, Pakistan's industrial sector faces stiff competition in the global market, while competing against producers with better compliance to international labour and environmental standards and rules – i.e. ILES, and has, thus, failed to expand its export base. Support infrastructure is weak at the business organization and services level and SMEs find it difficult and costly to implement ILES requirements. Smart Environmental Management Practices (SEMPs) will be applied by this programme in selected leather and textile SMEs with the aim to reduce water and energy use, as well as hazardous chemicals, by 15 – 20%, in addition to addressing other relevant environmental issues such as air and noise pollution and solid waste management.

Priority Areas for Support – Key challenges to address: The targeted areas for support will be selected, through a consultative process with the government and industries, based on priority environmental issues identified in relevant MEAs and national legislation with respect to improving water & energy efficiency, safe use & management of hazardous chemicals, in turn addressing pollution (air, water, and noise) and improving solid waste management.

The capacity and awareness of other key stakeholders, such as the civil society, corporate sector, media, legal fraternities, research entities, shall also be enhanced to educate them on environmental issues, standards and ratified MEAs. Capacity building of legal fraternities will be carried out in the context of environmental standards, laws and MEAs, for making informed decisions regarding legal compliance and enforcement. Special attention will be made to build capacity with local counterparts (including associations and provincial government). The programme will facilitate the mapping of textile and leather supply chains for improved consumer information on sustainable products, and capacity building within the selected industrial sectors for using green practices (e.g. adopting better and more efficient water, energy and environmental practices (SEMPs) and Alliance of Water Stewardship standards), increased partnerships between SMEs and organizations with Sustainable Consumption and Production (SCP) "pull" potential, and enabling conditions for greater sustainability through city-wide stakeholders partnerships, capacity building, and enforcing MEAs.

2 RISKS AND ASSUMPTIONS

Risks	Risk level	Mitigating measures
Non availability of GoP officials at federal and provincial levels and stakeholders in public sector (SMEs and associations) for training	M	Memorandum of understanding will be signed with various departments to mitigate the issue. High level management will be particularly involved.
Retentions of trained staff in both public and private sector entities	M – H	Same as above for government and key private sector bodies
Non- compatibility of Labour & Environmental laws in 4 provinces	L	Measures will be taken to tailor laws as per specific local context and requirements
Enforcement and compliance resented by SMEs	L	Joint public and private monitoring system to check enforcement and compliance will be part of the programme structure.
Unwillingness of the private sector, industries, SMEs to engage constructively	L	Awareness and sensitization of stakeholders on economic benefit of compliance to ILES will be essential elements in the initial programme's phase. Involvement of stakeholders will be ensured throughout the programme structure, in project planning, implementation and monitoring, for increased ownership and effective participation.

General insecurity not allowing correct implementation of activities	L	The project will remain flexible to adapt to the fluctuating situation. However, most targeted areas are currently comparatively safe.
Main Assumption		
The overall law & order and security situation allows for the implementation of the activities, even if some will have to be adapted or postponed due to any unforeseen issues.		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons Learnt

The experience and lessons acquired through the implementation of various trade programmes and SWITCH-Asia projects has been incorporated and taken into account during the proposed programme's planning and design.

TRTA I & II, over the last 10-12 years period, has positively contributed to overcome the technical issues related to World Trade Organisation (WTO) agreements by Pakistan. TRTA II was intended to build on the achievements of the previous EU funded TRTA I programme (2004-2007); its three components has so far successfully strengthened the national capabilities to address the fundamental WTO agreements relating to sanitary and phyto-sanitary (SPS) management and measures; technical barriers to trade (TBT) pertaining to equivalence of standards and technical regulations; competence of conformity assessment services and functioning of notification bodies, and trade related aspects of intellectual property rights (TRIPS), including capacity for development of coherent trade policy through effective public-private dialogue. **However, issues related to strengthening the social quality aspect and non-technical barriers to trade (NTBT) remained largely neglected and needs urgent attention to be supported.** There exists a strong need to support a system of compliance, particularly, of Labour & environmental standards, to make Pakistani products more competitive and socially acceptable at the world market. This need was also highlighted during the International South Asia Labour Conference 2014 in Lahore by government of Punjab, funded jointly by the EU & ILO. The tragic events occurred in Bangladesh (Raana Plaza) and Pakistan (Baldia Town) has contributed to an increase in global awareness on labour and environmental conditions in this part of the world and to the engagement of a number of stakeholders and donors in the sector (Cf. OECD Guidelines for Multinational Enterprises). Under TRTA II, Contribution Agreement (CA) signed with one company i.e. UNIDO - resulted in building synergies within the 3 components of the programme which was missing under TRTA I when there were 2 separate CAs signed with 2 UN agencies i.e. UNIDO & ITC; resulting in no coordination and collaboration within the 3 components of the programme. The final evaluation of TRTA II yet to take place in Q4 of 2015 but the midterm evaluation, undertaken in September 2012 of TRTA II, was positive and recommended for extension, continued support to the government institutions at Policy level, Institutional support to improve the business environment and value chains.

Under the regional SWITCH ASIA programme, WWF-Pakistan is currently implementing an EU-funded water stewardship project that has so far resulted in 10%-15% reduction of energy and water consumption in selected manufacturing units. This experience will provide a solid stepping stone for the environment-related component of the project and learning applied in selected water and energy intensive industrial sectors involving highly polluting processes, with significant export volume. Additional lessons can be drawn from the project on cotton ginning also implemented by WWF under SWITCH Asia, improving the environment by energy, resource & process efficiency, reduction in waste, adopting better cotton initiative (BCI). It is linked to support consumption and production of cotton with social, environmental and economic benefits.

3.2 Complementarity, Synergy and Donor Coordination

Apart from contributing to the Government's umbrella programme, the ILES project will also ensure complementarity with the following initiatives.

- Among the major donors, **Germany** is working in Punjab on labour standards in the garment sector (through GIZ), supporting reporting capacities of the Provincial Government on related issues and funding workers associations through its political foundations. The action is implemented in Punjab province textile readymade garments. Linkages will be developed to engage in the ladder of supply value chain with these firms.
- **GIZ** is also supporting ILO to study and strengthen wage setting and enforcement systems in the country, which will inform the ILES programme. In addition, ILO has mobilized internal resources to support provincial governments in the elimination of child and bonded labour and rehabilitation of those affected. All these interventions are newly started (in late 2014 or early 2015) and are expected to bring in the much-needed comprehensive and integrated support to the Government and other stakeholders for strengthening labour administration. In the past (2008-2013), the **EU** has supported with an ILO-implemented initiative to eliminate child labour in its worst forms and across sectors. The project has successfully piloted first ever 'District-based Model' for elimination of child labour and rehabilitation of child labourers, a model which is now being replicated by Government through its own funds.
- The **Netherlands** is facilitating the engagement of international, socially responsible buyers in the country. The Netherlands is also planning to finance the upgrading of public labour inspection bodies through ILO and there would be a number of areas for complementary action. ILO has signed an MoU with the Pakistan Textile Exporters Association (**PTEA**) for enhanced labour compliance in textile industries in the city of Faisalabad. The results of this project will be used to promote the value of compliance to other enterprises.
- The upcoming project to be funded by the **EU Commission (DG TRADE, 200.000 Euros)** supporting the gaps identified in the GSP+ scorecard, focusing on Child labour, Forced Labour and Freedom of Association will highlight the importance of compliance in trade.
- A major Technical and Vocational Education and Training Programme is also funded by the **EU** with €46 million, providing people with employable skills generating skills for jobs and viable income. The EU is joined in this effort by the **Netherlands** and **Germany** (€17 million) and by **Norway** (€7 million).
- The **EU** is also planning under its Rural Development portfolio - significant interventions to support the job creation potential of Micro SMEs in rural areas.
- Synergy with environmental programmes under SWITCH ASIA, Water Stewardship Programme work, will be maximized.
- The programme will also build upon work under Cleaner production Institute (CPI) and Embassy of the **Netherlands**'s previous Programme for Industrial Sustainable Development (PISD) phases I and II (2007-10 and 2010-13) in the textile processing, spinning, leather, sugar processing sectors, which included environment audits, water audits, and Occupational Safety and Health (OSH).

The programme will make an effort to develop a wider trade donor group involving Member States working in Pakistan and other relevant donors. These are also expected to be part of the project steering committee (PSC) to be established under the programme during implementation.

3.3 Cross-cutting Issues

Activities focusing on gender equality, disability, awareness-raising on basic human rights and environmental sustainability will be structural elements of the programme. To address the existing gender disparities the labour administration will be encouraged to monitor and facilitate female participation in SMEs in the industry, and produce gender desegregated reports.

Raising awareness on the right to decent working conditions will be specifically looked at in the perspective of basic human rights; while child labour shall also be addressed in connection with the specific ILES related Conventions – even though not directly tackled by this programme.

The programme will take a **multi-stakeholder** approach to ensure public and private engagement for enhancing sustainability through ILES compliance across all levels in the textile and leather sectors.

4 DESCRIPTION OF THE ACTION

4.1 Objectives, Results and Outputs

The programme’s **overall objective** is to promote sustainable and inclusive growth in Pakistan by supporting the economic integration of Pakistan into the global and regional economy by improving compliance with labour and environmental standards and increased competitiveness.

This will be achieved through two Specific Objectives focusing on the (i) public-sector and (ii) private sector.

The programme’s overall **specific objective** is to promote the enforcement, implementation and compliance with the ILES by public and private sector in Pakistan. This is achieved through two specific sub-objectives:

Specific Objective 1 - To assist public sector institutions to improve the enforcement of existing legislation and compliance of international labour and environmental standards in Pakistan as well as define new laws where necessary.

Specific Objective 2 - To assist textile and leather sectors’ SMEs to institutionalize the implementation of, and compliance with, ILES legislation through their active engagement.

Activities to achieve the objectives will include support and capacity building for federal and provincial authorities, employer and worker organizations and the support of institutions for social dialogue and textile & leather sector specific interventions.

The following results and outputs are expected:

	Specific Objective 1 : Public Sector	Specific Objective 2: Private sector
Component-1, Compliance with Labour Standards	<p>Expected Result 1.1. Capacity of Federal and Provincial Labour Administration to enforce labour laws & standards in Pakistan strengthened in line with the ILS.</p> <p>Outputs</p> <p>1.1.1. Government, workers and employers’ organizations supported in strengthening the legislative regime.</p> <p>1.1.2. Federal and provincial labour department supported for effective enforcement of labour laws and standards , specifically with a particular focus on occupational health and safety (OSH)</p> <p>1.1.3. Knowledge base developed and training and advocacy undertaken for strengthening tripartite consultation on labour law and standards enforcement</p> <p>1.1.4. Communication strategy for broad public awareness raising designed and</p>	<p>Expected Result 2.1. 100 Textile & Leather sector SMEs effectively implement the decent and safe work legislation and practices. .</p> <p>Outputs</p> <p>2.1.1. Enterprise level compliance with labour laws and standards strengthened.</p> <p>2.1.2. Institutional systems at Association level for technical support, monitoring and reporting on labour laws and compliance strengthened.</p>

	implemented for national parliamentarians, buyers, consumers and general civil society	
Component-2, Compliance with Environmental Standards	<p>Expected Result 1.2. Capacity of Federal and Provincial Environmental Administration strengthened to enforce environmental laws and standards in Pakistan</p> <p>Outputs</p> <p>1.2.1. Compliance to, and mainstreaming of MEAs within, national environmental standards strengthened in textile and leather sectors</p> <p>1.2.2. Capacity of relevant target groups built for adhering to prescribed environmental standards and addressing textile and leather sector related issues pertaining to water and energy stewardship, safe chemical use and management, and pollution mitigation (e.g. air and noise)</p> <p>1.2.3. A consolidated communications and visibility strategy for highlighting environmental challenges, promoting compliance to standards, and disseminating the project's lessons and successes is in place</p> <p>1.2.4. City-wide partnerships strengthened and expanded to other cities, for addressing environmental issues, particularly those pertaining to water and energy stewardship and pollution mitigation (e.g. air, noise)</p>	<p>Expected Result 2.2. Textile & Leather sector SMEs implement low carbon¹⁵ production practices through reduced water and energy foot print¹⁶</p> <p>Outputs</p> <p>2.2.1. Integrated framework developed on MEAs and national environmental standards and compliance for water and energy stewardship, safe use and management of hazardous chemicals, and pollution mitigation (e.g. air, and noise) in the textile and leather sectors</p> <p>2.2.2. Implementation of Smart Environmental Management Practices (SEMPs), for water and energy efficiency, safe use and management of hazardous chemicals, and pollution mitigation in the textile and leather sectors</p> <p>2.2.3. Textile and leather processing supply chains mapped for five international brands, and capacity of selected supply chain workers and retailers built on water and energy efficiency</p> <p>2.2.4. Implementation of Alliance of Water Stewardship (AWS) standards covering resource efficiency, sustainability, and pollution mitigation in textile and leather sectors</p>

4.2 Main Activities

Activities under both Components 1 and 2 will include technical support and capacity building to the Federal and Provincial authorities and private sector organisations. Activities that have the same target groups/ audiences will be combined and jointly implemented wherever feasible and effective.

The main activities are summarised per component. Please refer to the attached **log frame** for more details on activities.

¹⁵ Low carbon economy is a production system that creates less pollution by adopting better management practices in making per unit of a good.

¹⁶ Footprint: a measurement of the size and effect that something has.

Component I: LABOUR

E.R. 1.1:

Output 1.1.1: Identify gaps in labour laws; Support the revision of the existing laws; Support ILS Reporting mechanism; Support social partners involvement in the regulatory frameworks; labour market analysis for evidence-based policy

Output 1.1.2: *Activities on Labour Administration:* capacity assessment; need-based training courses; comprehensive electronic database of enterprises; Training for other labour administration actors such as Judges; Equip the labour-judiciary; supporting platforms for engaging International Buyers. ***Activities on OSH:*** Provide OSH inspectors with equipment; Steps for mainstreaming Labour & OSH in education; Re-equip and activate existing OSH institutions; Strengthen Fire and Building Safety systems within Trade Associations; Strengthen coordination mechanisms among labour and OSH-related institutions

Output 1.1.3: Establish and strengthen alternate dispute resolution system; Tripartite and bipartite engagement with policy-makers; Capacity development of workers' federation for improving image of unions

Output 1.1.4: Develop a comprehensive communication strategy; Develop communication material on ratified conventions; Dissemination events and consultations; Dialogues on thematic areas

E.R. 2.1:

Output 2.1.1: *Activities at Enterprise Level:* Baseline study to identify gaps; Training, technical support, counselling for improving working conditions and work processes (using SCORE methodology); Workplace Improvement committees; Regular monitoring and updating enterprise profile; Special orientation / Training for textile & leather industry workers.

Output 2.1.2: *Activities at Association level:* Conduct and disseminate studies on 'Business Case for ILS compliance; Technical Assistance to Industrial Associations; Establish Resource Centres in each Association; Monitoring and communication mechanisms for ILS compliance; Codes of Conduct for on ILS compliance

Component 2: ENVIRONMENT

E.R. 1.2

Output 1.2.1: Conduct a situational analysis on national environmental laws; Develop study on the impacts of non-compliance; Conduct a vulnerability risk assessment; Build capacity of government, policy makers, legal fraternities

Output 1.2.2: Build capacity of relevant target groups and social partners on environmental issues pertaining to the textiles and leather sectors; Develop capacity through scoping studies on environmental standards; Build capacity of financial institutions and other stakeholders to promote green finance; Facilitate linkages between FIs and SMEs; Knowledge sharing on environmental and EU standards; Establish linkages with academia/research entities for promoting research; Capacity building of relevant environment national and provincial authorities

Output 1.2.3: Develop comprehensive communications and visibility: Raise awareness on environmental issues; Develop 2 documentaries and secure radio spots; Share project successes and findings at international forums; Conduct seminars for journalists; Develop and disseminate project specific communication materials

Output 1.2.4: Establish and strengthen city-wide partnerships; Conduct situational analyses of water resources; Draft a private sector funding strategy

E.R. 2.2

Output 2.2.1: Conduct performance analyses for 25 **progressive**¹⁷ textile and leather SMEs, Identify Smart Environmental Management Practices (SEMPs) for better water and energy stewardship and pollution mitigation, Develop a business case for SEMPs based on performance of 25 progressive textile and leather SMEs, Develop an integrated framework of MEAs and national environmental standards for textile and leather sectors for compliance on water and energy stewardship, safe use and management of hazardous chemicals and pollution mitigation; Conduct life cycle assessments of the textile and leather sectors

Output 2.2.2: Conduct performance analyses of 50 **non-progressive**¹⁸ SMEs to push for SEMPs adoption, → Implement SEMPs in 50 non-progressive SMEs, → Develop business case on the basis of cost-benefits analysis of SEMPs adoption and compliance to environmental standards (for non-progressive SMEs), → Conduct workshops for 500 SMEs on SEMPs training and disseminating lessons learnt and business case findings; Implement Green Office Initiative and capacity building of ISO-14001 implementation.

Output 2.2.3: Map textile and leather processing supply chains for 5 international brands and develop a database; Engage retailers for establishing market linkages; Mobilize Textile and leather processing (industry workers); Build capacity for supply chain workers and retailers on compliance of MEAs and resource efficiency

Output 2.2.4: Implement Alliance of Water Stewardship (AWS) in textile and leather sectors: Conduct awareness raising sessions for SMEs; Arrange a workshop with international AWS experts for certification of selected staff from 15 SMEs

4.3. Intervention Logic and Programme Strategy

The geographical focus of the action is country wide. The public sector will include both federal and provincial level institutions and processes at federal and four provinces; private sector enterprises will be in Punjab (Faisalabad, Sialkot, Lahore) and Sindh (Karachi) provinces, and employer and worker organizations will be at the national, provincial and sectoral levels.

The programme design and approach benefitted from two multi-stakeholder consultative workshops, with the participation and feedback of representatives from Federal & Provincial Governments, various textile and leather associations, various chambers of commerce and industry, trade unions, industries, academia and civil society organizations.

Approach and Results Chain for ER 2.1

For improving labour-related conditions at enterprise level, ILES Project will adopt ILO's SCORE methodology which has following scheme of interventions at enterprise level

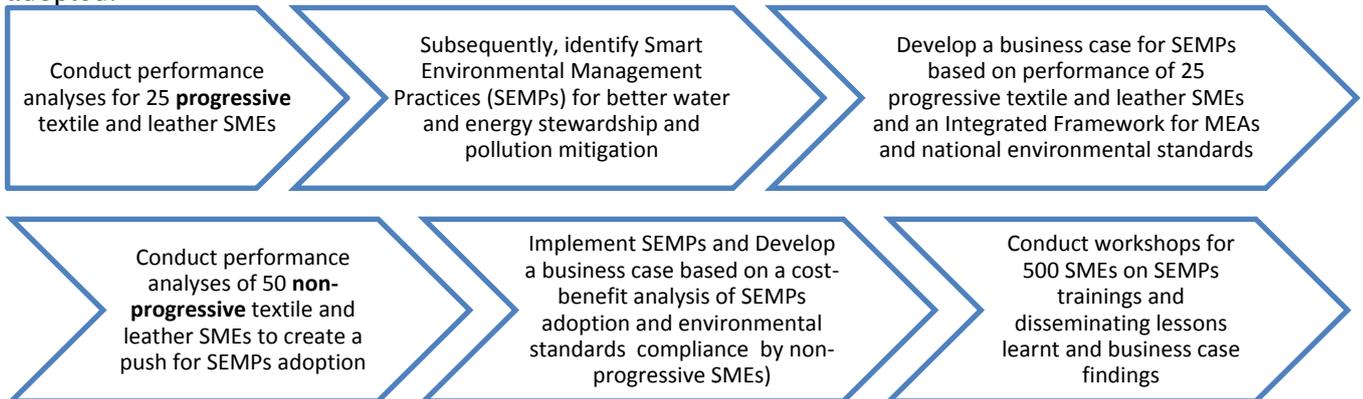


¹⁷ Characteristics of progressive SMEs: registered organization; member of industrial association; export oriented; evidence of implementing environmental, OSH and water and energy initiatives; organized industry (proper record keeping, facilities, management hierarchy, etc.)

¹⁸ Characteristics of non-progressive SMEs: registered organization; member of industrial association (desirable); any (local or export); evidence of not implementing environmental, OSH and water and energy initiatives; not fully organized

Approach and Results Chain for ER 2.2

For environment-related standards at enterprise level, the following scheme of interventions will be adopted.



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 modality

5.3.1. Indirect management with an international organisation

This action may be implemented in indirect management with the ILO in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation entails all activities related to both components of the action described in this document. This implementation is justified because ILO is the lead agency in Pakistan providing a unique platform bringing together Government, Workers and Employers including Private Sector on all issues related to labour and employment. Being the United Nations specialised agency in the field of labour standards and considering its good standing and relations with the Government of Pakistan, ILO is the most suitable implementer of the action.

The entrusted entity will 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 the funds unduly paid. A small part of the activities related to component 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.

If negotiations with the above-mentioned entrusted entity fail, that part of this action may be implemented in direct management in accordance with the implementation modalities identified in section 5.3.2.

5.3.2 Changes from indirect to direct management mode due to exceptional circumstances

If for circumstances outside the commission control the action cannot be implemented with the preferred modality, require, the action may be implemented in direct management in accordance with the implementation modalities identified below.

5.3.2.1 Procurement (direct management)

	Type	Indicative No of contracts	Indicative trimester of launch of the procedure
Component 1 Compliance with Labour Standards	Services	1	T2 2016

5.4. 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.

5.5. Indicative budget

Module	EU contribution Amount in EUR	ILO contribution Amount in EUR	Total Amount in EUR
5.3.1. Indirect management	11.000.000	600.000	11.600.000
Comp-1: Labour Standards	5.500.000		
Comp-2: Environmental Standards	5.500.000		
5.8.Evaluation	500.000	-	500.000

5.9 Audit	100.000		100.000
5.10. Communication and visibility	200.000	-	200.000
Contingencies	200.000	-	200.000
Total	12.000.000	600.000	12.600.000

5.6. Organisational set-up and responsibilities

The main stakeholders are the Government of Pakistan (at the federal and provincial level) through its relevant Ministries and Departments such as the Ministry for Overseas Pakistani and Human Resources, the Climate Change Division (CCD), the Ministry of Industry, the Ministry of Commerce (Treaty Implementation Cell), Ministry of Textile, provincial Environmental Protection Departments. ILO will act as the implementer of the planned activities, in close collaboration with national and provincial authorities and textile and leather sector SMEs and related private sector organizations. The EU Delegation will ensure oversight of the effective implementation of the actions.

A Project Steering Committee (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 GoP 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.

A Programme Support Unit comprising of senior management -Pakistan will meet quarterly to provide technical guidance and monitor the progress of the project.

The Implementing Partner will establish all required administrative, monitoring and financial supports. A full time Monitoring and Evaluation officer will also be engaged under the project who will be responsible for keeping track of activities progress, annual socio-economic monitoring of change in household income, facilitating the PSC, etc.

5.7. 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).

Additionally, based on Logical Framework for the action, a Monitoring and Evaluation Plan will be developed, based on the indicators, project log frame, project timetable, risk management matrix, and aligned with EU guidelines. Monitoring risks and assumptions will be another fundamental

component of the monitoring strategy, and further risk assessment and mitigation strategies will be developed during the inception phase.

5.8. 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 2018 and in 2021 (end of the programme).

The overall implementation and reporting framework will be based on a Monitoring Plan mutually agreed by the concerned parties/stakeholders and well defined principles aiming at emphasizing evidence-based interventions, accountability, and performance towards the goals of the partnership agreement.

5.9. 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, 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 2021.

5.10. 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.

Indicatively, one service contract for communication and visibility services shall be concluded in the 3rd quarter 2016 (after concluding the Financing Agreement - counter signature by Government of Pakistan).

A full communications and visibility strategy will be developed by the implementing partner during the inception phase of the project. Communication and visibility actions are built into the design of the project and underpin capacity building, awareness raising, lesson learning, replication and multiplication activities. At the local level, visibility will be ensured through training events and workshops, a launch event, project videos, especially short videos that can easily be shared on social media, media coverage and through project specific information and communication materials (including banners and posters) distributed to SMEs, government and other stakeholders. All communication and visibility products and actions will meet EU guidelines for visibility. Information dissemination will be in partnership with electronic media nationally, and in local languages, to build awareness and understanding in all target locations in Pakistan.

List of Acronyms

10YFP	10 Year Framework of Programmes
APTPMA	All Pakistan Textiles Processing Mills Association
AWS	Alliance of Water Stewardship
BGPs	Better Ginning Practices
BWMPs	Best Water Management Practices
CIP	Consumer Information Programme
CPI	Cleaner Production Institute
CSR	Corporate Social Responsibility
DWCP	Decent Work Country Program
EFP	Employers Federation of Pakistan
EKN	Embassy of the Kingdom of the Netherlands
EOBI	Employees Old Age Benefit Institute
EPA	Environment Protection Act/Agency (depending on context)
EPD	Environment Protection Department
EVAL	Evaluation Department, ILO HQ's
FCCI	Faisalabad Chamber of Commerce and Industry
FES	Friedrich Ebert Stiftung
FTCC	Federal Tripartite Consultative Committee
GBA	Green Business Asia
GoP	Government of Pakistan
HBW	Home Based Workers
IES	International Environmental Standards
ILS	International Labour Standards
IRR	Internal Rate of Return
KPK	Khyber Pakhtunkhwa (province name)
LCCI	Lahore Chamber of Commerce and Industry
MDGs	Millennium Development Goals
MEAs	Multilateral Environmental Agreements
MoCC	Ministry of Climate Change
MoOP-HRD	Ministry of Overseas Pakistanis and Human Resource Development
MWB	Worker's Welfare Boards, the Minimum Wages Board
NEQS	National Environmental Quality Standards
NFC	National Finance Commission
OSH	Occupational Safety and Health

PAGODA	PA Grant or Delegation Agreements
PEPA	Pakistan Environmental Protection Act, 1997
PHMEA	Pakistan Hosiery Manufacturer and Exporters Association
PILER	Pakistan Institute of Labour Education & Research
PISD	Programme for Industrial Sustainable Development
PIU	Project Implementation Unit
PMP	Performance Monitoring Plan
PRC	Project Review Committee
PRGMEA	Pakistan Readymade Garments Manufacturers & Exporters Association
PSC	Project/Programme Steering Committee
PSCI	Pakistan Sustainable Cotton Initiative
PSIC	Punjab Small Industries Corporation
PTA	Pakistan Tanneries Association
PTCC	Provincial Tripartite Consultative Committee
PTEA	Pakistan Textile Exporters Association
PWF	Pakistan Workers Federation
SAP	Sustainable Agriculture Programme
SCCI	Sialkot Chamber of Commerce and Industry
SCORE	Sustaining Competitive and Responsible Enterprises
SCP	Sustainable Consumption and Production
SDGs	Sustainable Development Goals
SEMPs	Smart Environmental Management Practices
SLE	Sustainable Livelihood and Education
SMEDA	Small and Medium Enterprise Development Authority
SMEs	Small and Medium Enterprises
TIC	Treaty Implementation Cell
TRTAs	Trade Related Technical Assistance programmes (EU funded)
WSP	Water Stewardship Project (WWF-Pakistan's EU funded project)
WWF	World Wide Fund for Nature