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This action is funded by the European Union

ANNEX 6

of the Commission Implementing Decision on the financing of the annual action programme in favour of Central Asia for 2018 part 2 and in favour of the Asia region for 2018 part 4

Action Document for Accelerate Prosperity in Central and South Asia

ANNUAL PROGRAMME

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation and action programme/measure in the sense of Articles 2 and 3 of Regulation N° 236/2014.

1. Title/basic act/ CRIS number	Accelerate Prosperity in Central and South Asia, (AP ASIA), CRIS number: ACA/2018/41509 Financed under Development Cooperation Instrument
2. Zone benefiting from the action/location	Central and South Asia - Pakistan, Tajikistan, Afghanistan & Kyrgyz Republic The action shall be carried out at the following location: Pakistan: PMU in Islamabad; Gilgit-Baltistan territory; Khyber Pakhtunkhwa (KPK) province including Chitral; Sindh province; and Baluchistan province's border districts with Sindh. Tajikistan: Gorno Badakhshan Autonomous Oblast (GBAO); Khatlon region; Khujand region and Dushanbe. Afghanistan: Badakhshan province (with possible extension to additional provinces). Kyrgyz Republic: Osh province and Naryn province.
3. Programming document	Addendum No 1 to the Multiannual Indicative Programme between the European Union and Central Asia for the period 2014-2020 ¹ Addendum No 1 to the Multiannual Regional Indicative Programme for Asia for the period 2014-2020 ²

¹ Decision C(2018)4741 of 20/07/2018

² Decision C(2018)4741 of 20/07/2018

4. Sector of concentration/ thematic area	Regional Sustainable Development	DEV. Aid: YES ³		
5. Amounts concerned	Total estimated cost: EUR 13.5 million Total amount of EU contribution: EUR 10 million This action is co-financed by the Aga Khan Foundation for EUR 3.5 million			
6. Aid modality(ies) and implementation modality(ies)	Project Modality Direct Management through: - Grants			
7 a) DAC code(s)	250 -Business and other; 25010 – Business support services			
b) Main Delivery Channel	21000 – International NGO			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	X	<input type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	X	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	X	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	X	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	X	<input type="checkbox"/>	<input type="checkbox"/>
	9. Global Public Goods and Challenges (GPGC) thematic flagships	This action contributes to the GPGC “Trade integration for green and inclusive growth”.		
10. SDGs	Primary SDG Goal (8): Decent Work and Economic Growth Secondary SDG Goal (5): Gender Equality			

³ Official Development Aid is administered with the promotion of the economic development and welfare of developing countries as its main objective.

SUMMARY:

The Action will provide integrated solutions to address the barriers to SME creation and growth in the region. It will promote entrepreneurship, catalyse start-ups and grow SMEs. This will be achieved by delivering enterprise incubation and acceleration services, combined with support to access to finance. In addition, SME owners with the ambition and potential to create new, or expand existing, regional trade relations will have access to executive business courses, with a focus on business-to-business (B2B) sector-based networking and trade facilitation.

The overall objective of Accelerate Prosperity (AP) ASIA is to *contribute to the enhanced equitable economic well-being of women and men in rural Pakistan, Afghanistan, Tajikistan and the Kyrgyz Republic*. Specifically, the Action will *improve self-employment and employment of women and men in supported enterprises*. The action will enable SMEs to build their capacities in business planning and operations, develop business networks, access mentors, become investment-ready, and secure tailored growth capital through a proven SME investor platform. AP will mobilise local angel investor groups and develop new SME investment products for growing businesses in need of venture capital in the range of EUR 10,000 to EUR 100,000.

The action is aligned to the objectives of the regional multiannual indicative programmes 2014-2020 for Asia and Central Asia with regards to Private Sector Development. Similarly, the programme is in line with the EU Communication on Private Sector Development⁴.

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

1.1.1 Public Policy Assessment and EU Policy Framework

Job creation as a catalyser of socio-economic stability, stem youth migration and combat the potential radicalisation of (unemployed) youth is a major priority for governments across Central and South Asia, including Pakistan, Afghanistan, Tajikistan and the Kyrgyz Republic. According to the Government of Pakistan's *SME Policy: SME Led Economic Growth – Creating Jobs and Reducing Poverty*⁵, Small and Medium Enterprises (SMEs) play a primary role in driving economic growth, employment creation and poverty alleviation. In order to foster economic growth, one of the key priorities of the Government of Pakistan is to “create globally competitive SMEs by creating a hassle-free business environment, ensuring provision of modern infrastructure and institutional support structures for access to resources and services⁶.” In Central Asia, policy priorities also view SMEs as a means to achieve national economic development targets and progress against the sustainable development goals. The proposed Action directly correspond to government plans and programmes in each of the four target countries as well as contribute to EU's policy framework on promoting smart, sustainable and inclusive growth. In Pakistan, the Vision 2025 (approved in 2014)⁷ has identified private sector led growth as a key area of focus for transforming the country into a globally competitive and prosperous country. The Afghanistan National Development

⁴ COM(2014)263 - "A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries"

⁵ SME Policy 2017, Federal Ministry of Industries, Production, and Special Initiatives, (2017). Website: <http://moip.gov.pk/moip/userfiles1/file/SME%20Policy%202007.pdf> (accessed: 1st August, 2017).

⁶ SME Policy MOIP, 2017.

⁷ <http://pc.gov.pk/web/vision>

Framework (approved in 2016)⁸ states that SMEs will receive special attention, as they have the potential to create large numbers of jobs and become a real engine of growth. Tajikistan's National Development Strategy 2030 highlights the need for support to SMEs in order to create employment, particularly for the empowerment of youth and women. In the Kyrgyz Republic, the National Sustainable Development Strategy⁹ highlights that the basis of the economy is the private sector, in which SMEs play an important role; hence, prioritising the creation of an enabling environment for entrepreneurial activity.

SMEs act as an engine of the economy and have the potential to play an important role in poverty reduction. SMEs are particularly important for countries in transition, facilitating the shift from mass production to a demand-driven and market-oriented economy. The level of private sector development, especially in relation to SMEs, varies from country to country in the region. Based on the limited available data, MSMEs (Micro, Small and Medium Enterprises) in 2016 employ 40.5% of the labour force in Kyrgyzstan, 34% Tajikistan, to 90% in Pakistan and 80% in Afghanistan¹⁰. However, some features are common to the region: SMEs lack access to finance, access to timely and relevant market information, lack of access to new technologies and know-how.

The action is aligned to the objectives of the **regional multiannual indicative programmes 2014-2020 for Asia and Central Asia** with regards to Private Sector Development and Prosperity.

In its communication on "**a stronger role of the private sector in achieving inclusive and sustainable growth in developing countries**", the European Commission emphasises on amplifying the measures to accompany private sector development and respond to the diversification challenges faced by developing countries notably by a complementary macro and micro/meso approach designed to:

- Step up support to micro, small and medium-sized enterprises in the formal and informal sector by providing enterprise development support through business intermediaries and services providers.
- Empower women as entrepreneurs and workers

The programme **meets the objectives of the New European Consensus on Development** and in particular its priorities 3.1. 'People – human development and dignity and 3.3 'Prosperity – inclusive and sustainable growth and jobs. Finally, **it contributes to the objectives of Gender Action Plan II**¹¹: Promoting Economic and Social Rights and Empowerment of Girls and Women. This does not imply a commitment by the countries benefiting from this programme.

1.1.2 Stakeholder analysis

SME development is one of the key priorities of Chambers of Commerce and Industries (CCI) at national and local levels in each of the four countries. In *Pakistan*, Small and Medium Enterprise Development Authority (SMEDA) spearheads the Government's SME

⁸ <http://moec.gov.af/en/page/1183/andf>

⁹ http://www.un-page.org/files/public/kyrgyz_national_sustainable_development_strategy.pdf

¹⁰ Based on 2016 data from NSC. Limited data from 2005, 2007 and 2008, MSMEs indicators IFC

¹¹ SWD(2015) 182 final JOINT STAFF WORKING DOCUMENT Gender Equality and Women's Empowerment: Transforming the Lives of Girls and Women through EU External Relations 2016-2020

development efforts, including policy-advisory and facilitating stakeholders in addressing their SME development agendas. Simultaneously, the role of Federal and Provincial Board of Investments (BOIs) is critical in identifying emerging investment opportunities across the target geographies and working with entrepreneurs and existing businesses to tap into these. Also highly relevant is the role of the Ministry of Planning and Development, the regulators (Securities and Exchange Commission of Pakistan) and sector specific ministries including the Ministry of Commerce and Textile, and the Ministry of Industries and Production, to identify Government's investment plans as well as to identify key business, trade and investment related opportunities in priority sectors. Private sector associations, such as the association of hoteliers and the association of agro-processors, provide a platform to sector-wise policy issues, and build networks and market linkages. The private sector incubators' and accelerators' role is crucial in highlighting key advisory needs of entrepreneurs, especially women, requiring support by Government. Associations of financial institutions, such as the Pakistan Microfinance Network and Pakistan Banks' Association, work to address issues and constraints in the venture and SME financing space.

In the *Kyrgyz Republic*, the Government of the Kyrgyz Republic has established a Business Council under the Speaker of the Parliament, which is designed to facilitate the communication of problems related to business development to key actors in Government and Parliament. The Business Council will be the primary channel through which project findings will be disseminated to national-level stakeholders. In addition to routine coordination with national-level stakeholders, the project will convene periodic engagements to disseminate learnings and strategies with local-level actors. The key local counterparts for these engagements are Regional Investment Councils. The first Regional Investment Council was recently established in Karakol under the Governor's office, as a forum through which local entrepreneurs can raise their issues and concerns related to business development to local government representatives. The Prime Minister's office has encouraged each Oblast governor to establish a similar council in order to facilitate small business development at local level.

In *Afghanistan*, policy dialogue will be carried out with the following Government Structures Ministry of Investment, Commerce, and Industry; Ministry of Economy, Ministry of Labor, Social Affairs, Martyrs, and Disability (MOLSAMD); Ministry of Agriculture, Irrigation, and Livestock (MAIL); Ministry of Women's Affairs (MoWA); and Afghanistan National Standardization Authority (ANSA). The action will also be coordinated in Sectoral Working Groups on the Provincial level and in the Private Sector Working Group chaired by the Ministry of Economy, the Agriculture and Rural Development Working Group chaired by MAIL.

In *Tajikistan*, government bodies leading work on SME development are: (i) the National Association of Small and Medium Businesses of Tajikistan; (ii) the Coordination Council of Business Associations of Tajikistan; (iii) the National Association of Businesswomen of Tajikistan; (iv) the Association of Microfinance Organisations of Tajikistan; (v) the State Committee on Investment and State Property Management; and (vi) the State Committee for Tourism Development. The action will seek to further policy dialogue and action through the Advisory Council on Improvement of the Business Environment under the President, which is the highest national-level platform for business dialogue with government.

Stakeholder engagement has revealed strong support for the proposed project, from the national government level to the entrepreneur level. These stakeholders will be fully engaged

throughout the project to ensure that interventions meet their needs and are delivering the desired impacts. This will also secure local ownership and sustainability of the project.

1.1.3 Priority areas for support/problem analysis

Low participation of women in business, as entrepreneurs and senior managers, undermines a country's economic potential. Globally, women are less likely to consider entrepreneurship as a career path, largely because they do not have other women entrepreneurs as role models. Structural barriers and local social norms create additional constraints for women to pursue entrepreneurship, undermining their mobility and access to resources. When women do launch or manage a business, gender barriers contribute to less access to finance, weaker networks and fewer mentors, which are all critical to success. However, when women-led companies do manage to grow, they disproportionately increase women's employment, reduce wage-gaps, promote women into senior leadership roles, and offer products and services that are more likely to benefit women. Enhanced support to women entrepreneurs is needed to overcome constraints posed by social norms, changing public discourse, supporting women's entrepreneurial preferences, offering dedicated services for and by women and engendering mentorship, networking opportunities and access to capital. In Pakistan and Afghanistan, women are at an enormous disadvantage. According to the Global Entrepreneurship and Development Institute, Pakistan ranks last out of 77 countries surveyed in its female entrepreneurship index, a barometer of a country's current conditions that fuel high potential female entrepreneurship development. The UN's gender development index places Afghanistan last globally in terms of gender equality. While the situation for women is better in Tajikistan and the Kyrgyz Republic, both countries are among the lowest in terms of Gross National Income, ranking 159th and 161st globally, below Sub Saharan Africa's average.

Tajikistan, along with Pakistan and Afghanistan, are also among the hardest places to trade across borders. Due to the limited diversity of commodities and destinations in international export markets, regional markets are expected to play an important role in government strategies to promote growth and diversification, particularly for value-added products and services including processed food and tourism. Regional trade is especially critical for Afghanistan's economy. In 2016, Pakistan, the Kyrgyz Republic and Tajikistan collectively accounted for 18% of Afghanistan's total imports, and absorbed 42% of the country's exports¹². In that year, Pakistan exported \$698.7m in vegetable products and other foodstuffs to Afghanistan, specifically wheat, citrus fruits, and sugars. The same year, fruit and vegetables accounted for 50% of Afghanistan's exports to Pakistan, valued at \$185m. The Kyrgyz Republic serves as a regional trading hub for agriculture and textile commodities from Pakistan, Tajikistan, and Afghanistan to export markets in Russia, Turkey, and the EU. Research suggests that export-oriented SMEs play a significant role in both sectors. SMEs currently account for 85% of Afghan businesses, and make up approximately 40% of Kyrgyz and Tajik GDP¹³. All four countries are considered politically fragile, with youth unemployment a critical risk to socio-economic stability and youth entrepreneurship and employment a gateway to greater equality and regional prosperity.

The countries' Doing Business ranking is the following: Kyrgyzstan: 77th, Tajikistan 123rd, Pakistan 147th, Afghanistan 183rd.

¹² OEC, 2017.

¹³ World Bank, 2009.

Despite risk mitigating schemes, existing financial institutions in these countries are not providing the kind of financing required for SMEs to start and grow; with credit terms that are too short (maximum 3 years), collateral requirements that are too high (100%+), and inflexible repayment terms based on predictable cash flows and no / short grace periods. Standalone efforts to provide SMEs with business development services have been largely supply-driven and detached from bespoke finance. The latest “lean start-up” methodologies that promote iterative business modelling with hands-on mentoring have been limited in these regions. Venture and impact financing activities remain in their infancy in all four countries, largely due to a lack of trust and information (and intermediation) among both entrepreneurs and potential angel investors interested to making capital available. As a result, most start-ups and early stage companies still fail, while existing SMEs get stuck in a low-growth trap limited by little or no access to appropriate financing or technical assistance, thereby weakening their role in local development and employment creation. Given the added barriers faced by women all along the entrepreneurship continuum, from women role models to sources of start-up capital, very few choose to pursue entrepreneurship at all.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
<i>Risk 1: Security</i> - Increased insecurity in Afghanistan (with smaller potential spill over into Tajikistan), and fragilities in both Pakistan and Kyrgyz Republic, could affect implementation.	M	Develop close working relationships with communities. Security staff will continuously monitor security incidents. When routes in programme areas are dangerous, partners will ensure that travel is during the day or avoid road transport.
<i>Risk 2: Business Risk</i> - Poor understanding about the envisaged acceleration programme and its growth financing products and terms. Insufficient business pipeline leads to weak deployment of capital and leverage ratio with private sector.	M	Coordinate with MFIs, banks, companies, and partners in the economic domain to identify potential enterprise investees, programme and financing partners, and follow-on TA.
<i>Risk 3: Corruption</i> – the spread of corruption amongst law enforcement, the judiciary, politics, and the private sector remains high in all four countries, and can create significant disincentives for entrepreneurs with aspirations for growing their SMEs.	M	Implementation of EU oversight procedures and, in parallel, reinforcing the countries public financial management and transparency through budget support operations (notably in Tajikistan, Kyrgyzstan, and possibly in the future in Uzbekistan)
<i>Risk 4: Unclear Impact and Reputational Risk</i> - Investees are found to have poor environmental, labour or ethical practices. Weak evidence of investee growth, job creation or support to women-led SMEs. Reputation of favouritism.	L	Environmental, Social and Governance (ESG) Policy, Gender Policy, and Metrics and Measurements System to be developed to inform activities, indicators and assessment processes. Transparent approach (in term sheets, marketing material) to dealing with investees that violate ESG and

The efficacy of TA on SME growth is unclear.		ethical guidelines.
<i>Risk 5: Economic uncertainty</i> – Tajikistan, Kyrgyz Republic and Afghanistan dependence on remittances and natural resources make them vulnerable to external shocks. This could impact access to capital and repayment.	L	The Action will support businesses with technical assistance, networks and financial capital. This will enable businesses to grow operationally, potentially mitigating some of the effects of the reduction of in-coming international cash flows, and provide jobs for returning migrants.
Assumptions		
Each country has promising and motivated entrepreneurs and high quality companies that can achieve profitability and growth based on non-financial and financial assistance. The programme model developed in Tajikistan and Pakistan (based on other international best practices) can be adapted into new regions in each country.		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

In 2017, a pilot study was carried out to trial Accelerate Prosperity incubation and acceleration programme in Pakistan and Tajikistan and to establish proof-of-concept for the approach.¹⁴ The pilot program was highly successful, resulting in 20 enterprises securing investments (eight women-owned), 11 of which secured financing from non-Aga Khan Development Network sources, including a 2:1 leverage on AP investments, mostly from local entrepreneurs introduced by AP as mentors. These 20 enterprises created 135 full and part-time jobs (mostly for women) and brought additional benefits to over 1,000 producers along their supply chains. The pilot confirmed that AP can catalyse entrepreneurship for women and men by focusing on business model development, mentorship and carefully deploying and intermediating new types of finance from a range of ecosystem partners. However, for AP to have a more significant impact on gender equality, women’s economic empowerment, and youth employment, it must further augment its outreach and programmatic support. In Afghanistan and parts of Pakistan, AP will continue to refine its approach and support and grow women-led businesses given the added informal barriers present in these countries.

3.2 Complementarity, synergy and donor coordination

Synergies with the Investment Facility for Central Asia (IFCA) and the Asia Investment facility (AIF). The recently commissioned study by the EU on private sector development in Central Asia will also serve as a valuable resource for identifying potential market entry points and partnership opportunities. The action will complement the SWITCH Asia and Central Asia II programme, where possible linkage between both sets of beneficiaries will be fostered via joint activities.

In addition, it will complement as well the new EU programmes supporting Investment, Competitiveness and Trade in Central Asia. Complementarity will be ensured with the above mentioned programmes to avoid overlapping of activities and to create synergies. The action will be closely coordinated with EU Delegations in the target countries to ensure synergies with the bilateral

¹⁴ AKF financed the pilot program in Pakistan and Tajikistan with a budget of \$300,000 in each country, which enabled AP to establish fit-for-purpose facilities in key locations, develop the programme, start to establish mentor networks, and support 20 start-ups and early stage enterprises in both countries.

cooperation programmes.

In mid-2017, Aga Khan Foundation and the EU launched the “Supporting Cooperation and Opportunities for Regional Economic Development” (SCORED) Action in Tajikistan and Afghanistan, which includes approximately EUR 2,000,000 for AP Tajikistan to work with start-ups and SMEs in Tajik-Afghan cross border districts. This Action builds on the resources provided by SCORED by adding an AP facility and programme in northern Tajikistan’s Sughd region.

In mid-2018, AKF will establish AP Kyrgyz Republic as part of a programme funded by USAID and AKF USA. Approximately EUR 450,000 will enable AP to register, establish facilities and teams in Osh and Naryn, and deliver a programme focused on youth start-ups over an initial two-year period. AP ASIA builds on this small catalytic grant from USAID by expanding AP’s work from youth start-ups to growth-oriented SMEs, with a greater focus on crowding-in angel investors and facilitating trade.

The Action’s goal of supporting the development of the market economy, through improved business and investment environment and support to economic diversification is well-aligned with the ongoing EU’s strategy for Central Asia. Alignment with a possible new EU Strategy for Central Asia, will also be ensured, when such a strategy is adopted. Furthermore, it is in line with the Heart of Asia process, particularly by supporting the Chambers of Commerce, trade and investment opportunities.

Donors and project implementers working in the field of regional economic cooperation will be involved and consulted in the framework of the activities of the Action, taking into account past experience and ongoing interventions. This action will closely be coordinated with programmes of other organisations active in the region such as GFFO/KfW, JICA, SIDA, UNDP, USAID and DFID.

3.3 Cross-cutting issues

Ensuring equal opportunity for aspiring and existing women entrepreneurs to benefit from AP services will be one of the core focus areas of the Action. The action will work with national and provincial rural support programmes, women’s associations and business groups across the countries to identify aspiring female entrepreneurs and women-led enterprises working in the target geographies.

Close relationships with communities, households, local authorities as well as existing businesses will be developed, to attract and recruit more than sufficient numbers of female participants.

An Environmental, Social and Governance policy will be adopted to guide the action approach, as well as the selection of and support to entrepreneurs.

Businesses supported by the Action will be assisted to understand their environmental impact, enact measures to mitigate it, and then continue to assess it.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

The overall objective of this Action is to contribute to the enhanced equitable economic well-being of women and men in rural Pakistan, Afghanistan, Tajikistan and the Kyrgyz Republic.

The creation of new start-up enterprises, the growth of small businesses, and a focus on youth and women led ventures will be critical. The Action aims to contribute to positive trends in Gross National Income and Gender Development Index scores.

The specific objectives of this Action are:

- 1) Increased growth of supported enterprises, and
- 2) Increased trade between supported enterprises, producers and clients in targeted areas.

The **expected results** (outputs) are the following:

- 1.1. Increased capacity of entrepreneurs in rural areas to plan and operate their businesses, particularly women and youth business owners
- 1.2 Increased access for women and men entrepreneurs to tailored seed, start-up and early stage growth financing in targeted regions
- 1.3. Increased availability of open source investment tools and resources to promote replication
- 2.1. Strengthened supply chains and last mile distribution channels among targeted small businesses
- 2.2. Enhanced Business to Business (B2B) linkages between countries, involving AP and SPCE supported enterprises
- 2.3. Increased availability of documented learning and evidence about youth and women's entrepreneurship and trade

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG Goal(s) 8. "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all", but also promotes progress towards Goal(s) 5. "Achieve gender equality and empower all women and girls" (5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life). This does not imply a commitment by the countries benefiting from this programme.

4.2 Main activities

Key activities of the Action comprises of:

- Implement Business incubation programme for start-ups;

This includes pre-incubation ideation training for start-ups, an incubation and start-up challenge (ProsperityCup™), and a tailored mentorship programme. The Action will identify female entrepreneurs and women-led businesses that would benefit from incubation support. Female mentors will be identified to provide dedicated support, and community mobilisation will be undertaken to address socio-cultural barriers.

- Implement Business acceleration programme for existing SMEs;

Acceleration programming will focus on growth-oriented SMEs (at least 50% women or youth-owned), delivering investment readiness Technical Assistance (TA), post-investment TA to unlock SME growth and job creation, and executive training for SME owners in partnership with universities.

- Develop and deliver AP's mentorship programme;

The action will upgrade Accelerate Prosperity incubation content and mentoring tools, and develop and deliver (via AP) a training of trainers for mentors, instructors and business coaches, first in Pakistan, then with replication regionally. Specific efforts will be undertaken to develop a group of high quality female mentors who can act as strong role models for the female entrepreneurs supported by the Action.

- Create customised co-working and networking facilities;

This includes the establishment of 7 new AP facilities, using leases in existing buildings, and offering modest upgrades to existing ones, starting in 2019. These purpose-built multi-functional spaces support all incubation, acceleration and mentorship programmes, whilst offering post-incubation and acceleration facilities (physical and ICT) to the entrepreneurs to start and operate their businesses, convene meetings and link with mentors, advisors and investors.

- Provide Innovative capital for start-ups and SMEs;

This includes screening and due diligence; seed and start-up capital; SME growth capital and investment pitch sessions.

- Local adoption of an online investment platform;

The action will bridge the gap between start-up and early stage SMEs and angel/impact investors by adapting an existing business deal-flow platform

- Develop and disseminate open-source tools and resources for investors;

The Action will develop and share, via the AP website, the investor platform and through third-party websites, a number of open source legal resources and investor tools.

- Promote inclusive supply chains through technical assistance;

The Action will work directly with investees as “lead firms” within their value chains, to develop, improve and strengthen embedded services and the vertical integration of their supply chains, with other micro and small businesses and producer groups in the targeted geographies. Investees will be strongly encouraged to work with female producers and women-led businesses as they develop their supply chains.

- Provide Executive leadership training on growth and trade;

A new short-cycle executive entrepreneurship programme will be developed (in the University of Central Asia School of Professional and Continuing Education - UCA SPCE). It will create international synergies with four industry sectors that have the most potential for growth, to promote increased exports, enhanced revenue streams and job creation.

- Create business-to-business (B2B) linkages for supported enterprises;

The action will facilitate B2B linkages through the development of an executive business training programme and facilitation of regional networking and trade events for 80 SME owners and senior managers.

- Develop learning and evidence on youth and women’s entrepreneurship and SME investing.

The Action will produce 13 learning cases studies and short videos, covering topics that capture the essence of AP ASIA’s experience and lessons, to inform stakeholders within the enterprise ecosystem in each country.

4.3 Intervention logic

The project's approach to economic development is to empower vulnerable and marginalised populations, and develop potential in frontier markets, to promote self-reliance and improve quality of life. The approach is underpinned by a focus on intensive, tailored and comprehensive support services, for entrepreneurs at start-up and early growth stages. The project combines a structured set of trainings, technical assistance and financing to support and graduate enterprises along the start-up to SME growth continuum. This includes entrepreneurship promotion using outreach campaigns to reach youth and women, a structured incubation programme for start-ups focused on business modelling, an investment-readiness acceleration programme for existing SMEs, mentorship, and a mix of direct and intermediated financing at different stages of the business life cycle.

The project also seeks to leverage best practices globally and to avoid 're-inventing the wheel'. Proven approaches and tools will be adapted for the local contexts and AP will partner with leading organisations in this field. This is to ensure that AP benchmarks its offerings against international standards and that the supported enterprises maximise their potential to become sustainable and attract investors.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is not foreseen to conclude a financing agreement with the partner country/countries.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.1 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of adoption by the Commission of this Action Document.

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 modalities

Both in indirect and direct management, the Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures affecting the respective countries of operation¹⁵.

5.3.1.1 Grant: (direct management)

Accelerate Prosperity in Central and South Asia" direct award to the Aga Khan Foundation

(a) Objectives of the grant, fields of intervention, priorities of the year and expected results

See sections 4.1 and 4.2.

¹⁵ https://eeas.europa.eu/sites/eeas/files/restrictive_measures-2017-04-26-clean.pdf

(b) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to the Aga Khan Foundation for its technical competence (Article 195(f) of the Financial Regulation). The Aga Khan Foundation has strong experience in the supporting private sector development, including in the region. The Aga Khan Development Network (AKDN) has a strong presence and experience in the region (Afghanistan, Pakistan, Kyrgyzstan, Tajikistan), as an affiliated set of commercial and philanthropic development institutions. These include notably:

-The Aga Khan Foundation (and its rural economic development programmes, including the Aga Khan Rural Support Programme in Pakistan and the Mountain Societies Development Support Programme in Tajikistan and Kyrgyz Republic.

-The University of Central Asia's School of Professional and Continuing Education in Tajikistan, the Kyrgyz Republic and Afghanistan (with affiliated activities in Pakistan);

-The Aga Khan Agency for Microfinance and their affiliated First Microfinance Banks in the four countries;

-The Aga Khan Fund for Economic Development with leading financial institutions (Habib Bank Ltd.; Kyrgyz Credit and Investment Bank); telecoms companies (Roshan and T-Cell in Afghanistan and Tajikistan, respectively); Serena hotels in Afghanistan, Pakistan and Tajikistan; and other existing, new and pending investments across the four countries.

This will enable appropriate selection of talents and competences, mentorship and capacity building, leveraging appropriate sources of financing for MSMEs, and linking beneficiaries to appropriate commercial networks.

d) Essential selection and award criteria

The essential selection criteria are the financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(e) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 80%.

If full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(f) Indicative trimester to conclude the grant agreement

Q2 2019

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

	EU contribution (amount in EUR)	Indicative third party contribution, in currency identified
5.3.1 – Grant: direct award to the Aga Khan Foundation	10,000,000	3,500,000
5.8 – Evaluation, 5.9 - Audit	will be covered by another decision	N.A.
5.10 – Communication and visibility	N.A.	N.A.
Total	10,000,000	3,500,000

5.6 Organisational set-up and responsibilities

The implementer will establish a Project Management Unit (PMU) for overall leadership, consolidation of reporting and communication with the EU Delegation in Pakistan, appointed as the lead, and to AKF(UK). The PMU Manager will oversee the four AP country managers and will be the convenor from AKDN’s side in the envisioned Steering Committee of the Action.

EU Delegations in the 4 countries will be closely involved and regularly informed of progress. A Steering Committee will convene annually, chaired by the EU Delegation appointed to lead the management of the Action, convening all the other EU Delegations, AKDN representatives, and eventually others as appropriate others (such as Representatives from the countries Business Community and the Governments). The Steering Committee will monitor the progress of the programme and promote and ensure synergies with other activities led by the EU and other stakeholders in the region. The steering committee location would alternate across the different countries.

AKF(UK) will provide overall grants management, administration and support to ensure compliance with the EU regulations, and will also be the focal point for communications with the EU and for reporting. Each beneficiary country's AKF Office will manage the implementation of various components under the proposed Action and will engage external partners, contractors and suppliers as needed.

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 logframe 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).

5.8 Evaluation

Having regard to the nature of the action, a mid-term and a final evaluation will be carried out for this action or its components via an implementing partner or independent consultants.

The mid-term evaluation will be carried out for problem solving, learning purposes, in particular to take stock of any lessons learned of this innovative initiative during its first phase of implementation.

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, if successful, the initiative could be potentially replicated.

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.

The financing of the evaluation shall be covered by another measure constituting a financing decision.

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, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

The financing of the audit shall be covered by another measure constituting a financing decision.

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 5.5 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.

A communication and visibility plan will be built in the grant to cover all countries involved.

APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY)

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

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	Enhanced equitable economic wellbeing of women and men in rural Pakistan, Afghanistan, Tajikistan and Kyrgyz Republic	1-Gross National Income (GNI), Per Capita 2- Gender Development Index score	1- GNI Per Capita, Atlas Method, 2016 -Pakistan \$1,510, Afghanistan \$580, Tajikistan \$1,110, Kyrgyzstan \$1,100 2- GDI 2017 Report/ 2015 Data -Pakistan: 0.742, Afghanistan: 0.609, Kyrgyzstan: 0.967, Tajikistan: 0.930	1- Positive trends in GNI against the baseline at least 2 years beyond the life of the Action 2- Positive trends in GDI against the baseline (2019) at least 2 years beyond the life of the Action	1- World Bank 2017: https://data.worldbank.org/indicator/NY.GNP.PCAP.CD 2- UNDP Gender Development Reports 2017: http://hdr.undp.org/en/composite/GDI	
Specific objective(s): Outcome(s)	SO1: Increased growth of supported enterprises SO2: Increased trade between supported enterprises, producers and clients in targeted areas	1.1: # full and part time jobs created in supported enterprises (disaggregated by sex and age) 1.2: # full and part time jobs created in backward and forward linked businesses of supported enterprises (disaggregated by sex and age) 1.3: % of targeted entrepreneurs having positive perception of change in economic opportunity / wellbeing ((by enterprises' sector, sex and age of owner) 1.4: % of supported enterprises that are profitable, over the last 12 months and cumulatively over the Action 1.5: Amount of co-financing and follow-on financing secured by supported enterprises within three years of being supported 2.1: No. of producers and clients (disaggregated by sex and age) reached by supported enterprises	1.1 0 (with the support of this Action) 1.2 0 (with the support of this Action) 1.3 0 (with support of this Action) 1.4 0 (with the support of this Action) 1.5 0 (with the support of this Action) (2019) 2.1 0 (with the support of this Action) 2.2 TBD in the inception phase. (2019) 2.3 TBD in the inception phase. (2019)	1.1: 3,000 new full and part time jobs created by Y4 (55% youth: 50% men, 50% women), (45% adults: 50% women, 50% men) 1.2: 1,500 new full and part time jobs created by Y4 1.3 TBD at the inception phase (2019) 1.4: TBD at the inception phase (2019) 1.5 EUR 10.5 million in co-financing and follow-on financing secured by supported enterprises by Y4 (3:1 on AP investments) 2.1 45,000 producers and clients supplying and/or buying from targeted enterprises by Y4 2.2: TBD at the inception phase (2019) 2.3: TBD at the inception phase (2019)	1.1: AP MIS with SME tracking tools 1.2: Multiplier Study 1.3: Client Perception Survey of target groups at start, mid-term and end of Action 1.4: AP MIS with SME tracking tools 1.5: AP MIS with SME tracking tools; AKF letters of commitment from private sector 2.1: AP MIS with SME tracking tools 2.2: AP MIS with SME tracking tools; UCA SPCE annual alumni survey 2.3: AP MIS with SME tracking tools	Each country has promising and motivated entrepreneurs and high quality companies that can achieve profitability and growth based on non-financial and financial assistance. The programme model developed in Tajikistan and Pakistan can be adapted into new regions in each country.

		as a result of the Action 2.2: % of supported enterprises that have traded across borders over the last 12 months and cumulatively over the Action. 2.3- % of targeted entrepreneurs with expanded supply chains or distribution channels				
Outputs	<p>OP1.1. Increased capacity of entrepreneurs in rural areas to plan and operate their businesses, particularly women and youth business owners</p> <p>OP1.2 Increased access for women and men entrepreneurs to tailored seed, start-up and early stage growth financing in targeted regions</p> <p>OP1.3. Increased availability of open source investment tools and resources to promote replication</p> <p>OP2.1. Strengthened supply chains and last mile distribution channels among targeted small businesses</p> <p>OP2.2. Enhanced Business to Business (B2B) linkages between countries, involving AP and SPCE supported enterprises</p> <p>OP2.3. Increased availability of documented learning and evidence about youth and women's entrepreneurship and trade</p>	<p>OP1.1.1: # of entrepreneurs completing incubation, acceleration and university training programs supported by the Action (disaggregated by sex and age)</p> <p>OP1.1.2: Percentage of entrepreneurs having a positive perception about their business's performance as a result of coaching and mentorship (disaggregated by sex and age)</p> <p>OP1.2.1: No. of active angel / impact investors making investments in supported enterprises in the last 12 months and cumulatively over the Action</p> <p>OP1.2.2: Percentage of entrepreneurs having a positive perception about their business's performance as a result of accessing tailored financing (disaggregated by sex and age)</p> <p>OP1.3.1: No. and type of open source resources and tools shared publicly that promote innovative financing and investments</p> <p>OP2.1.1: No. of small enterprises using technical assistance to expand their supply chain or distribution channels</p> <p>OP2.2.1: No. of entrepreneurs taking part in formal trade training, networking and sector trade events, promoted by AP or SPCE (disaggregated by sex and age)</p> <p>OP2.3.1: No. of learning products developed by the Action that are shared with others promoting enterprise development, in close collaboration with ongoing EU and other donor</p>	<p>OP1.1.1 0 (with the support of this Action) (2019)</p> <p>OP 1.1.2 0 (with the support of this Action) (2019)</p>	<p>OP1.1.1: 1,541 entrepreneurs (45% youth: 50% men, 50% women), (55% adults: 50% men, 50% women) by Y4</p> <p>OP1.1.2: At least 80% of entrepreneurs have a positive perception about their business's performance as a result of coaching and mentorship by Y4</p> <p>OP1.2.1: 1 new investor makes an investment per country, in each year of the Action</p> <p>OP1.2.2: At least 80% of entrepreneurs have a positive perception about their business's performance as a result of tailored financing</p> <p>OP1.3.1: 8 tools and resources made public available, such as tested investment term sheets, legal overviews, due diligence templates, accelerator policies by Y4</p> <p>OP2.1.1: 15 enterprises (25% youth: 50% men, 50% women), (75% adults: 50% men, 50% women) expand their reach to suppliers and clients as a result of technical assistance under the Action by Y4</p> <p>OP2.2.1: 60 small business owners (15% youth: 50% men, 50% women), (85% adults: 70% men, 30% women) complete formal training on regional trade and take part in multi-country networking and trade events by Y4</p> <p>OP2.3.1: 13 learning products developed and shared on topics</p>	<p>OP1.1.1: AP MIS with SME tracking tools - UCA SPCE / LUMS Training Enrolment and Attendance Data</p> <p>OP1.1.2: AP - Client Perception Survey</p> <p>OP1.2.1: AP Survey of Investees</p> <p>OP1.2.2: AP - Client Perception Survey.</p> <p>OP1.3.1: AKF MERL (Monitoring, Evaluation and Result Learning) Case Studies; AP online posting of resources</p> <p>OP2.1.1: AP MIS with SME tracking tools</p> <p>OP2.2.1: AP MIS and UCA SPCE Training Enrolment and Attendance Data</p> <p>OP2.3.1: MERL Case Studies</p>	<p>Each country has promising and motivated entrepreneurs and high quality companies that can achieve profitability and growth based on non-financial and financial assistance.</p> <p>The programme model developed in Tajikistan and Pakistan can be adapted into new regions in each country.</p>

		funded projects		such as: mentorship, angel investing, regional trade, and youth and women led entrepreneurship by Y4		
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