

Punjab and Khyber Pakhtunkhwa were also highly affected. Widespread flooding and landslides have had severe repercussions for human lives, property and infrastructure.

The agriculture sector provides 80% of the rural population in KP with direct and indirect livelihoods but still has an untapped growth potential in terms of income generation and job creation. Along with political instability and security concerns, the main factors explaining this gap are low levels of education and skills, insufficient public and private support services, inefficient agricultural markets, and weak farmers' bargaining and marketing capacities. The result is the predominance of the informal economy and a labour market featuring low labour force participation rate, high unemployment rate particularly among youth, and very low participation of women.

The 2022 floods have resulted in the loss of agricultural crops and livestock, absence of safe drinking water, and difficulties in distribution of food, with a negative impact on livelihoods as well as on the overall food security of the population, including the refugee population, at a time of rising prices of essential commodities.

The Khyber Pakhtunkhwa – Rural Economic Transformation (KP-RET) Project follows a request from the Government of KP and the UN International Fund for Agricultural Development (IFAD) and has been designed to address the main drivers of rural poverty and food insecurity by supporting the transformation of the rural economy of the province into an engine for inclusive and sustainable economic development. The project will foster sustainable and profitable agribusiness development to improve rural income and employment in all the 35 districts of the province and support the development of the needed skills in the sector, with special attention to women and youth inclusion.

The **Overall Objective** of this Action is to contribute to poverty reduction, food and nutrition security and strengthened resilience of rural households in the province of Khyber-Pakhtunkhwa, and the Specific Objective is to improve sustainably rural households' income through climate-resilient, high-value agriculture and off-farm/non-farm employment opportunities, with a focus on youth and women.

The Outputs to be delivered comprise (1) Enhanced capacity of smallholder farmers for implementing environmentally sustainable agricultural practices and increased market access; (2) Improved capacity of rural households to obtain decent jobs and engage in entrepreneurship in the agricultural sector, with a focus on women and youth; (3) Strengthened provincial government's capacity for policy dialogue/reform.

The Action will cover 785,000 households (4.35 million persons, i.e. 15% of total rural population in the province) including 196,250 (25%) women through Agribusiness Development, Skills Development and Employment Promotion, and also via improved service delivery by the public sector. An estimated 50,000 Afghan refugees (i.e. approximately 9,000 refugee households) will be covered by the Action, corresponding to 15% of the estimated total number of Afghan refugees that are living in the 43 refugee villages in rural areas in the province. Improving the availability and accessibility of support services in agricultural value chains will lead to increasing added value in selected sustainable value chains for agricultural producers and entrepreneurs. 75% of the targeted households are expected to achieve increase in their income.

A 50% quota for youth and 25% for women beneficiaries will be ensured in all the project activities, and women's access to jobs and entrepreneurship opportunities will be particularly enhanced. Efforts will be undertaken to include Afghan refugees in the programme in a conflict sensitive manner along with host communities and migrant returnees. Nutrition and climate change will be mainstreamed in all aspects of the project implementation.

The Action contributes to three Specific Objectives in the MIP 2021-2027 Priority area 1 – Green Inclusive Growth: (1) *Support sustainable growth of SMEs and MSMEs in Pakistan*; (2) *Improve the performance and sustainability of agribusiness and its integration into local and regional value chains*; (3) *Boost sustainable agriculture and sustainable access to water*. It is also linked to Priority area 2 – Human Capital, Specific Objective 5 – *To improve labour skills to meet the demand in the agribusiness, water and energy sub-sectors*.

The Action will contribute to SDG 1- No Poverty, SDG 2- Zero Hunger, SDG 5- Gender Equality, SDG 6 - Decent Work, SDG 12 -Responsible consumption and production and SDG 13 – Climate Action.

The Action is part of the TEI for Pakistan 'Building back better through Green Jobs Creation' and will complement and create synergies with planned Italian Cooperation initiatives in KP in support to fruits and olive oil production, including development of irrigation. AFD is also exploring a possible complementary action to support a new agricultural gross market in Lahore which would increase market opportunities for agricultural producers in KP.