

Evaluation of Sector Approaches in Environment Pakistan Case Study

**Policy Operations Evaluation Department
Directorate General for International Cooperation (DGIS)**

January 2008

MetaMeta Management



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1. Introduction

This report brings together the results of the Pakistan country case study undertaken as part of the Evaluation of Sector Approaches in Environment, commissioned by the Policy Operations Evaluation Department (IOB) of the Directorate-General for International Cooperation, the Netherlands (DGIS). The objectives of the policy evaluation are to obtain insights into the results of Dutch support to the environment and to contribute to policy development intended to promote the application of the sector-wide approach in environment. Other country case studies are undertaken in Colombia, Vietnam, Senegal, Cape Verde and Ghana. The last two country case studies – as is the case of Pakistan - are desk studies complemented by a verification visit.

In Pakistan the Royal Netherlands Embassy (RNE) has provided assistance to environmental programs throughout the period of this evaluation. The development relation has been subject to considerable change, primarily triggered by policy changes and political decisions in The Hague. Initially there was a broad aid relationship between DGIS and Pakistan. However, after the nuclear tests in Kharan in 1998 all aid to Pakistan that was non-humanitarian in nature was suspended. De facto this meant a refocus on programs that had either civil society or the private sector as the main partner. With the reassessment of partner countries in 2001 Pakistan was no longer included as a full-fledged partner country, yet it continued in the league of 'thematic countries'. The two themes chosen were environment and governance. Projects and activities in other fields were phased out. When a new unified list of partner countries was prepared in 2003, Pakistan was again included in the list of 36. The emphasis remained on the environmental sector (broadly defined so as to include water resource management as well) though some activities were restarted in the field of education. The latest development is that in the new classification, used by DGIS (that distinguished between fragile states, accelerated MDG achievement countries and broad aid relation countries), Pakistan is placed in the category of fragile states.

Total expenditures in 2004-2006 for activities in environment, excluding the water sector are given in Annex 1. Annex 1 also includes a bird's eye overview of environmental expenditures from 1998 to 2006¹. Just prior to this period environmental expenditures peaked at Euro 5.3 M in 1997 – thanks to large forestry programmes in NWFP. These programs were among the ones phased out after 1998, ending more or less with the reorientation on civil society and private sector. After this only modest support was given to institutional reform in the forest sector in NWFP.

The report is based on a visit to Pakistan from 25-30 November, including a field visit to ICTP² project (in particular Dada tannery in Lahore), and a review of documentation, such as RNE annual reports, project progress reports and data from the various management information systems within DGIS. A list of persons consulted is attached as annex 2. The report first describes the country context (section 2) before discussing the development of the sector support in environment in Pakistan (section 3), including the role of DGIS. It finally discusses a number of themes and lessons on the implementation of the sector approach in environment (section 4) and ends with lessons for the entire study.

The Pakistan case study is of particular interest because of the following reasons:

- Pakistan is the largest partner country in terms of population and size of economy within the DGIS bilateral program
- Despite a relatively modest portfolio the Netherlands has been one of the largest and most consistent bilateral donors in environment in the country
- In the delegated bilateral program the RNE program has focused on private sector and civil society – and managed to reach scale in these projects
- The modality of Policy Based Lending is increasingly applied by multilateral banks in Pakistan.

¹ This overview as yet does not include the private sector clean technology programmes, hence the difference with the reports

² Introduction of Cleaner Technologies in Tannery Clusters of Punjab, private sector project funded through delegated bilateral assistance.

2. Context

2.1 Development status

Among all partner countries in the environmental program of DGIS Pakistan is the largest in terms of population, i.e. 159 Million people in 2006, growing at 2.4% a year. The population growth in Pakistan is above average for South Asia (1.7%) and for low-income countries in general (1.9%). Testimony to the comparatively young make up of the population is that the labour force is increasing at 3.8% a year (World Bank 2007b).

GNI per capita in Pakistan is USD 800, above the South Asian average (World Bank 2007a). The number of people living below poverty line was 24% for 2004/2005 (DFID 2007) or in real terms: 40 million people. Poverty is concentrated in rural areas, where incomes are 30% below urban incomes. Within the group of the rural poor the largest group (52%) are non-farm households, i.e. those that have no access to agricultural income generation either through land or labour. This large group of people depend primarily on rural services and crafts. Real expenditures in this group over the last ten years have stagnated and even reduced. Because of skewed land distribution agricultural growth is not associated with rural poverty reduction – unlike trends elsewhere³ (World Bank 2007c). Instead access to education, land ownership, village electrification and paved roads are driving forces for changes in household welfare (World Bank 2007a).

Pakistan's economy has grown fast in the last five years, making up for years of relative stagnation in the mid-90s. This is partly attributed to the massive debt rescheduling, that took place with the 'Afghanistan dividend', but it is also strongly related to the relative domestic political stability in the 1998-2006 period and the general economic upswing for the region. GDP growth was 7.7% for 2005 and 6.9% in 2006 and 4.2% for the entire decade. Agriculture's share of the economy is slowly declining, standing at 19% in 2006, whereas industry and services account for respectively 27% and 53%.

2.2 Environmental issues

Compared to other countries, many basic statistics on environment and on water management are surprisingly difficult to get in Pakistan, making it hard to monitor the state of the environment. In the recent country environmental assessment the World Bank (2007a) estimates that environmental degradation presents a mean annual cost to the economy of 4,04 billion Euros. Using the DALY method the highest costs are caused by inadequate water supply, sanitation and hygiene (1,24 B Euros), followed by agricultural soil degradation (0,78 B), indoor air pollution (0,74 B), urban air pollution (0,72 B) and lead exposure (0,50 B). For some of other forms of environmental degradation – such as rangeland degradation, coastal zone damage, groundwater use and surface water pollution – costs were difficult to calculate.

Urbanization as well as industrialization in peri-urban areas has rapidly progressed in Pakistan. Pakistan is already the most urbanized country in South Asia. In the near absence of basic waste management facilities, this has translated in serious 'brown' environmental issues – probably more than other Asian countries in the same development bracket. An example is Lahore city, where most solid waste is disposed off in the Ravi River. Similarly in major cities, such as Hyderabad, wastewater is discharged without treatment in two large irrigation canals that are also the major source of domestic water for the downstream 2 Million population of Badin and Thatta District. Most of Pakistan's major cities rely on private pumping for domestic water supply. The piped supply from the Water and Sanitation Agencies is generally far too limited and unreliable. Shallow private wells are sunk in large numbers to augment supplies. The large scale exploitation of the aquifer underneath the cities

³ The 2007 World Development Report makes a strong case for agricultural development as the engine for poverty alleviation.

and in urban periphery has however led to falling water tables and to contamination of water supplies by leaking sewerage systems and septic tanks, for instance in Quetta, Islamabad/ Rawalpindi and Karachi.

Climate change is a widely discussed theme. From 1998-2001 Pakistan witnessed an extended drought period, causing releases from the two main reservoirs (Tarbela and Mangla) to be 20% below normal⁴. What was also very worrisome in this period was that water releases were made after the minimum levels in the Tarbela reservoir were reached. This caused the sediment delta in the reservoir to move and approach the turbines at an accelerated pace (no longer kept in place by the water mass). This considerably reduced the life span of this main national asset. In the last two years flows in the main rivers are again considerably less than average. This is in line with climate change projections, whereby the Himalayan catchment would be affected most seriously and flows in the Indus system would fall after a period of glacier melt.

2.3 Environmental governance

Environmental management was put on the agenda in Pakistan with the formulation of the National Conservation Strategy in 1992. The preparation of the Strategy was orchestrated by IUCN and financed largely by CIDA. The NCS was a mid-term strategy meant to last fifteen years. Following the NCS several things happened on the institutional front, such as the enactment of the Pakistan Environmental Protection Act (1997), the establishment of the Pakistan Environmental Protection Council (PEPC), the establishment of federal and provincial Environmental Protection Agencies and the initiation of Provincial Conservation Strategies.

In spite of all these changes, environmental governance in Pakistan is characterized by fragmentation and ineffectiveness (World Bank 2007a). The number of policies and regulations that have been and are being formulated is considerable yet they are weakly implemented. This can be blamed on weak enforcement, but there is also a 'gratuite' element in some of the policy exercises, as policies and regulations are issued without a matching organizational plan. Hence it is no surprise that organizational structures are not able to cope with new demands, even leaving low motivation or discipline aside. There is inevitably an element of arbitrariness and ineffectiveness in the enforcement of the acts and standards, which undermines credibility. On the other hand as one informant explained with regards the national environmental quality standards, just because the norms exist, they provide a framework for at least larger players, such as industries, to self regulate.

All Provinces have an Environmental Protection Agency and at federal level there is a Ministry of Environment. Their functions are largely confined to regulation. As a result the PEPAs and the Ministry of Environment tend to be isolated and not popular. A posting at these organizations is a least coveted career option for instance. The Ministry of Environment is mainly involved in making policies (revised National Quality Standards, National Environmental Policy, National Sanitation Policy), yet as all the subjects are the responsibilities of the provincial administration or the district administration, there is a gap between policymaking and policy implementation. Also intriguingly, the formulation of the most recent set of national environmental policies was largely intra-ministerial – in contrast to the broad processes that were used in formulating the NCS in 1992. Mainstreaming of environment is particularly weak in Pakistan. The Ministry of Environment for instance has no linkage with the Planning Commission or the Board of Revenue and this has undermined the possible promotion of clean technology by fiscal incentives⁵. The need to broaden the environmental efforts and integrate environment in other fields is also reflected in the Mid Term Review of the NCS that recommended that NCS-2 should become a Sustainable Development Policy. The formulation of this is currently in the making, but in the meantime not much is taking place in terms of integrating environmental issues in main development activities.

⁴ The rationalization of water supplies that followed this triggered more intensive conjunctive use and caused in Sindh in particular a significant reduction in the area water logged (from more than 2 M ha to less than 450,000 ha

⁵ In spite of earlier positive experience with the implementation of the Montreal Protocol.

This pattern of institutional marginalization is repeated at Provincial level. The Provincial Environmental Protection Agencies have primarily regulatory functions and are for instance weak in generating environmental programs. They are not strongly connected to the environmental cells in the Provincial P&D Departments. As a result in the absence of good proposals government budget allocated to environmental programmes is often unspent and main initiatives come from civil society. An assessment of EPAs in 2000 still holds true: *"EPA responsibilities are greater than the capacity to deliver, and they are mired with various organizational and structural issues, and low political commitment".* (GoP/ MoELGRD, 2000).

The implication of this analysis is that working with environmental agencies in a sector wide approach is a tall order in Pakistan. There is no administrative or financial consistent unit; there is considerable distance between federal, provincial and district level administrations; there is no integration of environmental concerns in any of the main sectors of society; and much of the implementation capacity is with civil society or private sector. On the other hand – basic environmental management and sustainable development issues – are huge, as can be seen from the calculation of losses to the economy. One can ask the question whether terms current environmental governance in Pakistan in logical framework presents a 'killer assumption' for meaningful engagement in a sector approach mode or a huge challenge to be addressed.

3. RNE program in environment

The RNE - in spite of the relatively modest disbursements - has been one of the most important grant-based donors in environment in Pakistan. The field obviously is not crowded. SDC and CIDA have been the other two donors in this field, but CIDA has withdrawn from the sector. DFID has a substantial aid portfolio with Pakistan and is financing a number of environmental activities, but for DFID environment is not a main intervention area. The Nordics – that are manifest in environmental programs elsewhere are absent in Pakistan. The EU has committed 110 M Euro in its country assessment strategy to environment but this is not programmed yet.

For most of the period under consideration the focus of RNE support to environment was by intention on programmes with civil society and the private sector, as well as with international organizations operating in Pakistan. The urge towards a sector approach in Pakistan, following the 1998 policy change, was non-existent in the Pakistan program. Only after 2004, government-to-government programmes were rediscussed again. Total resources being limited the RNE has sought to strategically intervene in several possibly high-leverage activities, working with players in private sector and civil society and seeking convergence with multinational organizations.

The main activity with the private sector in Pakistan has been series of Clean Technology Projects. The Pakistan Clean Technology Projects are in fact probably the most substantial private sector activity in the entire DGIS delegated bilateral program in environment. They developed over a period of ten years, expanding to a substantial portion of the industrial sector in the process. The program started in the tannery sector, which had a particular bad reputation for its contamination of water bodies with organic waste and chromium, which is carcinogenic. The main partner organization was the Pakistan Tannery Association, a member association representing a substantial portion of the 600-800 tanneries in Pakistan. Under the program primary and secondary water treatment were promoted, as well as chromium removal and energy conservation. An innovative TA formula in the clean technology projects is used. The consultant is expected to identify (with the Association) tanneries that are interested to modify clean technology. The consultant would do a survey of clean technology options, gauge real interest, train workers and prepare the design and specifications for the treatment facilities. The consultant is reimbursed a fixed proportion of the investment cost (initially 10% - later reduced to 5%), which is only paid after the installation of the clean technology by the industry. The concerned industry pays all installation and investment costs.

The projects have been very much by, through and within the industries. The role of the government in the introduction of clean technology has been minimal, and in some cases discouraging. The discouragement comes from the absence of accessible landfill sites, which forces several of the

tanneries to illegally dispose of sludge and leather clippings (that still contain chromium)⁶. In their own words the motivation for the industrialists to introduce wastewater treatment and chromium recovery facilities was their exposure to this through business contacts in Europe (Italy). The clean technology programme is remarkable for the critical mass it has reached. 88 of the tanneries have introduced primary treatment by now. Three have introduced secondary treatment that removes all organic and chemical contamination, whereas twelve more industries are contemplating the same. To put things in perspective the investment (around Euro 300,000) in a secondary treatment facility is of the same order of magnitude as one day's turnover for a larger plant, so the investment is manageable. In addition Environmental Audits have been undertaken in more than 100 tanneries and self-monitoring is introduced in more than 40. The Clean Technology Program – using a similar formula – is now expanded to the sugar industry, the paper pulp industry (which is particularly polluting as it uses wheat straw as the raw material) and textile industries. Over time as part of the project an autonomous Clean Production Institute has developed, private sector consultancy services have strengthened and a self-financing water quality laboratory has been created catering for the industries in particular.

The RNE programmes with civil society were undertaken with international NGOs, in particular IUCN and WWF. Following the success of the National Conservation Strategy, IUCN was engaged by the RNE to help facilitate a Provincial Conservation Strategy for Balochistan. The Balochistan Conservation Strategy aims to be the framework for sustainable development and brought together a wide range of information on natural resource management and environmental governance, pertinent to the Province. The Provincial Conservation Strategy was supported by a wide consultation process and was in the end approved by the Provincial Government. It triggered some activities, such as the demonstration projects on artificial groundwater recharge and chilgoza (pine) forest.

In addition to facilitating the Provincial Conservation Strategy, IUCN has also helped prepared District Visions for six districts in the country, addressing a provision in the Local Government Ordinance, which calls for the development of integrated visions. The District Visions have appeared under seal of the local government (though authorship is with IUCN) and prepare a framework for development, describing the status in green and brown environmental sectors, vulnerability to disasters and socio-economic development. The district profiles briefly suggest implementation and funding mechanisms. Feedback from one of the profiles (Badin) suggests that their uptake is dependent on the interest of the sitting district leadership, in the absence of a systematic planning and budgeting process by the district governments. The same applies for the Provincial Conservation Strategies: any planning document is only as good as the use that is made of it by implementers.

With the WWF the Indus for All Programme is undertaken. The RNE first made a grant available to WWF to prepare the project and has recently allocated Euro 9.42 Million for its implementation. The Indus Region is singled out as one of the forty globally important 'Eco-Regions'. The approach of the Indus for All project is modelled on eco-region programmes elsewhere. Key is a 50-year vision on the region – that is meant to be encompassing framework that avoids a 'small projects' approach. In the Indus for All project activities started with a two-year period of developing linkages between stakeholders and getting the buy-in from main players associated with the four sites selected (Chotiari Wetlands Complex, Kinjer Lake, Keti Bandar and Pai Forest). One experience of WWF is that WWF in the context of these specific activities is providing the linkage between the different government structures involved in environment, such as the Ministry of Environment, the Provincial EPA, the Wildlife Department, Forestry Department and the Environmental Cell of the Planning and Development⁷. Also the development of the vision is initiated from WWF rather than by the Government of Pakistan or the Provincial Government of Sindh. What is remarkable from the role of

⁶ This is also one of the reasons why the Tannery Association – though very active promoting environment management otherwise, among others through a newsletter – is not supporting the self-monitoring program (called SMART) introduced by the Provincial Environmental Protection Agency. SMART also already presupposes treatment facilities. The members of the Tannery association would prefer an active role of the government in facilitating effluent treatment and waste management (through investment packages, concessionary loans, tax breaks using high depreciation rates as far as allowed under the WTO) rather than issuing laws and regulations only.

⁷ The impression though is that the program is weakly linked to some other initiatives on water management in the Lower Indus, such as the expert panels on the Lower Indus. This probably says more of the fallacy of comprehensive stakeholder involvement, as in many cases there is always an important initiative or group that is not invited to the event.

the international NGOs in Pakistan is that they play an initiative-taking, almost masterminding role with the government organizations and are able to work at scale. This is different from the 'checks and balances' role or local implementation role, that NGOs are assumed to play in sector approaches. In case of IUCN, because of it being a coalition of government and non-government organization by design it is not supposed to criticize the government.

Finally, in addition to partnering with the private sector and international civil society, the RNE developed a number of activities with international organizations, in particular World Bank, Asian Development Bank and UNDP.

UNDP has been an important international player in environment in Pakistan and for instance been chairing the donor group on environment for instance. The major programme currently funded by the RNE that is administered through UNDP is the Wetlands Programme. The gestation of this programme has been slow. One reason was that the WWF was the preferred implementing partner but procurement rules of UNDP did not allow sole sourcing. In these programme four ecological complexes based on shallow water bodies have been selected and the aim is to come to management plans that combine the conservation of the ecologically significant areas with a sustainable livelihoods approach. The first two years of activities are again dedicated to social assessment and local coalition building which causes some uneasiness, as it means there is little to show for in the beginning of the program.

Earlier UNDP also administered the National Environmental Action Plan (NEAP) that was formulated following the MidTerm Review of the NCS (see also chapter 3). The NEAP was implemented under a so-called 'umbrella PC-1', so as to have it officially approved. Within the program UNDP procedures were used, among others to allow multiyear financing, an example of semi-alignment to financial procedures. At present NEAP-2 is under preparation. There is a certain amount of uneasiness at the side of the Ministry of Environment as to the progress being made in this respect by UNDP, who is leading this. As the UN in Pakistan is reassessing its mode of operation, wanting to come to a 'One UN' system whereby critical mass does not get lost between multiple individual UN organizations and small activities, the NEAP-2 preparation is slowed down. This is another example of the catalyzing role of third parties in the environmental system. In this case this was leading to frustration of the Ministry of Environment because of the speed of things, but also because of the credit for the programmes in the end was not going to the Ministry. There is a level of discomfort with the engagement of intermediary organizations, such as the UNDP. During the field checking on two occasions the point was made that sometimes bilateral donors are too much hidden behind the firewalls of Steering Committees and intermediary organizations, and are disengaging themselves from their own important stakeholders role.

With the World Bank the RNE has developed a trust fund. This trust fund is administered by the World Bank to promote innovative projects, trainings and support to projects in water management. It has been used for instance to provide the rather effective (see section 3.2) management supervision and technical assistance to provincial budget support under the Development Policy Loan for the Irrigation Sector in Punjab. The fund has also been requested to finance a training in Strategic Environmental Assessment.

Cooperation with the ADB focussed on the Balochistan Resource Management Programme, a policy loan to the amount of USD 120 Million. The loan was to be disbursed on the achievement of certain policy benchmarks and the RNE provided parallel co-funding (USD 1.64) to the ADB Technical Assistance Loan linked to this policy loan. An important set of benchmarks for budget support concerned the phasing out of electricity subsidies on agricultural pumping. The case for abolishing the concessional power rates is that whereas groundwater overuse is rampant in Balochistan, flat rate power tariffs for tubewells – mainly used by an elite group of rich farmers that are able to afford the considerable investment - are equal to only 20% of actual costs. The first policy benchmark was a public announcement on the end to the concessional rates, which was easily achieved as it was without consequences. Follow up steps, however, such as recording illegal connections and registering

tubewells however flandered – due to resistance of farmers and the power company alike⁸. In spite of these – much to the dislike of the RNE – the ADB disbursed its loan, in the process doing disservice to the sustainable groundwater management in Balochistan. The RNE continues to fund through the ADB a consultant supporting the water sector, who is working on a large series (23 by now) of policy papers.

RNE support to environmental sector in Pakistan has been exclusively through the project modality. The RNE has over the years developed a number of substantial projects with many of the strong non-government players in environment – typically in the plus 1 Million Euro range. Though all activities were undertaken under a project modality, they all had an institutional or policy agenda as well – in most cases engaging government organizations too. The stereotype stand-alone, do-good image of projects did not apply for either of the activities in the RNE programme – as it probably does not do anywhere in the delegated bilateral program.

No new project linked directly with the government were started. The main exception on not working directly with the government was a project on Forestry Sector Reform in NWFP, which was the follow-up of the large social forestry projects undertaken in the 1990's, in particular the Social Forestry Project, Environmental Rehabilitation in Malakand Division, the Forestry Sector Project and the closely linked Institutional Transformation System. In 1998 there was harmonization between the donors in the Forestry Sector through an active Donor Coordination Group. Openings were made to align with activities of the ADB in this sector, but in 2004 the activities were discontinued, because of lack of commitment and interest on the Government of North West Frontier Province, according to the Annual Report of the RNE. Gradually all donors withdrew from the sector, with the RNE the last to close the door. Another activity with the government was the removal of obsolete pesticides. Under this program 370 ton of obsolete pesticide had been incinerated in the Netherlands in the late nineties. A second phase of this project could not take place because of the ban on working with government organizations.

4. Analysis

4.1.1 Management of inputs

Being a constant presence in the environmental sector, the RNE was an active participant in the discussion on environmental policies. It took active part in the discussions on the Mid Term Review of the NCS and the formulation of the National Environmental Action Plan, which followed from it. From 2003 onwards it co-chaired the Environment and Development Coordinating Group, which main task is information sharing. It also tried with limited success to raise the profile of environment in the PRSP process. In the end economic development however became the paramount objective of the PRSP. Being constrained by the ban on working with the government, it funded instead a mix of high leverage initiatives at policy level with other organizations.

All of this was done with relatively modest resources: human resources at the RNE were for a large part of the evaluation period less than full-time (in 2001-2003 0.6 fte of international specialist and full time national programme officer, who at times had to also manage other programmes in particular the governance program). Unlike some other countries RNE staff have not been a strong force in policy dialogue, of which there has been relatively little anyhow in Pakistan.

⁸ There was resistance by all parties to abolish the flat rate – from the WAPDA (power authority) because it would have to forego its easy to administer and account for missing power delivery.

4.1.2 Harmonization

There has been no harmonization at sector-wide level to speak of in the field of environment. This was also less necessary given the small number of bilateral donor agencies in environment. In its program the RNE has partnered and pooled resources with the World Bank and the Asian Development Bank, arguably the larger players. The RNE created the financial means for policy work in their loan programmes. Another example of harmonization was the cooperation among donors in the Forestry Sector, which was however undermined because of lack of commitment to institutional reform on the part of the Forestry Department in NWFP. Overall the resilience to bureaucratic reforms in Pakistan has been relatively large.

In Pakistan in general – unlike other countries studied in this evaluation – there is not much of a “Paris” culture. A number of initiatives are taking place. These are the alignment of financial years of donors with the Government of Pakistan procedures; the development of a Development Assistance Data Base; and the establishment of three working groups looking at various aspects of aid management – Coordinated Capacity Building, Procurement Rules and Monitoring and Evaluation, partly in a best practices mode. Yet none of these activities has generated much attention. The harmonization and alignment agenda in Pakistan compares poorly to most other countries in the Policy Review.

Different informants attributed the low enthusiasm for harmonization and alignment in Pakistan as well as the other elements of the Paris Agenda, such as alignment, monitoring for results, mutual accountability) to a number of factors:

- The low aid dependency with ODA around 10% of public sector budgets, but most of this from mega-loans (World Bank, Asian Development, JBIC)
- The observation that for several external financing agencies geopolitics override the development agenda
- The institutional complexities of the federal system, further increased with the devolution to local governments, as well as the general poor governance and financial management record (high scores on corruption perception index; low expenditures in the social sectors; low budget efficiency).

4.1.3 Role of NGOs

As a sign of the weak performance of the public sector, most environmental initiatives are taken by civil society. As one document from 2001 observed: *“most of the environmental related programmes and projects in Pakistan have been implemented directly by international NGOs by forming partnerships with the private sector and the community based organizations”* (UNDP/ Government of Pakistan 2001).

The role of NGOs has even gone further - in facilitating and even master minding policy processes. This was the core of much of IUCN activities in the past fifteen years, but also the SDPI actively supported the formulation of the NEQS. WWF similarly aims to work at policy scale as well as local field level, combining the two. The RNE has endorsed this role of NGOs, for instance in the 2003 Annual Report it sees mainstreaming environment seen as a responsibility of the partner NGOs. This role differs from the ‘checks and balances’ role that is sometimes assigned to the civil society.

4.1.4 Role of private sector

The strong private sector performance is seen as the key to Pakistan’s strong economic performance of the last five years. Unlike other developing countries the high economic growth in the country was achieved by higher production and export and not by higher commodity prices.

The weak regulatory function and the lack of a pro-active environmental investment programs means that in environment the private sector operates more or less disconnected from government and is in reality largely unregulated. The Cleaner Technology projects however, show that private sector can also be positively engaged in environment – even at large scale, given time for the programme to mature and given the constructive involvement of industry associations. It hard to see in the current context how such programs could have come to maturity if they were routed through the EPAs, not withstanding their mandate.

4.2 Sector support on environment

There has been convergence and cooperation in the environmental sector in a loosely styled mode, centered at national level on the implementation of the NCS and the results of its review. It would be too much to call this cooperation a sector approach. Set against the Paris Agenda, little has happened in the environmental sector in Pakistan:

- There is no single vision on institutional performance and service delivery in the environmental sector that is translated in implementation programmes by government and/or donors. The National Conservation Strategy and its successors are broadly accepted but follow up programmes, such as EPRCP and NEAP have been limited in scope and oriented to institutional development and more policy making.
- Harmonization between donors is limited to information exchange – however the limited number of donors active in environment makes harmonization less of an issue
- There has been no financial alignment and only very token procedural alignment (i.e. discussion on synchronizing budget years and the convenient use of 'umbrella PC-1's')
- There is no systematic monitoring of results in environmental management. Basic data are hard to obtain, even though measurable outcomes were formulated in the NCS. In fact compared to other smaller countries there is very little analytical work on environment in Pakistan.
- There is no working coordination mechanism or dialogue on environment or sustainable development. As a result 'environment is locked up in itself.

The main external players in environment are the World Bank and Asian Development Bank. The RNE has created the financial means for policy work in their loan programmes, which was probably most effective. This was probably the maximum the RNE could do given:

- The size of the bilateral environmental program and the size of the country
- The frequently changing terms of engagement and the 'ban' on working directly with the Government of Pakistan that lasted till 2003

4.2.1 Policy alignment

The low level of achievements in sector development is surprising, given that the National Conservation Strategy of 1992 was one of the first environmental strategies ever globally, developed on the basis of broad consultation process. It defined fourteen core areas⁹ and formulated outcomes in all of these in quantitative terms. It strongly introduced the concept of partnership, i.e. the implementation of environmental programs by the public sector, civil society and private sector. It identified funding required (estimated at USD 500 M/ year) and enlisted the commitment of different organizations to develop and fund activities in the core areas. An NCS Unit was established within the MoELGRD to coordinate the implementation.

⁹ The fourteen core areas were: maintaining soils in croplands; increasing irrigation efficiency; protecting watersheds; supporting forestry and plantations; restoring rangelands and improving livestock; protecting water bodies and sustaining fisheries; conserving biodiversity; increasing energy efficiency; developing and deploying renewables; preventing and abating pollutions; managing urban waste; supporting institutions for common resources; integrating population and environmental programs; preserving the cultural heritage.

Somehow the trend-setting formulation of the strategy was not matched by equally spectacular implementation. The immediate follow-up of the NCS process was the creation of many new institutions. The implementation of the NCS was supported by the World Bank through the Environmental Protection and Resource Conservation Project (1992-1999) – with a strong institutional agenda: setting up Environmental Protection Agencies, EIA procedures and capacity building. The Mid Term Review of the NCS, undertaken in 2000, concluded: *"Achievements under the NCS have been primarily awareness raising and institution building rather than actual improvements in the quality and productivity of environment and natural resources"*. The main conclusion is that NCS implementation capacity requires much improvement. There was not much new investment in the fourteen core areas. Annual investments in environment were estimated to have been around USD 180 M a year, following the NCS, but much of this was 'old money', This was considerably less than the ambitious USD 500 M/year target of the NCS. The Mid term review of the NCS observed that the process has lost its momentum with for instance the NCS Unit described as: *"...so ill-equipped that many staff seem to have forgotten their mandate."* The Mid Term Review recommended that the NCS to be fully owned by the government and other stakeholders; link up with the devolution process set in motion since the formulation of the NCS; prepare NCS-2 as a sustainable development policy; revamp the institutional macro-structure and gear it towards NCS implementation; develop a broader range of financing modalities and reactivate commitments from donors through a donor coordination forum.

Following the Mid Term Review of the NCS the NEAP was formulated, with a stronger focus on government ownership. Coordination and management of NEAP was by UNDP. The budget required was USD 45 Million but it mobilized half of that. In addition 144 M USD was supposed to be contributed by the GoP. The Strategic Assessment of the World Bank (2007a) assessed the performance of the NEAP as *'the NEAP project was not integrated with the Government's budgeting system and as a result has not succeeded in mobilizing additional financial resources for environmental programs, and has not provided a strategic impetus for improved environmental management.'* It has continued to operate in the institutional domain and the achievements claimed concern mainly the formulation of a range of policies (National Environmental Policy, Sanitation Policy, Clean Development Mechanism Strategy, Draft National Forest Policy, Energy Conservation Policy, National Renewable Energy Strategy, Natural Resources Damage Assessment (NRDA) after the Tasman Spirit Oil Spill, Guidelines for Solid Waste Disposal, Management of Electronic Wastes, Mercury Assessment in Coal, State of the Environment Report and Mid-Term Development Framework) and the formulation of a National Environmental Information Management System. In the final analysis the NEAP perpetuated the shortcomings of the early phase of the NCS in a context where environment became a politically less important subject, even though environmental issues became a larger concern.

No link has been made with large investment programs. The World Bank is working on a lending program of up to USD 1 .5 Billion a year – with Development Policy Lending (budget support against policy benchmarks) planned to be form nearly half of this amount. The MoE even when encouraged slow to react to the opportunity, reportedly preferring to depend on grant based external support.

If one thing, the NCS shows that a good strategy coming out of a consultative process is not enough. If there is a lesson to be drawn it is that not only institutional follow up, but also investment programmes, mainstreaming environment in other sectors and in general keeping it high on the agenda (there is no objective reason why environment is low in priority in Pakistan and high in Vietnam)

4.2.2 Financial alignment

New more aligned aid modalities are being introduced in Pakistan. Policy lending – loan-based budget support against the achievement of policy benchmarks or 'triggers' - is being used by World Bank and Asian Development Bank. DFID is providing general budget support (GBS) – but much of this is related to the disbursement pressure, caused by DFID's raising of the level of development

expenditures. DFID has committed Pound Sterling 236 Million for 2005-2007, concentrating efforts on NWFP and Punjab. For the period 2008-2011 it has announced a doubling of aid allocation to Pakistan to Pound Sterling 480 Million. The EU provides budget aid and technical assistance to the Financial Services Sector Reform Programme.

The environmental sector so far is by-passed by budget support aid modalities and non-aligned or semi-aligned modalities still prevail. In NEAP for instance the UNDP procedural manual was used, whereas the overall project was covered by a so-called 'umbrella PC-1', approving the overall budget amount and nature of the programme. When asked, the Ministry of Environment would prefer budget support as it feels that its credibility is effected by the good works of others and it feels to be on the receiving end of the bureaucracy of international agencies, in this case the UNDP. This argument is partly undermined by the fact that the government is not able to utilize all options in the national and provincial budgets and formulate credible programs.

4.3 Management of outputs and outcomes

4.3.1 Policy operationalization

The slow operationalization of the NCS has been described in section 4.2. This can be contrasted with the experience of the DPL in the Irrigation Sector in Punjab. This DPL is indirectly supported by the Trust Fund to the World Bank that is funded by the RNE.

The three-year DPL programme in the irrigation sector operates on the familiar framework of triggers and policy actions. On achieving the triggers the loan budget is released. The first triggers concerned the approval of revised yardsticks for the allocation of O&M funds; the subsequent increase in budget allocation for O&M by the Government of Punjab (from Euro 14 M to 23 M/annually); the establishment of Farmer Organizations, signing of management transfer agreement and the authorization of these Farmer Organization to retain part of the abiana (water tax); the preparation of an inventory of irrigation assets and the establishment of an accounts committee to clear the backlog of audit objections. The importance of these and other triggers and policy actions in the DPL is not insignificant: they were earlier part of the program of the large National Drainage Programme (USD 550 M covering four provinces), but were at that time consistently resisted. The success factor of the Irrigation Sector DPL is related to the close cooperation with the Planning and Development Department in Punjab and the Irrigation and Power Department – creating the right mix of incentives for the Irrigation and Power Department (in particular increased O&M budgets); the intensive hands-on¹⁰ guidance of the process (four missions a year by a team of 10 renowned national professionals – giving ample opportunity to warn of possible shortfalls), and the strong leadership by the top management of the Government of Punjab's Secretariat. The policy triggers also made it possible to mainstream environmental agenda, in particular in the DPL in particular as it operates at policy level, example Social and Environmental Monitoring Unit in IPD Punjab (records and disseminates groundwater levels) and the engagement with Agricultural Department to upscale IPM. The World Bank, interesting, also professes a 'mix of modalities' but unlike the philosophy of DGIS this mix is not all in support of a sector approach but it is to have a balance between short-term location specific results/ service delivery (through projects) and mid-term policy/ institutional change (through policy loans).

It appears that in a country the size and complexity of Pakistan a sector wide approach may be difficult to get off the ground in an institutionally fragmented and low priority sector as environment. As the DPL experience shows there are on the other hand promising opportunities with the use and leverage of new aid modalities, particularly when they operate in an institutionally well-defined domain and can make use of a strong nexus with the Planning and Development Department.

¹⁰ Unlike the 'hands-off' approach, that is often promoted alongside new budget-support modalities (limited number of missions; limited number of policy benchmarks; benchmarks used for dialogue rather than condition; no field investigation)

4.3.2 Improved service delivery

An observation on sector approaches is that because of their institutional natures they cannot really be expected to result in improved service delivery in the short term. The same however holds true for several of the projects in the RNE program. The Wetlands Project and the Indus for All project both started with two-year consultation processes, before moving to implementation. Substantial time and costs were spent on consultation to deal with a complex stakeholder landscape, with results coming later

The main exception to improved service delivery are the Clean Technology Projects, that managed over a period of ten years to set up a delivery structure whereby several industries (leather, textile, paper) had access to local services in introducing clean technology.

4.3.3 Poverty focus

As in many other places, there is frequent reference in the different policy and programme documents to the link between poverty alleviation and environment. The link however is not explicit in all projects supported by the RNE. There is obviously always a plausible relation at generic level between environment and poverty reduction – for instance in protecting shallow groundwater tables, in safeguarding resource functions from wetlands and in more equitable irrigation supplies.

In the RNE-supported programs there is not a pronounced poverty focus, for instance by targetting certain groups or by explicitly improving the livelihoods of the poor. The main current exception are the wetlands programs, which intend to target poor communities. There is the beginning of local coalition building around areas with important environmental values in the Wetlands Programme and the Indus for All Programme – in a co-management mode.

In some cases it is also difficult to see how poverty alleviation would have a place in some sustainable development programs that are very worthwhile otherwise, such as the Clean Technology Projects. This does nothing to belittle the impact of the program. In fact in working with private sector in sustainable development activities, poverty alleviation may not be a key issue.

4.3.4 Transaction costs

One of the claims of the sector approach is that it reduces the amount of transaction costs, caused by a multiplicity of stand-alone projects. The experience in Pakistan is that the number of projects in environment is so small that this hardly makes an impact in these terms.

Where transaction costs however figure is in cumbersome procedures, as for instance in the Wetland Programme or the NEAP II. Here UN procedures stood in the way of speedy implementation. Transaction costs – or opportunity costs – were also associated with the way work was organized: the leave of absence of the concerned officer in UNDP said to be a factor in slow handling; as were changes in the management in the Ministry of Environment, requiring new persons to be familiarized with the issues.

5. Lessons

The Pakistan case study was included in the evaluation of the sector approach in environment because of the size of the country and its economy; the consistent support of the RNE to environment, making the RNE in spite of overall modest disbursement one of the larger bilateral donors in environment. For a large part of the period under consideration the bilateral program purposely did not work directly with government organisations. Instead the program focussed on supporting activities with the private sector, international civil society and international development banks.

Aid relations with Pakistan were subject to considerable fluctuation, instigated by political or policy decision in 'The Hague'. In the latest classification of 2007 Pakistan was categorized as a 'fragile state'. The implication of this classification for the environmental program or sector approach is as yet not clear. Particularly in the context of Pakistan the strategy of banking on a large number of players (civil society, private sector) besides the government may continue to make sense, also out of concerns of fungibility. In the choice of aid modalities stability may take precedence over aid efficiency. Managing political relations may be important, exploiting the goodwill factor in bilateral aid. Remarkable though was that with the temporary suspension of the constitution by President Pervez

Muzzaraf in November 2007, the Dutch were the first and only to suspend aid – a seeming contradiction with the categorization of Pakistan as a fragile state. To make things more complex the implication of this aid suspension for new and ongoing activities was not immediate clear, causing a certain amount of uncertainty. The aid relationship with Pakistan in 1998-2007 suggests that aid predictability, mutual accountability, all elements of the Paris Agenda, are at times at loggerheads with the internal politics of the donor country¹¹.

A sector approach in environment in Pakistan has made little headway¹². In general the Paris Agenda is not high profile in Pakistan, unlike other countries (such as in this case study Vietnam or Ghana). A number of explanations were given in the course of this evaluation: the importance of geopolitics in aid relations with Pakistan; the institutional complexity (federalism, devolution, no integration of environmental issues), the size of the country and the low political priority of environmental management. These are all factors that do not appear in the standard list of preconditions for sector-wide approaches, whereas others – such as a sector policy and measurable performance indicators – were present. Because of these issues and because the wavering aid relationship of the Netherland with Pakistan it would have made little sense for the RNE to set off on the path of sector support in environment, in spite of the fact of being the one consistent bilateral donor in environment.

In terms of a sector approach then Pakistan almost presents a 'without' case. On the other hand, there has also not been the stereotyped proliferation of projects with associated high transaction costs to the government. There is simply worrying little happening in environment.

New aid modalities are finding their way to Pakistan. The indirect support to the DPL shows that this can be an effective avenue for promoting environmental management although it is not a magic bullet as the less encouraging experience with the ADB Balochistan Resource Management Loan shows. The experience of the Irrigation Sector DPL suggests that new aid modalities can be used to trigger important institutional and policy change in well-defined institutional consistent domains. It is conceivable that a similar approach would also work with environmental investments in urban waste management or watershed rehabilitation.

The Pakistan case is also of interest because of the long term and direct engagement with the private sector and civil society. The clean production programmes with the tanneries and recently with several other industrial associations has reached over a period of ten years a scale, which is usually aspired in sector approaches. The shows that in this case a project mode – given sufficient time and support – can also lead to more than localized impact and reach considerable scale.

The civil society programs in Pakistan so far operated very much at policy level. The experience with the IUCN facilitating the NCS process is interesting, as it makes for the lack of policy initiatives in this field by the Federal and Provincial Governments. The experience with the conservation strategies may also be compared with civil society programmes in other countries, whereby the capacity of local think tanks are stimulated to improve local accountability and create vibrant debate. In the RNE supported programmes instead the civil society organizations have almost been used as the alternative organizing principle.

¹¹ The political dimension of the Dutch bilateral program is only for the first time referred to in the recent policy letter of the Minister of Development Cooperation, yet as the uncertainty surrounding the suspension of aid to Pakistan shows is not streamlined.

¹² Nor has it made much progress in other sectors, such education and health.

Annex 1 Environment incl water programs

Expenditures Environment Pakistan 1998-2006

	1998	1999	2000	2001	2002	2003	2004	2005
Forestry services	7.161	14.730	1.772.356	1.307.119	3.112.349	921.457	0	0
Forestry development	1.129.696	984.670	680.015	187.887	0	0	0	0
Environmental policy and administrative management	659.699	628.937	378.846	22.120	315.192	392.577	448.373	670.127
Environmental education/ training	0	0	0	0	51.600	39.790	555.785	422.339
Forestry policy and administrative management	53.554	100.830	12.676	0	63.031	0	0	0
Bio-diversity	28.588	31.316	14.592	0	0	0	0	0
Biosphere protection	0	0	0	0	0	0	0	0
	1.878.698	1.760.483	2.858.484	1.517.126	3.542.172	1.353.823	1.006.162	1.094.471

All ongoing projects Water and Environment

Project Name	Project Period	Disbursements 2007 (Euro)
ISL PRDA Watsan	2007-2010	678,672
ISL UNICEF WES earthquake	2006-2009	6,804,000
ISL Indus For All (IFAP)	2006-2012	1,066,277
ISL IFAP Partnership Fund	2007-2012	39,000
ISL UNDP Wetlands Project	2004- 2011	405,000
ISL BRMP TA Water component	2005- 2008	527,333
ISL Bank Netherlands	2005- 2008	567,000
ISL ICTP Punjab (phase II)	2002 - 2006	45,190
ISL ICTP in Korangi Tannery Cluster	2002-2008	441,167
ISL M&E of ICTP Korangi Tan Cluster	2003-2007	8,867
ISL ICTP Textile phase II	2004-2007	572,601
ISL M&E ICTP Textile phase II	2005-2007	14,349
ISL Energy in Punjab tanneries	2005-2008	266,371
ISL PISD	2007-2010	762,839
ISL PRDA environmant	2007-2010	837,508
ISL National Envir Infor man system	2005- 2009	0
ISL CEPT for Korangi Tanneries	2000-2007	52,388
ISL IUCN Baluchistan Prog	2002-2007	113,248
ISL M&E of IUCN Bal. Programme	2004-2007	31,169
ISL PEP Ext.	2004-2007	137,174
ISL M&E PEP Ext.	2004-2006	12,360
ISL Sector Support Fund 2007	2007-2009	45,480
ISL BPSD with IUCN	2007-2013	520,000

Annex 2 Persons interviewed

Abdul Qadir Rafiq, Programme Officer UNDP
Abdul Raoof, Regional Director PCRWR Lahore
Abdul Razaq, Director GWI, PCRWR, Lahore
Ali Hassan Habib, Director General WWF Pakistan
Aslam Rasheed, Advisor to World Bank on Irrigation Development Policy Loan
Fred Smiet, First Secretary RNE Islamabad
Hamid Sarfraz, Programme Coordinator IUCN
Irfan Saeed Alrai, Programme Manager NMIES, Ministry of Environment
Javaid Afzal, Environmental Specialist World Bank
Mikkiko Tanaka, Deputy Country Director UNDP
Mohammed Mussadiq, Convenor Environmental Committee Pakistan Tanneries Association North
Muhammad Mussaddiq Siddiq Leather Works Pvt Ltd
S. Kashif Gilani, Manager Laboratory of Environmental Sciences
S. Zaheer Hussain Gardezi, Programme Manager (WATSAN), ERRA, Prime Ministers Secretariat
Sajjad Safdar Cheema, Project Coordinator Program for Industrial Sustainable Development Leather Sector
Sami-ul-Khalij, (Acting) Secretary Ministry of Environment
Yasmin Jawed, Programme Officer RNE Islamabad
Zafar Hussain, General Manager Dada Enterprises Ltd