

**PAKISTAN'S NATIONAL
CONSERVATION STRATEGY:
RENEWING COMMITMENT
TO ACTION**

Report of the Mid-Term Review

by

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ABOUT THIS REPORT

This report was prepared by the External Review Team (ERT) and is based on findings of the Team, including other results from the Pakistan National Conservation Strategy Mid-term Review (MTR). The main period of work took place during 1999-2000. Comments were received between July-November 2000. This final version was completed in November 2000.

CHAPTER 5. THE CHANGING CONTEXT

5.1 The crisis atmosphere within Pakistan has been worsening over the past decade and it may or may not have reached its low point. Here we will touch only on the basic economic, political, social and environmental features that may influence the context in which the NCS will continue to develop. While many of the features are driven from within Pakistan, other factors operate internationally, some at a global level.

National Factors

An Evolving National Economic Context

5.2 The poor overall economic performance of the last four years (very low average annual per capita GDP growth of 0.5 percent, the lowest in the region) has been exacerbated by recent events related to the testing of nuclear testing and more recently the change in government. This situation is increasingly being reflected in high pressure on the national budget. Early in 1997, in the face of a macroeconomic and banking crisis, the newly elected Government of Pakistan embarked on a wide-ranging stabilization and structural reform program. But these reforms were initiated in the context of poor governance, chronic high fiscal deficits and shortages of foreign exchange.

5.3 Pakistan's vulnerability will remain high even if a strong reform program is implemented. The country faces difficult serious structural constraints. Low domestic savings cannot sustain high investment for growth, and external savings are hard to attract because of perceived country risk. Public investments for human and physical capital formation are difficult to finance since about two thirds of government revenues are still tied to debt service and military expenditures.

5.4 Moreover, Pakistan is highly indebted with a combined external and domestic debt that now exceeds 90 percent of GDP. Public debt and public guaranteed external debt stands at US\$35 billion, or more than 50 percent of GDP, and the debt service profile is not favorable. Even after debt rescheduling, about US\$8.5 billion of principal payments are due in the next three years, while total debt service (including interest) requirements during this period reaches almost 30 percent of exports of goods, services, and remittances. Breaking these patterns will require strong reforms, and even then, the process will be long and fraught with risks.

5.5 From its start the NCS was to promote environment and economy linkages. Certainly some of the key linkages occur at the macropolicy level. Yet, the structural adjustment programs of the World Bank and the IMF, which have shaped much of Pakistan's economic policy since the mid-80s, and which stressed efficiency and subsidy elimination, did not explicitly incorporate environmental sustainability (Table 4). This situation is certainly not unique to Pakistan, and in the aftermath of the Asian Crisis both the Bank and IMF are becoming more sensitive on this issue. Future structural adjustment programs may well incorporate more concern for environmental sustainability.

Table 4. Integration of Sustainability Concerns in Economic Policy Reforms.

Sectors	World Bank, SAL 1988 - 91	IMF, ESAF/EF1 1993 – 96	IMF, ESAF 1998 – 2001	World Bank, SAL 1998-2001	
Agriculture	No explicit mention of environment	Water-logging and salinity addressed			
Forestry		Reforestation			
Energy					Policy framework for the introduction of clean fuels and new technology
Industry					Enforcement of compliance by the industrial sector with sound pollution control strategies
Cross-Sectoral		Progress in improving standards and regulations for air, water and waste pollution	Enactment of rules and regulations for the 1997 Environmental Protection Act Promulgation of environmental assessment procedures Development of provincial capacity for monitoring and enforcement Implementation of mass awareness programs with regard to environmental protection Development of a comprehensive and prioritised pollution control and EIA enforcement system	Enactment of the Environmental Protection Law Action plan for the finalization and promulgation of NEQS and implementation at the national and provincial levels Develop provincial capacity in implementing EA procedures, monitoring and enforcement Develop a policy framework for mass environmental awareness	

Source: Banuri and Khan 2000

Evolving National Political Context and Devolution

5.6 Pakistan is in the process of undergoing important political changes. However, current environmental institutions and policies are still reflective of past trends of strengthening the role of the central government, and the future NCS will have to adapt to the new political realities arising from the government strategy for devolution. This strategy is based on the following overarching principles (details in Annex 9):

- The devolution of power for the genuine empowerment of citizens.
- The decentralization of administrative authority.
- The deconcentration of professional functions.
- The diffusion of power for checks and balances to preclude autocracy.
- The distribution of resources to the provincial and local level.

5.7 The following key characteristics of where the process was as of mid-April 2000 are particularly relevant for the NCS-MTR:

- The devolution plan implies a very significant change in Pakistan’s administrative structure and in the powers, roles and responsibilities of local governments, and thus their needs for capacity development. The plan would reverse the process of centralization that has been occurring in Pakistan over the past several decades.
- In most areas other than the political structure, the plan is still a general outline at the time of this writing. Details were yet to be worked out, and in particular the implications of devolution for the provincial governments (e.g. administrative structure, roles, staffing, etc.) were not specified, which provides an opportunity for NCS stakeholders to influence the final design and reinforce mainstreaming environmental concerns into local plans.

- Although a set of functional responsibilities is suggested by the list of departments in District governments, the actual sharing or responsibilities with provincial governments was yet to be specified.
- Public debate on the plan has been called providing an opportunity for incorporating NCS learning—and the NCS's renewed vision—into the final devolution plan.

Localization Meeting Globalisation—Finding the Balance

5.8 The world is being shaped by the far-reaching consequences of globalisation, philosophies of privatisation and of localization, the end of the Cold War, and by the new universe of knowledge economies dominated by the Internet and perhaps soon by biotechnology. It also is being influenced by the continuing, unacceptable levels of poverty, regional conflicts, global environmental change and degradation, demands for better governance and adherence to international standards—whether for human rights, investment or sustainably produced goods. There are few firm guideposts beyond recognition that failure to cope with the many elements of global change makes a country, communities and individuals vulnerable to new forms of poverty and isolation. These factors pose new challenges and opportunities for environmental stewardship and, more broadly, for strategies of sustainable development. Indeed, sustainable development itself has become one of the emerging worldwide trends.

5.9 Governments and the public sector are changing from owners and managers of economic and infrastructure operations to enablers and regulators. Their role in environmental management and the production and use of public goods (such as clean air and water) and creating markets where they do not exist (for example, ecological services related to biodiversity, watershed protection and carbon sequestration) will be increasingly emphasized at both national and local levels. Along with this change is coming decentralization of political and economic decision making to sub-national levels. Decentralization opens opportunities for broader institutional change, increased democratisation, participation and greater voice of civil society in decision making—and getting sustainable development attuned to exact local needs. Its desired effects may be constrained by the lack of capacity to cope with an increasing set of responsibilities and the existence of unequal power structures at local levels.

5.10 The private sector has become a decisive factor in many spheres, influencing environmental performance and long-term environmental sustainability. International private resource flows to developing countries have contributed to this process as these flows became more than five times greater than ODA during the 1990s. Within the private sector (especially multinationals), there is a strategic shift from the traditional reactive approach to environmental protection (“do no harm”) toward the concept of sustainable development and corporate citizenship (“do most good”). Likewise, progressive investment bodies have moved from screening out bad practice, to seeking companies with positive roles to play in environmental conservation and social development. Environmental and social development issues are an integral part of this new approach. Pakistan needs to take account of this shift and benefit from it. *Public-private sector partnerships*, particularly for large infrastructure projects, are likely to increase in many countries, given the availability of private capital and governments' need to reduce public expenditure.

5.11 Reflected in *greater democratisation*, the increasing role of civil society, demand for transparency and access to information are growing trends in the developing world, which means that environmental issues find easier channels and mechanisms to reach decision makers and influence economic and sectoral policies. The ease of information transfer globally also means that a country or sector will be subject to much more rapid and intense scrutiny about particular practices or problems. The demand for international frameworks to help shape global public policy has increased significantly. There are major consequences for national action on laws and policy.

5.12 The *globalisation of the world economies* through trade, financial markets and information flows, is complemented by negotiations on global and regional environmental issues. These negotiations are leading to dramatic re-valuation of key resources such as water and forests, and shifts in the criteria for developing both renewable and non-renewable energy sources. In the future trade, investment and international environmental policies are likely to be come much more interlocked through a variety of voluntary actions (mainly private sector) and binding agreements (public and private sector).

5.13 *Continued rapid urbanization* is becoming a major driver of environmental action. Urban population, which more than tripled throughout the world in the past 50 years, is projected to double in the next 25 years, with more than 90 percent of the growth occurring in developing countries. In 1990, most people lived in rural areas, by 2030 the opposite will be true. Parallel with the demographic change, the share of poor people who live in urban areas is expected to rise. Environmental services, institutions, and policies have been failing to keep pace with this rapid urbanization, and today, 30 to 60 percent of the city dwellers in low-income countries lack adequate sanitation and safe drinking water, and growing air pollution causes severe health damage and economic hardship. These global figures are certainly reflected in the development patterns of Pakistan.

5.14 *Rapid progress in science and technology* has created opportunities for more efficient and cleaner production, safer and healthier products and processes, the exploration of new resources, and easier access to information and knowledge. This is an area where Pakistan is lagging behind, especially in the advanced stages of creating sustainable technologies.

Conclusion

5.15 The twin pressures of addressing devolution needs and national economic crisis, while responding to sustainable development approaches in the context of very mixed international signals needs to be factored into the NCS approach of the future. Certainly there are more tools available to do so now, compared to a decade ago. This is especially true for the private sector where there are opportunities to introduce cleaner technologies as well as take advantage of growing green markets internationally, and meeting basic water and sanitation needs domestically. But, of course, opportunity can best be realized when there are the right enabling conditions in place, and where awareness and capacity are being put in place. Throughout this report we have noted the potential to build on the groundwork laid by the NCS. It has been an important vehicle for introducing new trends and thinking so that Pakistan can be proactive in the face of change and adversity.