



Evaluation of the European Union's cooperation with the Islamic Republic of Pakistan (2007-2014)

Executive Summary

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This report has been prepared by



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Cover page picture:

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Balochistan Community Development Program*

*"By forming Community Organisations to work as a team we are achieving higher
levels of productivity and success. " Hayatullah Khan – President, Pattankot One*

Executive summary

Purpose

The European Union (EU) has commissioned ADE to conduct a **strategic evaluation of its cooperation with Pakistan over the period 2007-2014**. The objectives were to provide an overall independent assessment of the EU's past and current cooperation and to identify key lessons and recommendations for improving future strategy and delivery and for feeding into a possible joint programming exercise. **The evaluation mainly focused on the extent to which the EU cooperation strategy, its implementation mechanisms and aid modalities (including budget support at provincial level) were an appropriate response to the challenges faced by Pakistan**, and taking into account the evolution of the country context over the period, including devolution. The evaluation focused on the main sectors of EU cooperation with Pakistan in view of assessing their contribution to the EU cooperation objectives: **rural development, education, technical and vocational training, democratisation, human rights, rule of law, and trade**. The transversal issues of gender and environment have also been taken into account.

Context

Pakistan is a **lower middle-income country** (GDP/capita US\$1330 in 2014) with a population of **185 million inhabitants** in 2014 as per the World Bank and a high population growth rate (1.7% per year over the evaluation period). It is affected by several factors of fragility including conflicts with both domestic and sub-regional roots and frequent natural disasters. It is a federal parliamentary republic engaged since 1999 in a process of **devolution** of power, autonomy and funds in favour of the provinces, cemented by the 18th Constitutional Amendment (2010). The

economy is dominated by services and agriculture; trade is limited by the lack of export diversification and of regional trade. Low human development indicators undermine labour productivity and economic growth. Women, children, minorities and the poor are particularly vulnerable to human rights violations. During the evaluation period the Government strategy has been framed by two Poverty Reduction Strategy Papers and focused on broad based economic growth, improvement of governance, investment in human capital and protection of the poor and the vulnerable.

The EU-Pakistan Cooperation Agreement of 2004 is the legal and political basis for current cooperation and has been reinforced by the 2012 EU-Pakistan 5-Year Engagement Plan. **Over the period 2007-2014 EU commitments specific to Pakistan reached over € 520 million** delivered through different channels: the government (30%), NGOs (31%), UN agencies (17%), EU Member States (10%), private sector actors and international financial institutions. Over 75% of EU cooperation contracted amounts were allocated to three priority areas: rural development (33%), education (28%), democratisation, human rights and security (15%). In addition, the EU provided humanitarian aid, which is however outside the scope of this study.

Methodology

The evaluation was conducted in line with the methodological guidance of the European Commission Directorate-General for International Cooperation and Development Evaluation Unit. The process has been followed by a Reference Group consisting of representatives of a range of EU services, with the Embassy of Pakistan in Brussels as observer. The approach involved the collection and processing of both qualitative

and quantitative data. More than **350 documents** and data sources were for instance studied and over **150 actors** were interviewed in Brussels and in Pakistan. In-depth analysis was conducted on a selection of 21 projects, representing 73% of the total EU commitments. In addition to the usual challenges of country evaluations, security issues and limited budget for field visits constrained the evaluation and in particular the organisation of focus groups with final beneficiaries.

Overall assessment

In Pakistan, the EU is a medium-sized development partner. The EU-Pakistan 5 year Engagement Plan (2012) following the 2004 Cooperation Agreement created a favourable frame for EU-Pakistan cooperation with a constructive platform for the exchange of views on both progress and issues of concern regarding a broad range of areas such as political dialogue, security and counter-terrorism, human rights, migration, trade and development cooperation. The focal sectors of EU cooperation have been aligned on these fields.

The findings of the present evaluation as well as the periodic reviews of the Plan allow to conclude that progress has been made towards the Plan's aim to achieve "a strategic relationship" and "a partnership for peace and development rooted in shared values, principles and commitments". In particular, actions in the fields of rural development, education (including TVET), human rights and democratisation have seized opportunities presented by Pakistan's return to democracy since 2008, contributed to respond to acute needs, and promoted gender equality, downwards accountability, democracy and good governance. Economic links have been strengthened with the adoption of the GSP+ trade regime. These achievements remain work in progress and need to be pursued.

The EU's soft approach allowed it to be appreciated as a "neutral" partner by national stakeholders, and its combination of financial and significant non-financial cooperation (notably through the high level political and strategic dialogue held in EU-Pakistan Joint Commission) to "punch above its weight". The EU addressed important needs the response to which was crucial to achieve its objectives of poverty reduction and growth built on stability, social cohesion and the rule of law. The continuity of support to selected sectors, the complementarity and potential synergies between these sectors, the pragmatic use of modalities and management modes and the assimilation of lessons learned made the EU strategy highly relevant and aligned to government policies.

Efficiency has been variable and faced important obstacles. Limited government buy-in in some cases; limited institutional and management capacities of some implementing agencies and beneficiaries; shocks (e.g. natural disasters and conflicts); internal changes (e.g. devolution); and overstretched human resources on the EU side, delayed several interventions, but in general intended activities were implemented and most expected outputs delivered.

Modalities and management modes proved important to achieve results. A central finding of this evaluation is that the EU did not sufficiently work with the grain of Pakistani society: by investing more in identifying promoters of democracy, inclusion and social cohesion; by identifying initiatives that already carry ownership and commitment by national authorities and/or local civil society. Another central finding is that a key factor of success lied in the convergence of, on the one hand, a bottom-up approach leading to social mobilisation of citizens and economic operators for better governmental services and institutions, and, on the other hand, a top-down approach that improves the coverage, quality of and equitable access to front line public services. Supporting the first notably

through local NGOs of the Rural Support Programme, and the second one with sector budget support and/or complementary institutional technical assistance, proved a promising approach.

While this desired convergence has only taken place in a limited way, the implementation of the EU strategy has paved the way ahead: progress has been realised in the functioning of institutions, the formulation of policies, the improved governance and management of the social and economic sectors supported, the mobilisation of community-based organisations, and the improved offer of education services. Visible outcomes for final beneficiaries have not materialised much yet. This is due to the fact that many interventions are still on-going, and that they were not sufficiently involving users of supported institutions, such as citizens and economic operators.

Conclusions

The evaluation drew specific conclusions across 3 clusters covering strategy, sector related support and transversal issues.

Conclusions on the overall EU strategy and implementation modalities

The evaluation concluded that, notwithstanding that it is only a medium-sized development partner in Pakistan, the EU could establish itself as a **more central and effective partner** by working with existing, endogenous development initiatives and local drivers of change (government and/or civil society). Its cooperation strategies and programmes have by and large aimed to **transform the complex and self-reinforcing dynamics** at play during the evaluation period. Its interventions **contributed to institutional improvements and reforms**. However, **although institutional improvements and reforms are observed, political economy analysis has not sufficiently identified the drivers and incentives for progress** needed for ensuring that reforms

really contribute to the expected global impacts of poverty reduction, inclusive growth and stability (C1, C2).

The EU support has targeted the most deprived geographic areas and those affected by external shocks and also the most vulnerable groups of population.

The approach combined coherently different types of interventions, aiming at ensuring a continuum between humanitarian aid, managed by the Directorate-General for European Civil Protection and Humanitarian Aid Operations (DG ECHO), and development, managed by the Directorate-General for International Cooperation and Development (DG DEVCO), and has sought to exploit potential for synergies and learning between interventions in the rural development, trade and human right sectors (C3, C4).

Sector budget support (SBS) was used to support provincial reform strategies in Sindh and Khyber Pakhtunkhwa in the fields of education and rural development. This proved **relevant and timely given the decentralisation process** which devolved the full responsibility of key social sector policies to the provinces. It was also **highly risky and faced numerous challenges**: (i) the incomplete decentralisation process implied that institutional and management capacities in the provinces and the lower tiers were still in the making; (ii) severe weaknesses of the Public Financial Management systems required, and continue to require, important institutional strengthening at federal, provincial and sub-provincial levels; and (iii) it put enormous pressure on the scarce resources of the EU Delegation and it had to cope with a lack of understanding of the modality by the partner governments. To address these difficulties and mitigate the risks, **SBS was provided in a very pragmatic way; eligibility was fragile but provision of SBS allowed to improve it**. Overall, SBS, provided with other

development partners¹, created a **space for technical dialogue and capacity strengthening** that proved at least as important as the fiscal space it offered. In fragile and conflict-affected regions it further **allowed governments to use more flexibly the aid resources** (C5, C6).

The diversity of instruments and modalities deployed by the EU allowed it to fine tune its support to the specific needs it wanted to address, but there have been **missed opportunities for instance in establishing closer linkages between political/policy dialogues and projects in the field of democratic governance**. Moreover insufficient match between the characteristics required by specific interventions and the profile of the **implementing partners proved a severe constraint** (case of the RAHA programme) in the achievement of the results of some projects (C7, C8).

Sector related conclusions

In the **rural development** sector the EU approach was relevant and contributed to improve community empowerment. The added value in terms of democratisation, downwards accountability, state-citizen trust rebuilt and youth engagement cannot be firmly evidenced. Nevertheless there are signs of progress in the materialisation of these higher aspirations when the programmes' design and implementation led to greater involvement, organisation, motivation and sense of responsibility of the citizens (case of the PEACE programme) (C9, C10).

In the **education sector** the provision of sector budget support has produced visible results in terms of consolidation of provincial education sector reforms plans and management of the sector service delivery but budget execution remains extremely weak and results in terms of education indicators remain modest or negative. In the **TVET sector** the support

provided highly needed institutional strengthening but achieved limited or no results in terms of employability. The main explanatory factor is a bias in the offer of services that favoured social demands (by the applicants) rather than economic demands (by the market) (C11, C12).

In the sector **democratisation, human rights and rule of law** the evaluation concludes that the EU has contributed to progress of democracy notably through its electoral observation missions. Tying in human rights to the GSP+ status has created a level of engagement with the Government such that the EU could in all likelihood mitigate the deterioration of human rights through its high-level political dialogue. In all these areas solid foundations for further engagement have been laid down (C12, C14).

In the **trade** sector continuous support over a period of 12 years has contributed to important institutional strengthening, but benefits in terms of trade expansion and diversification are not yet visible (C15).

Conclusions on cross-cutting issues

The EU mainstreamed **gender** into the design and implementation of its programmes with significant results but no evidence of spill over beyond the beneficiary communities.

Environment, natural resources and climate change were factored in several local development programmes which benefitted the communities in which they were implemented but their effects are unlikely to have a more global impact in absence of fundamental reforms (C17, C18).

Recommendations

This section presents a selection of the recommendations stemming from the

¹ Notably DfID, AusAid and the World Bank.

above conclusion. It mentions their importance² and degree of priority³.

In view of increasing effectiveness continue to address the demand & supply sides of sector policies, and accordingly select the mix of modalities and implementation partners. Promote a converging bottom-up and top down approach for the governance and delivery of public services. On the demand side strengthen citizens (students, producers, farmers, local communities) in terms of advocacy, empowerment, organisational and professional capacities; on the supply side, promote good governance and support enabling environment (policies, budget) for public service delivery, including when possible with sector budget support (R4 and R9. Based on C7, C8; Importance: high; Priority: medium).

Update the logic of intervention in human rights / rule of law. The European External Action Service and the European Commission Directorate-General for International Cooperation and Development to conduct shared analysis to better understand drivers of change and spoilers, at domestic and regional/global levels. They should focus the EU's strategy on critical drivers of change identified (R16. Based on C14; Importance: high; Priority: high).

Conduct upstream work on security / rule of law policies and norms. EU Delegation and the European External Action Service to deepen the policy and political dialogue on security and human rights (focusing on a limited number of core human rights) by conducting technical work on policies and norms, with support from the European Commission Directorate-General for International

Cooperation and Development HQ (R18. Based on C14; Importance: high; Priority: High).

Sector Reform Contracts/Budget Support at provincial level must address the need to develop a policy dialogue on provincial tax reform. It is important to improve financial sustainability of sector provincial policies and to reduce provinces' dependency on intergovernmental transfers and external aid. (R6. Based on C5, Importance high, Priority: medium).

In Khyber Pakhtunkhwa consider how best to consolidate and ensure further development of achievements of past and on-going EU support to rural development. EU support contributed to important achievements, e.g. in terms of successful support to women community organizations, in terms of policy and governance of the sector, but they are still fragile and may need continued external support to become sustainable. It is therefore essential that if phasing out from this province is envisaged, it takes place only if the effort will be pursued with alternative support (R8. Based on C9, C10; Importance: high; Priority: high).

Promote further devolution and improvement of PFM at provincial lower tiers level (R11. Based on C5, C11; Importance: high; Priority: high).

Continue support to TVET but adopt a systemic, more market-oriented approach (R14. Based on C12; Importance: high; Priority: medium).

Combine skills gap analysis with value chain analysis and development, and privilege outreach of TVET support in areas where value chain development is implemented (R15. Based on C15; Importance: Medium; Priority: medium).

In the trade sector if further institutional building is provided make sure it is focused on the previously identified needs of the potential "clients" of

² High, medium or low according to their critical character for achieving EU development objectives

³ High: they are necessary for structuring future cooperation or they are a prerequisite for implementation of other recommendations; Medium: they are needed to improve efficiency and/or effectiveness of specific interventions

services by the targeted institutions
(R22. *Based on C15; Importance: high; Priority: medium*).

Finally a number of recommendations insist on the importance to capitalise on past lessons and to ensure continued use of achievements (R1, R8, and R20).