

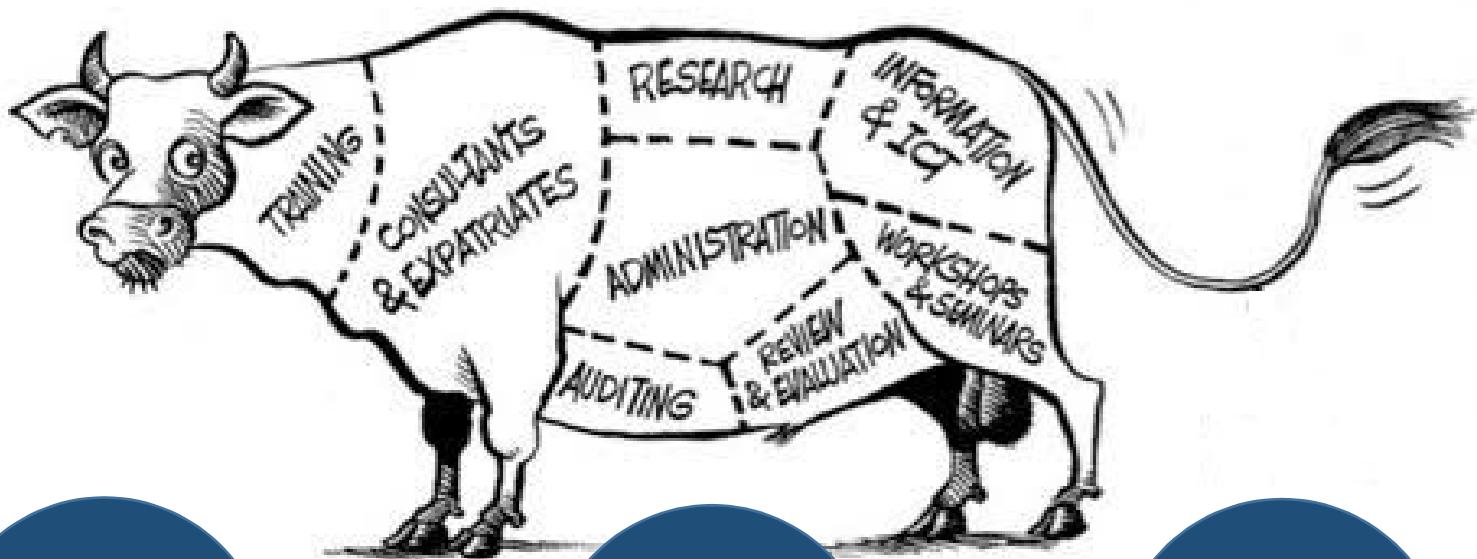


Foreign Aid to Pakistan

Where does AID go ?!

July 09
2006

GND



I

Understanding
Complexities
and Constraints

II

Politics of
Foreign Aid to
Pakistan

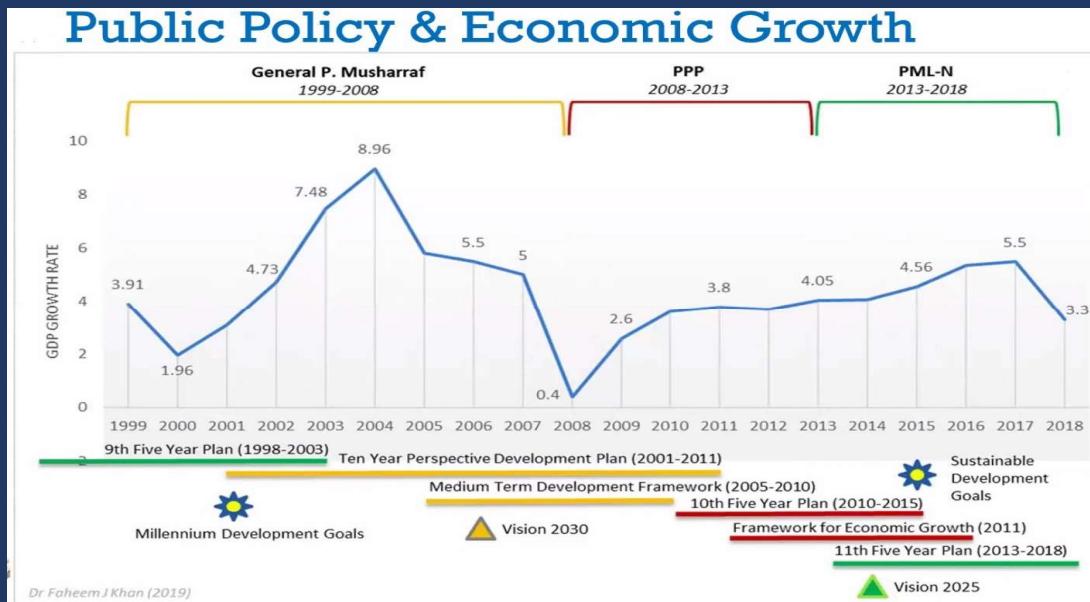
III

Role of
Development
Partners in
Collective
Development
Outcomes

Takeaways



- Through International Monetary Fund Programs, Pakistan accumulated 53.3778 billion \$ loan.
- Impression of the IMF is to keep Pakistan addicted to aid and let them not grow up.
- Aid is there but the long run growth of Pakistan is declining overtime.



Source: Faheem Jahangeer Khan (2019)

- Pakistan has lowest investment rate in the region, which is 15% of the GDP and declining.
- There is policy inconsistency, poor policy development, transaction costs are very high, Seth mentality in public and private sectors of Pakistan, no market development, energy problems, cities and governance problems. (Views of the experts from the PIDE series of round tables and webinars).

It seems all of our policies are made outside the country.

Aid is now the new Governance of the world (Dambisa Moyo).

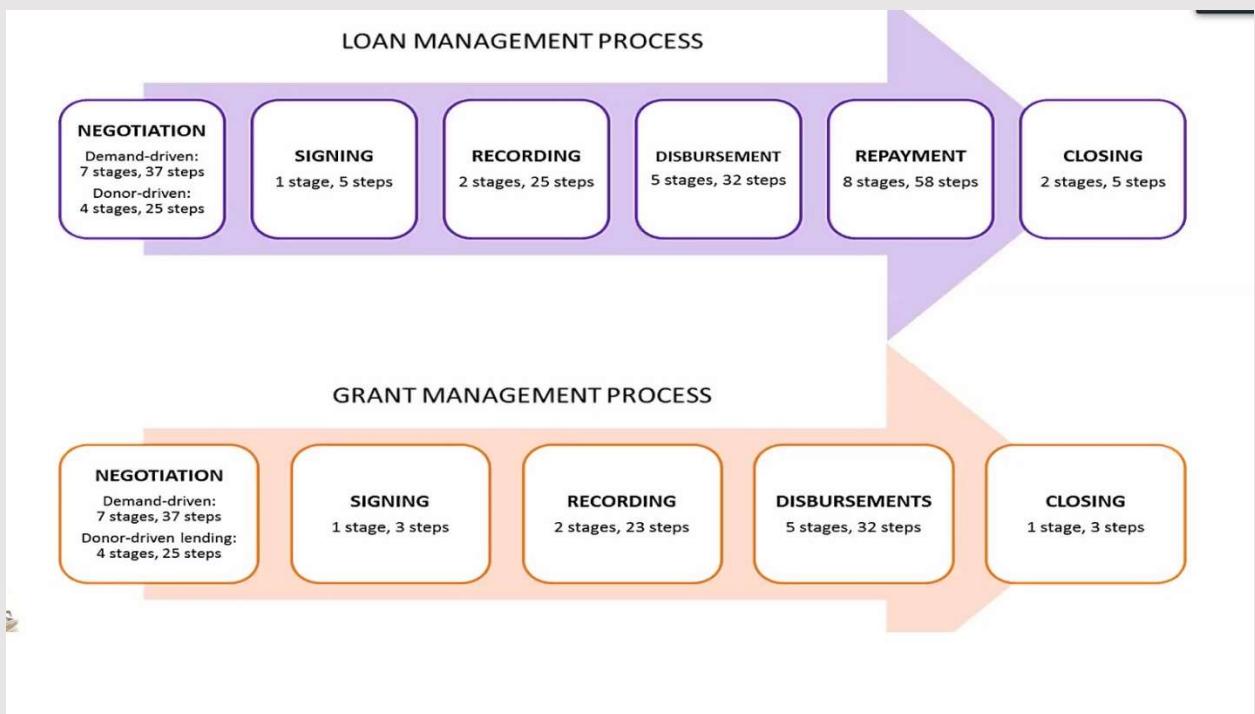
Government responds to aid and not responds to local democracy. So the questions for the panelists are:

- Is aid helping Pakistan?
- If all policies are made outside the country then why do we need research and universities?
- Who controls our thought industry?

I

Understanding Complexities and Constraints

- The evaluation of foreign aid outcomes dominates the aid debate and the practical working of the aid policy processes was not focused much.
- Aid delivery systems have transformed considerably as today there are a huge number of development partners and actors in aid delivery systems.
- According to OECD data, there were 153 international donors which provided official development assistance to 146 countries in 2017.
- In 2018-19 there were 34 bilateral donors, 33 multilateral donors which are managing more than 2,000 project activities in Pakistan.
- A loan management process involves 6 phases and around 25 steps whereas the grant management process involves 5 phases and around 13-16 steps.
- Negotiation, signing, recording, disbursement, repayment and closing are major phases in the loan management process while major phases in the grant management process involve negotiation, signing, recording, disbursement and closing.



Source: Faheem Jahangeer Khan (2020)

- Other than Medium Term Development Framework (2005-10) no program completed its time period as they were either not implemented or implemented halfheartedly or they were slashed by the new regime.
- In the absence of clear and comprehensive planning, we left space for donors to influence our decision and we have more away from policy planning to project execution.
- There is a considerable shortage of technical skills in the public sector in Pakistan. There is also a severe shortage of research and management skills.
- There is a shortage of specialists and professionals and there is underutilization of existing trained and experienced staff in the public sector.

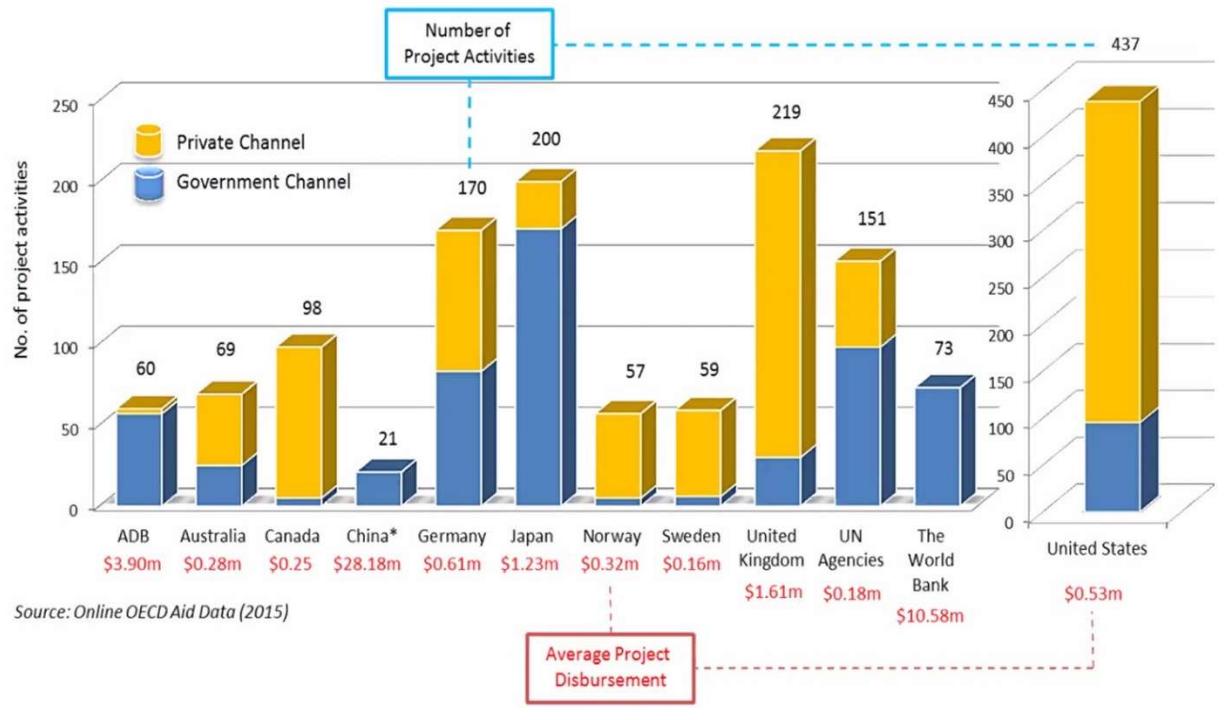
- Placement of trained individuals on non-specialized assignments is the major reason which undermines the benefits of foreign training in Pakistan.
- Presence of multiple donors and aid proliferation imposes burden on recipient governments.
- Multiplicity of donors and aid channels increases transaction costs, duplication of project activities and weak donor-donor and donor-government coordination.
- There are too many development partners in total and too many in each country, with overlapping mandates, complex funding arrangements and conflicting requirements for accounting and reporting.
- Problems of multiplicity of aid include sharp increase in the number of new aid projects, drastic decrease in average project size, substantial increase in administrative costs and multiple foreign missions & delegations.
- Donors gave small amounts of money but they want to be visible everywhere. They are not very much bothered about the outcome, instead they want to keep their presence alive. This actually undermines the value and effectiveness of foreign aid.
- Donors compete with each other for visibility and quick success, and in doing so donors treat the limited public sector capacity of the recipient countries as a common-pool resource.
- Structural Adjustment Program was the first program which brought a new type of assistance to Pakistan which was previously unknown. That was the day when policy was handed over to these donor agencies.
- We have virtually no bilateral assistance of the type that used to come from the Paris Club and the only thing that is happening is China which is assisting us with a fairly large amount.
- It has become a national character that we have stopped thinking for ourselves and we are unable to discipline ourselves.
- One of the area is very important and that is the financial cost of delivering the development loans and grants.
- Donors engage with the policy and under their system they don't want to take any responsibility for that engagement if the policy fails.
- Pakistan needs to very carefully think about a model of external financing. We need to take ownership of aid business and development assistance bills whether it is from the west or from any other country.
- Country cannot grow on the external flows and external ideas and that is something Pakistani Government and Bureaucrats have to understand.
- Technical assistance has negative returns.
- Public policy formulation processes should be more streamline and form priorities.
- Foreign currency is a requirement so aid is good but not utilizing due to unclear public policy process.
- Pakistan should enable the capacity on the behalf of people, organizations or institutions to absorb that aid, deliver it and get the economic returns instead of financial return.
- Donor agencies influence Government policies while presenting their research and the Government didn't involve local think tanks into the process and huge amounts of aid go back to their country.
- There is research which proved that the local consultants are better than the foreign consultants.
- The Government and the development partners should get benefits from each other while understanding complexities and Pakistan should stop taking the dictation from the donors.

II

Politics of Foreign Aid to Pakistan

- Aid is a political concept and a sort of intervention that has consequences in the developing countries.
- There are some unrealistic expectations around aid that it will change the economic conditions of a country.
- One should look at what type of aid Pakistan received and how the aid disbursed?

Donors' activities in Pakistan via government and private channels (2015)



Source: Faheem Jahangeer Khan (2020)

- Pakistan is too much dependent economically on the United States.
- US donors have good intentions and want equal development for the security and the development but still there are many problems and challenges.
- Everybody who gives aid wants to enhance their influence and similarly the US also wants to influence Pakistani public and advance the impression that the US cares about the people of Pakistan.
- Aid money is a part of the deal to gain influence.
- There are different views about how the aid money should be spent.
- Every time ideas are discussed between the US and Pakistan there is no clear prioritization from the Pakistan side.
- Is it to help the poor or is it to gain foreign policy influence?
- Influence for the US is not necessarily the bad thing as other big countries are also influencing the others.

- Donors know how to build roads, how to build the power plants for energy efficiency but when it comes to education, health or non-infrastructure type of interventions then the results are not there.
- Aid didn't bring the social change and social progress in Pakistan and this is a big part of the problem.
- Aid disbursement is the other problem when the aid is channeled through the government to NGOs.
- The Political Government and the Military establishment of Pakistan believes that the aid is very effective. They both engaged the US in the aid relation.
- Aid is the facilitator for the US to have a discussion with the Pakistani leaders.
- Civil-Military relations, militants and the nuclear program are the only cause of engagements of the US in Pakistan.
- The theory of how you bring social change in economic progress is changing day by day.
- Pakistan lacks in its own thinking, planning and functioning. Pakistan achieved very little but on the other hand the US achieved its full benefits by providing aid.
- Aid is a very under research topic in Pakistan and almost there are no research papers on aid effectiveness in Pakistan. • Pakistan should start thinking for the development then it will take away the burden of blame. Thinking is there but it is not on the right way. Our priorities are not right.
- Lack of interest, less proportion of aid spending for the desired objective or project in Pakistan.
- Need to restructure the countries. Civil services and governance reform is very much needed right now. Should not repeat the mistakes that have happened in the past.
- Military aid is utilized in the right direction but on the civilian side the absorption capacity of aid was missing. These things should be improved in future.
- Ideas matter in this world. We have failed to develop ideas and institutions in our country. We have given up the space of developing ideas to Donor agencies.
- Physical infrastructure does not matter but social infrastructure matters (Paul Romer).
- It's up to us to study our own system and our own ability to absorb the aid and for that we need to change the model and systematic thinking.



III

Role of Development Partners in Collective Development Outcomes

Background of donors funding to NGOs

- What gives the legitimacy for a development agency to work through Non-State Actors?
- In Early 90s a lot of assumptions associated with NGOs, like they are cost effective, ability to deliver, community driven and more innovative and on the other hand states are very corrupt.
- Donor agencies funding the NGOs. NGOs strengthen civil society and the civil society further strengthen the democratic institutions.
- Civil society is a very dense concept and used by donor agencies.
- Civil society is good because it brings people together, building trust and people will do collectively.

After 2000 in Pakistan

- Increasing numbers of studies show that NGOs are a distinct form of voluntary organization closely related to aid. They have no voluntary members.
- State-NGO collaborative models show that locally embedded organizations are more effective. (i.e Edhi, Al-Shifa and Shaukat Khanum)
- Donors know the literature and reality but still want to fund NGOs to promote their agenda or certain kind of western conception of feminism in Islamic countries.
- How does money come to NGOs to control certain agendas?

From the Last 10 Years

- Donors accept the critique and collaborate with the states (providing incentives to GOVT officers or leaders).
- The donors will bring the innovation with the help of the state and the state will implement at a large scale.
- All this happening due to funding. If funding goes then all this collaboration will disappear.
- Still there are some good examples of NGOs working in Pakistan. (Education, Health and Sanitation).

- Extrinsic motivation is the one in which people do everything only for money and on the other hand intrinsic motivation is the one in which people do for the community or for the reward from GOD.
- When the aid comes then the motivation of leaders start changing from intrinsic to extrinsic and inner motivation erodes.
- Instead of providing material incentives, donors should target the local organizations.

Where Do We Stand Now? Did We Get Independence?

- Under development is the main problem of our country and the question is what are the hurdles? Is it the International Aid or the weak implementation capacity of the state?
- We are not bad at making policies. We are bad at delivering those policies.
- We should take responsibility to deliver our own development.
- But the delivering capacity in our own structure is very limited.
- Pakistani people should also have the ability to convert the money into successful programs.
- Most elected Governments couldn't come up with the local Government structure. Now in Pakistan we don't have a locally elected local Government.
- Bureaucracy doesn't have the ability to build institutions.

General Points

- We shouldn't make the aid community to our enemy.
- Sometimes aid is the political agenda rather than education and health being the criteria.
- Parameters are set by the Donors but there should be state commitments and donors should follow those commitments and then set the agendas.
- Now there are many restrictions and paper work for NGOs and they are getting more tightly sort of control in Pakistan.
- We never got independence from the foreign and commonwealth office and from the state departments.
- Real scrutiny should come from the parliament because they have the mandate, authority and parliamentary committees.
- In the long term we are not getting anything. Internal reform should happen and how to build the state capacity and political will is the real concern.
- Fault lies within us and we have to wake up.



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