

## THE SIGUR CENTER FOR ASIAN STUDIES

### ASIA REPORT

APRIL 2009, ISSUE 3

#### DONORS AND DEVELOPMENT: UNDERSTANDING THE AID CRISIS IN PAKISTAN

Pakistan continues to be of concern to the international community. Recently the Biden-Lugar Committee proposed an investment of seven billion dollars over the next five years to improve social services as part of the overall strategy to help stabilize Pakistan. While this effort is much needed, what is also needed is a redesign of how this assistance is programmed and the way activities are implemented. Without the redesign of programs it is likely that this infusion of funds will be wasted, as has been much of the donor assistance provided in earlier decades.

A quick review of the past confirms this waste: Pakistan received over \$60 billion in donor aid between 1950 and 2000, and has received \$10 billion from the U.S. government alone since 2001. Yet, despite such massive assistance, the aid has not achieved the intended results. Objective indicators show little to no improvement in such sectors as health and education. A telling statistic reveals that the number of low birth weight babies actually increased from 1992 to 2006. The failure to improve educational opportunities for Pakistani children has also had consequences: the attractiveness of *madrasas* has increased even for non-Muslim parents.

To ensure that donor assistance is utilized effectively, it is useful to look at the reasons

for past failures and to think of new implementation strategies to achieve desired outcomes. Dr. Samia Altaf, an international health/public health physician with extensive experience in international aid and health care, spoke directly to this question in her presentation at the Sigur Center on December 3, 2008, as part of a continuing Subnational Asia lecture series. Dr. Altaf has also recently completed a manuscript (“Aid Effectiveness: A Case Study of Health and Population Sectors in Pakistan”) as the Pakistan Scholar at the Woodrow Wilson International Center for Scholars in Washington, DC.

In her analysis Dr. Altaf looks at the question of aid effectiveness from a clinical framework in which indicators such as maternal deaths and infant diseases are symptoms of underlying problems of poor program design and service delivery whose causes need to be diagnosed. It is not effective to write prescriptions or propose solutions for symptomatic relief without understanding the causes and reaching a correct diagnosis. The diagnosis is a critical requirement in prescribing effective recommendations for change.

#### Diagnosing Obstacles to Aid Effectiveness

#### FEATURED ANALYST

**Samia Altaf** was the 2007-2008 Pakistan Scholar at the Woodrow Wilson International Center for Scholars, and is an international health/public health physician. She has worked as a consultant to donor agencies and as medical director for Medicaid in Washington.

*The Report is based on Dr. Altaf's talk at the Sigur Center on December 3, 2008 and a March 2009 update.*

“PAKISTAN RECEIVED OVER \$60 BILLION IN DONOR AID BETWEEN 1950 AND 2000, AND HAS RECEIVED \$10 BILLION FROM THE U.S. GOVERNMENT ALONE SINCE 2001. YET, DESPITE SUCH MASSIVE ASSISTANCE, THE AID HAS NOT ACHIEVED THE INTENDED RESULTS.”

The diagnosis of systemic problems requires understanding the nature of the main actors involved in the Pakistani aid effort, an appreciation of the relationship among these actors, and knowledge of the context in which donor assistance is implemented. The aid nexus in Pakistan is comprised of six groups of which four are visible and in the forefront: (i) the multilateral and bilateral donors (e.g., World Bank, Asian Development Bank, USAID, DFID, JICA, etc.); (ii) the international contractors and technical experts who design and manage the projects on behalf of the donors; (iii) the local contractors and NGOs that partner with the international contractors to implement the projects; and (iv) the Pakistani government bureaucracy that interacts with the donors in approving and managing the aid assistance. There are two remaining actors who are very critical but remain under the radar: (v) the citizens of Pakistan who are the intended beneficiaries of the assistance; and (vi) the taxpayers of donor countries who trust that their money is actually helping the Pakistani people.

The relationship amongst the four principal actors works smoothly. Donor agencies focus on disbursing funds; the Pakistani government is happy to receive funds; contractors implement projects as a for-profit business; and local NGOs find their main source of revenue in partnering with the international contractors. The incentives of these actors are aligned in keeping the aid cycle moving and ensuring that the funds allocated are spent. None of these actors have a focus on how the money is spent or what results are achieved. In general, there are no consequences for how funds are spent but questions are asked if they are not spent in the assigned time period. The relationship among these actors is also

configured in such a manner that no one actor has an incentive to suggest change even when results are unsatisfactory. Given this configuration, ineffective program designs are perpetuated. For example, when Pakistan's Social Action Program (initiated in 1993 to improve basic services) was clearly revealed to be failing in its objectives it was nevertheless extended and failure was rewarded with additional funds.

The only actors who might have an interest in changing this cozy dynamic are the ones that are off-stage and marginalized - the intended beneficiaries in Pakistan and taxpayers in donor countries. Pakistani citizens have no voice or place at the table – intended beneficiaries are rarely even aware of what has been contracted or is being implemented in their name. “Stakeholder” meetings have begun to be held but

they are more form than content. In any case, powerful and articulate interests are able to shape the outcomes of such meetings by virtue of their social positions or their ability to speak English. In the donor countries, taxpayers expect their regulatory agencies (such as the U.S. Government Accountability Office) to monitor the effectiveness of assistance to developing countries. However, these agencies mostly review reports submitted by the donor agencies themselves (e.g., USAID) and the focus is on the proper utilization of funds rather than project effectiveness. Rarely are there independent third-party evaluations to inform taxpayers of the uses to which their money has been put.

## Recommendations

This way of programming and evaluat-

### U.S. Assistance to Pakistan, FY2001-FY2007

(in millions of dollars)

Program or Account	FY2001 Actual	FY2002 Actual	FY2003 Actual	FY2004 Actual	FY2005 Actual	FY2006 Estimate	FY2007 Request
CSH	—	5.0	15.6	25.6	21.0	32.2	21.7
DA	—	10.0	34.5	49.4	29.0	40.6	29.0
ERMA	—	25.0	—	—	—	—	—
ESF	—	624.5	188.0 <sup>d</sup>	200.0 <sup>d</sup>	297.6	337.1	350.0
FMF	—	75.0	224.5	74.6	298.8 <sup>e</sup>	297.0	300.0
IMET	—	0.9	1.0	1.4	1.9	2.0	2.1
INCLE	3.5	90.5 <sup>c</sup>	31.0	31.5	32.1 <sup>e</sup>	37.6	25.5
NADR <sup>a</sup>	—	10.1	—	4.9	8.0	7.8	10.3
PKO	—	220.0	—	—	—	—	—
<b>Subtotal</b>	<b>\$3.5</b>	<b>\$1,061.0</b>	<b>\$494.6</b>	<b>\$387.4</b>	<b>\$688.4</b>	<b>\$754.3<sup>f</sup></b>	<b>\$738.6</b>
P.L.480 Title I <sup>b</sup>	0.5	10.0	9.0	6.0	10.2	20.0	—
P.L.480 Title II <sup>b</sup>	1.9	5.1	9.7	8.4	5.8	6.7	—
Section 416(b) <sup>b</sup>	85.1	75.7	—	9.6	2.0	—	—
<b>Total</b>	<b>\$91.0</b>	<b>\$1,151.8</b>	<b>\$513.3</b>	<b>\$411.4</b>	<b>\$706.4</b>	<b>\$781.0<sup>f</sup></b>	<b>\$738.6</b>

Sources: U.S. Departments of State and Agriculture; U.S. Agency for International Development.

#### Abbreviations:

CSH:	Child Survival and Health	NADR:	Nonproliferation, Anti-Terrorism, Demining, and Related
DA:	Development Assistance		Peacekeeping Operations
ERMA:	Emergency Refugee and Migration Assistance	PKO:	Trade and Development Assistance
ESF:	Economic Support Fund	P.L.480 Title I:	food aid (loans)
FMF:	Foreign Military Financing		Emergency and Private Assistance food aid (grants)
IMET:	International Military Education and Training	P.L.480 Title II:	The Agricultural Act of 1949, as amended (surplus donations)
INCLE:	International Narcotics Control and Law Enforcement (includes border security)	Section 416(b):	

Table Source: Congressional Research Service, K. Alan Kronstadt, *CRS Issue Brief for Congress: Pakistan-U.S. Relations*, March 6, 2006, IB94041, 19.

ing assistance needs to change if we are to improve results. Dr. Altaf made the following broad recommendations:

**1. Ownership by the Government of Pakistan.** Program funding should be conditional on credible and realistic sector plans prepared and submitted by the Government of Pakistan. These should be peer-reviewed by an independent committee of international experts as being compatible with international best practice. The responsibility for context-sensitive planning should rest on the GOP and not be left to the discretion of individual donors. Donor coordination can only be ensured if overall sector plans are available and individual donors are assigned specific tasks in the plan.

**2: Sensitivity of program design to the implementation context.** The cookie-cutter, cost-minimizing approach of international contractors in which generic program designs are employed is ineffective. Very peculiar implementation challenges (logistical, cultural and religious) exist in Pakistan and these should be factored into the

design of projects.

**3. Changes in scale, scope and allocation of projects.** Funding of nation or sector wide projects based on donor assistance should be avoided in favor of geographically delimited pilot projects which should be rolled out on a larger scale only after demonstration of measurable success. The various donors should be assigned similar pilots in different geographical jurisdictions to simulate competition and generate further incentives for performance orientation amongst donors and their international and local contractors.

**4. Real-time oversight and monitoring.** End of project monitoring is not very useful in ensuring good outcomes. Project milestones need to be announced and widely publicized at the outset so that incentives are created for good implementation and timely corrections are made possible.

**5. Input from civil society on behalf of citizens.** The most important change needs to break the cozy nexus that has emerged amongst the principal

actors in the aid business. Citizen committees need to be actively supported by academic institutions and media groups to act as watchdogs on behalf of the intended beneficiaries of any donor-assisted project. These watchdog groups should have available to them all pertinent information about the projects including objectives, milestones and budgets.

**6. Independent third-party evaluations of aid projects** should be conducted on behalf of taxpayers in donor countries to generate incentives for donor agencies to be performance and not disbursement oriented.



## THE SIGUR CENTER FOR ASIAN STUDIES

Sigur Center for Asian Studies  
1957 E Street, N.W., Suite 503  
Washington, D.C. 20052

Phone: (202) 994-5886  
Fax: (202) 994-6096

ON THE WEB

[HTTP://WWW.GWU.EDU/~SIGUR/](http://www.gwu.edu/~sigur/)

The Sigur Center for Asian Studies is an international research center of The Elliott School of International Affairs at The George Washington University. Its mission is to increase the quality and broaden the scope of scholarly research and publications on Asian affairs, promote U.S.-Asian scholarly interaction and serve as the nexus for educating a new generation of students, scholars, analysts, and policymakers. The

Center draws strength and resources from the world-class Asian Studies faculty within the university and in Washington, D.C. Not only is it the largest center for Asian studies in the capital region, The Center is also among the strongest in the United States.