

The White Paper and the question of aid effectiveness

Dr. Sania Nishtar

The White House has recently released a White Paper on U.S. policy to Afghanistan and Pakistan, articulating a number of geo-political and development imperatives for the region. This comment will focus only on the dimension related to development assistance within the contemporary realm of aid effectiveness.

The US policy paper outlines a strategy centered on stepping up economic support to Pakistan; the importance of this has also been reiterated by President Obama's three-pronged call for increasing development assistance for the country in his speech on March 27, 2009 and is evidenced by support signaled for the bipartisan *Kerry-Lugar Bill* and the *Cantwell-Hollen-Hoekstra Bills* and endorsement of support for Pakistan to the *Friends of Pakistan* who are scheduled to meet in Japan later this month.

The policy statement has made some bold and honest admissions. For one, it has recognized that aid has remained "ill-organized and significantly under-resourced in some areas [and that] a large portion of development assistance ends up being spent on international consultants and overhead, and virtually no impact assessments have yet been done on our assistance programs". Recognition of these constraints can be helpful in working towards the intended impact of bilateral assistance in future. However, the forthcoming increase in assistance raises the question of the extent to which aid can be effective in achieving intended outcomes in an environment where inefficiencies are endemic. Review of development projects in Pakistan raises many concerns about the robustness of processes of the state that are meant to translate funding and other resource inputs into desired endpoints.

A historical perspective of global efforts initialized by development agencies to address the issue of aid effectiveness in environments such as ours can help put things in perspective.

Over the years, donors have rallied around a number of approaches centered on harmonizing and coordinating aid and pooling aid in support of a particular strategy led by governments; these approaches have partly been aimed at strengthening country systems and in part, aimed at minimizing duplication and high transaction costs of multiple donor inputs. Attempts by multilateral agencies to promote institutionalization of Sector Investment Programs, Sector-wide Approaches and Comprehensive Development Frameworks in developing countries have been part of this approach. Although many of these frameworks have not been adopted in Pakistan, per se, their principles were capitalized in the Social Action Program, which was implemented in Pakistan from 1992-1996 and more recently in the tendency to give aid 'on-budget' in alignment with the Medium Term Development Framework and the Poverty Reduction Strategy Paper.

Beginning in 2002, the aid effectiveness debate gained momentum with a series of consensus statements—Monterrey Consensus 2002, Rome Declaration 2003 and the Marrakech Memorandum 2004; these culminated in the Paris Declaration on Aid Effectiveness in 2005, a high level commitment to using aid effectively and was followed by the Accra Agenda for Action in 2008 to engage donors and developing countries in a new paradigm of aid as a partnership in order to achieve the MDGs.

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Governance

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The principles and corresponding targets of the Paris Declaration, centered on ownership, alignment, harmonization, managing for results and mutual accountability aim to strengthen country systems, creating synergy, synergize donor operations and harmonize, align and manage aid for results with a set of monitorable actions and indicators. The US White Paper echoes many of these principles, particularly by signaling that assistance will be limited without the achievement of results.

The Organisation for Economic Co-operation and Development (OECD) has conducted two rounds of monitoring, in 2006 and 2008, to measure the impact of the Paris Principles. For the second round of monitoring, findings reflect information provided by 55 developing countries in relation to \$45 billion of aid—nearly one-third of all aid delivered in 2007. Pakistan was not one of the countries surveyed; however, findings of the survey triangulated with existing information have been useful in developing a general understanding of the impediments to aid effectiveness within developing countries. Conclusions of the OECD survey stated that "in order to change practices in international aid, there is the need to shape donor behavior, these changes in the process of development and the nature of aid relationship require linear-focused attention and determined political will. It is not easy to change laws, regulations, practices and mindsets..." in other words, there is a need to focus on the central systemic issues which continue to impede the greater impact of official development assistance. In many ways, the White Paper strategy seems to speak the same language as its call for "strengthening capacity of the country and admitting that there can be no quick fixes."

There are no disagreements about the need for deep-rooted systemic reform of governance in Pakistan. We all agree that transparency in governance is an imperative for achieving any public policy endpoint and that systemic reform in the civil service domain and sectoral reform in areas such as public financial management, procurement and audit are critically needed. There is broad-based endorsement of the need to revamp the public management process and ensure that the aid effectiveness in state governance. All of us are passionate about addressing organized vested interests that promotes state capture,

strengthening an independent judiciary and fostering civil society oversight, freedom of information, open media and avenues for seeking redress. If archives and documents of the ministry of finance and the Economic Affairs Division are analyzed, it becomes apparent that donors have assisted with institutionalizing systemic reform of every conceivable nature in the country. The problem is clearly not with initiating reform, but consolidating initiatives, ensuring effective deployment of pilot projects, sustaining initiatives and taking them to fruition.

It has become conventional for one government to initiate "reform" and for the next to de-track or retreat completely. There is almost no institutional memory of commitment to consolidate reform initiatives. It is almost a given for those in political roles to prioritize planning based on what is politically expedient and those in administrative roles not to confront them because of fear of undue accountability, the institutional environment is, therefore, increasingly getting focused on short-term gains as opposed to outcomes, and politicization of decision-making, patronage, tolerance of circumventing procedures, systemic manipulation and graft has become a norm.

The importance of these impediments to systemic reform must be appreciated in aiming for economic stability for the country, welfare for its people and a positive proactive role of Pakistan in a globalized world. The current focus of the world on strengthening democracy in Pakistan is justified, but it must also be appreciated that democracy can only function if popular representation indicates democratic behaviours of evidence-based decision-making and consensus-building and democratic values of equity and liberty; this can only be achievable with multi-faceted broad-based reform of the state.

Substantive discussion on the where, how and why of systemic reform can help shape an agenda that some quick wins in institutional restructuring can be achieved. However, this must proceed with a multi-stakeholder "sign-off" in an agenda for reform. An inclusive and participatory process should garner consensus of multi-partisan stakeholders, development partners, the establishment and civil society on a technically viable roadmap for reform and structure multi-stakeholder oversight of the process of its implementation to ensure that reform achieves administrative and is not held hostage to vested interest. This is a critical prerequisite to any substantive discussion on state reform.

Pakistan must make effective use of economic assistance in these financially constrained times; however, the objective should be to channel assistance to help strengthen country systems with a view to ultimately transition away from support and to promote debt forgiveness as a tool to free up resources.

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The Organization for Economic Cooperation and Development (OECD) has conducted two rounds of monitoring, in 2006 and 2008, to measure the impact of the Paris Principles. For the second round of monitoring, findings reflect information provided by 55 developing countries in relation to USD 45 Billion of aid—nearly one half of all the aid delivered in 2007. Pakistan was not one of the countries surveyed; however, findings of the survey triangulated with existing information have been useful in developing a generic understanding of the impediments to aid effectiveness within developing countries. Conclusions of the OECD survey stated that “*in order to change practices in international aid, there is the need to shape deep seated behaviors; these changes in the process of development and the nature of aid relationship require time focused attention and determined political will. It is not easy to change laws, regulations, practices and mindsets.....*”; in other words, there is a need to focus on the central systemic issues which continue to impede the greater impact of official development assistance. In many ways, the White Paper strategy seems to speak the same language in its call for ‘strengthening capacity of the country’ and admitting that there can be ‘no quick fixes’.

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A substantive discussion on the *where, how, and why* of systemic reform can help shape an agenda so that some quick wins in institutional restructuring can be realized. However, this must proceed with a multi-stakeholder ‘sign-up’ to an Agenda for Reform. An inclusive and participatory process should garner consensus of multi-partisan stakeholders, development partners, the establishment and civil society on a technically viable road map for reform and structure multi-stakeholder oversight of the process of its implementation to ensure that reform outlives administrations and is not held hostage to vested interest. This is a critical prerequisite to any substantive discussion on state reform.

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