A Marshall Plan?
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The donor's conference in Tokyo and the meeting convened by the Friends of Democratic Pakistan on its sidelines concluded on April 17 with a 5.28 Billion US$ pledge in economic assistance to Pakistan, congressional approvals permitting. A number of references have been made to this forthcoming package of assistance as being analogous to the post Second World War Marshall Plan, particularly in Pakistan, with the expectation that the outcomes will be likewise. It is important to understand that comparable impact is unlikely for a number of reasons.

First, the Marshall Plan was planned and implemented at a time when the United States had emerged as one of the greatest powers in the aftermath of the Second World War. At that time, the United States was affluent enough to play a key role in assisting with the rebuilding and reconstruction of Western Europe. The situation today is not comparable, as a result of the constraints imposed by the global financial crisis.

Secondly, the Cold War notwithstanding, Marshall aid was delivered in a post war era, in an environment where the huge job of reconstruction was to be executed; states in Western Europe thought that the best way of doing this was through a joint effort; in fact many moves towards unity took place during this time. Pakistan is still ravaged by conflict and many divides; even within this one country, the political and geo-strategic backdrop poses a number of impediments to the effective deployment of development assistance.

Thirdly, and most importantly, Marshall aid also had a sound macroeconomic rationale; aid was targeted in an environment where there was an increase in world demand for European products and where rapid technological advances were taking place. These factors coupled with assistance, which focused on rebuilding the industrial and agricultural base, helped Western European states to recover surprisingly quickly from the effects of the war. Today the global financial crisis and Pakistan’s own macroeconomic situation present a very different international and domestic context.

In the fourth place, and relevant to assistance in the space of the social sectors, it is important to recognize that Marshall aid was channeled against the backdrop of careful planning by several governments and in an environment of governance where systems and structures functioned and where legislative frameworks had already been created. The end of the Second World War had accelerated the demand for social change. In Britain for example, the Beveridge Report of 1942 had already provided a massive plan for welfare while the Butler (Education) Act of 1944 and the Family Welfare Allowance Act of 1945 had already been enacted. Governments and people in most of the Western European countries had shown a clear indication to move away from the pre-war complacency, which accepted squalor and high levels of unemployment as inevitable. The situation in Pakistan is not comparable in any way. High levels of poverty and lack of education are prevalent; the societal political culture—the lawyer's movement notwithstanding—remains weak and consolidated frameworks to make equity and social justice a centre piece of public policy are yet to be developed, despite pronouncements in political party
manifestos. In addition many structures that are necessary for aid to be effective suffer from weaknesses—it is well established that aid functions best in environments where structures, systems and frameworks are in place.

In the fifth place, Marshall Plan was implemented in an environment where the global normative and governance systems and a new global economic order were being concomitantly established. Conversely, today, the world is undergoing a profound transformation where a number of economic and political crises highlight the need for change in global systems, institutions and processes.

Lastly, size of the envelope must also be brought to bear. The level of committed assistance is far from adequate, as has also been publicly acknowledged by Ambassador Holbrooke. The government of Pakistan and the development partners must therefore step back and develop a set of pragmatic expectations for the level of assistance envisaged to be in the pipeline, particularly within the remit of development. There are a set of measures that the development partners should undertake and another dimension of imperatives the government should seriously consider. While doing so, it is important to bear in mind that aid is not the answer to our issues; that the problem lies at the level of laws, regulations, practices, mindsets and overall state functioning and that it will take political resolve and astute technical ability to overcome these constraints. Despite these limitations, aid has the potential to impact policies, governance structures and instruments in Pakistan, not by virtue of its size but because of limited capacity within the state system, which inadvertently makes room for policies to be donor driven and because of the conditionalities it can stipulate as a pre-condition for funding. This potential to catalyze change can be positively harnessed.

Development assistance in Pakistan has traditionally been allocated on the premise that it should be able to achieve the largest possible reduction in poverty. However, it must be recognized that these endpoints cannot be achieved without effective governance. Therefore, a core priority area for allocation of development monies should be to further accountability and transparency in government systems and bridge the key governance shortfalls through sectoral reform. Such choices can have a more lasting and sustainable impact compared to development assistance that sets up projects in ideal donor-resourced conditions, which subsequently cannot be upscaled because the core limitations in the functioning environment remain unchanged. In Africa much of the recent discussion on increasing development assistance has been in the context of a ‘compact’ particularly in the health sector within the rubric of the International Health Partnership, where aid from donors is being matched with increased attention to good governance by recipient countries. Such benchmarks can bring value in environments such as ours as well. Donors must also carefully explore the impact of integrating their foreign policy and development objectives in Pakistan’s complex socio economic environment and learn to benefit from democratic influences such as broad-based consensus driven planning outside conventional channels in shaping strategic priority goals. A stronger emphasis on streamlining Pakistan’s aid architecture, a more focused approach to maximizing synergies between partners and efforts to curb the costs of managing and delivering aid should also be a priority.

Additionally, the issue of fungibility of aid, which implies that governments may divert domestic resources to other uses given the presence of donor aid in a sector, and therefore, experience difficulties in reallocating resources to these priority areas, once donor assistance is not available, also deserves close attention.

The Government of Pakistan must look at this additional envelope of assistance as an opportunity to systematically strengthen country systems. The importance of a multi-partisan and broad-based stakeholder consensus on the Agenda for Reform has been reiterated in these columns on April 11; concomitantly, donors and the Government of Pakistan must also invest in domestic policy leadership. Without focusing attention on these central systemic issues, which continue to impede the greater impact of development assistance and overall state functioning, not much will be achieved in the long term.

It is hoped that in this environment where there are strong geo-strategic and security motivations for much of the aid coming to Pakistan, the rich countries will also review their broader development footprint and in addition to committing traditional bilateral and multilateral assistance will also assist in wiping out external indebtedness and
assist with mainstreaming a more conducive framework for trade—both of these factors can have a more sustainable impact on development, welfare and Pakistan’s proactive and peaceful role in a globalized world.

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