

FOREIGN AID DONORS AND CONSULTANTS

ANALYZING PAKISTAN'S FOREIGN AID
INFLOWS AND ITS OUTCOMES

■ Dr. Nadeem Ul Haque, Vice Chancellor (VC) PIDE

■ Lead Researcher
Shahid Mehmood (Research Fellow, PIDE)

Research Team

Hanzla Jalil (Research Economist PIDE)

Ambreen Shabbir (Research Associate PIDE)

Syeda Um Ul Baneen (Research Associate PIDE)



Pakistan Institute of Development Economics

FOREIGN AID DONORS AND CONSULTANTS

**ANALYZING PAKISTAN'S FOREIGN AID
INFLOWS AND ITS OUTCOMES**

Table of Contents

LIST OF BOXES, TABLES AND FIGURES	02
LIST OF FIGURES	02
LIST OF TABLES	04
LIST OF BOXES	05
EXECUTIVE SUMMARY OF FINDINGS	06
1. INTRODUCTION	10
1.1 FORMS OF FOREIGN AID	15
1.2 THE OFFICIAL FOREIGN AID MACHINERY	18
2. LITERATURE REVIEW- IS FOREIGN AID HELPFUL OR NOT?	19
2.1 Foreign Aid Effectiveness in Pakistan	19
3. HAS FOREIGN AID BENEFITTED PAKISTAN OR NOT?	21
3.1 Does Foreign Aid Meet The Effectiveness Criterion?	22
3.2 Aid and Projects Galore, Yet Little Development!	31
3.3 The Costs of Foreign Aid	35
3.4 Whom to fault? Policymakers or Donors?	
The question of 'Skin in the Game'	39
4. THE CONSULTANTS AND THE CONSULTING INDUSTRY	47
4.1 Global Consulting Industry: The 'Big Con'	47
4.2 The Consulting Business in Pakistan	49
4.3 The Donor and Consulting Network	53
5. A BRIEF PROFILE OF DONORS IN PAKISTAN	56
5.2 United States Agency for International Development (USAID)	58
5.2 Asian Development Bank (ADB)	65
5.3 German Agency For International Cooperation (GIZ)	70
5.4 Japan International Cooperation Agency (JICA)	75
5.5 The World Bank	82
5.6 The Oxford Committee for Famine Relief (OXFAM International)	84
5.7 United Nations (UN) System in Pakistan	85
5.8 International Monetary Fund (IMF)	114
5.9 Foreign, Commonwealth Development Office (FCDO)	116
5.9 International Labour Organization (ILO)	124
5.10 World Health Organization (WHO)	125
5.11 The Asia Foundation	127

6. DONOR AUDITS - WHAT DO THEY TELL?	129
6.1 USAID	129
6.2 ADB	133
7. CONCLUSION	135
BIBLIOGRAPHY	137

LIST OF BOXES, TABLES AND FIGURES

List of Figures

Figure 1: Official Development Assistance (ODA)	10
Figure 2: Commitments of Loans and Grants, 1951-22	11
Figure 3: Foreign Aid (Budgeted) as % of Federal PSDP: 2000-20	12
Figure 4: Loan & Grant Management Process	19
Figure 5: PSDP Foreign Aid Allocation	24
Figure 6: Total Cost, Throw Forward, Revised Allocation 2011-22	25
Figure 7: IMF Aid committed vs received	25
Figure 8: Tied and untied development inflows 2002-2021	26
Figure 9: Net Resource Transfer FY01-FY22	27
Figure 10: Loans vs. Grants Commitment 1951-2021	28
Figure 11: Gross Savings as % GDP- 1960 to 2022	28
Figure 12: Proportion of \$ Inflows going to BOP Support	29
Figure 13: : The Topsy-Turvy Growth trajectory of Pakistan	30
Figure 14: Comparative Investment rates	30
Figure 15: TFP Growth Rate and GFCF 1972-2019	31
Figure 16: Net ODA	32
Figure 17: Sector-Wise ODA to Pakistan (2004-2020)	32
Figure 18: Development Projects As Per Outcome	34
Figure 19: Pakistan's External Debt & External Debt Servicing	35
Figure 20: Patterns of actors' interactions	38
Figure 21: Actors in the aid policy network in Pakistan	54
Figure 22: Donor Network	54
Figure 23: Major Donors' Commitments in Loans & Grants 2006-19	58
Figure 24: Economic Assistance by USAID	60

Figure 25: Military vs. Economic Aid by the US	61
Figure 26: USAID Assistance by Sectors: 1982 to 87	62
Figure 27: USAID Assistance by Sectors- 2001 to 2008	63
Figure 28: USAID Assistance by Sectors: 2011-2020	63
Figure 29: Breakdown of ADB's Financing	66
Figure 30: ADB's Projects & Technical Assistance in Pakistan	66
Figure 31: ADB's Overall Fundings Trend 2000-2020	67
Figure 32: ADB's Sector-Wise Funding Allocation 2000-2020	68
Figure 33: ADB's Commitments in Loans & Grants 2006-19	68
Figure 34: ADB's Commitments vs. Disbursements: 2006-2019	69
Figure 35: Maps of JICA Projects	81
Figure 36: Organogram of World Bank	82
Figure 37: Expenditures Distribution of Oxfam International	85
Figure 38: Overall Projects of UNIOD between 2013-2022	90
Figure 39: UNIDO's Projects in Pakistan	90
Figure 40: Donors' Contribution to UNIDO's Budget & Expenditure	91
Figure 41: FAO's Donors	93
Figure 44: UNDP's Partners	99
Figure 45: UNDP's No. of Projects and Donors	100
Figure 46: UNDP Budget & Expense	101
Figure 47: UNDP's Top Donors	101
Figure 48: UNDP's Thematic Priority 2012-22	102
Figure 49: Humanitarian Response Plans Funds	105
Figure 50: Funded and Unmet Requirements 2021	106
Figure 51: Funds Other Than HRP	107
Figure 52: OCHA Fund Details	108
Figure 53: UNFPA Program Expenses (2020)	109
Figure 54: Integrated Sexual & Reproductive Health Services	110
Figure 55: UNFPA Program Expenses by Resource Type	110
Figure 56: Pakistan Expenses by Implementing Agency	111
Figure 57: UNICEF Priority Areas	112
Figure 58: IMF's Assistance Areas	114
Figure 59: Sector Breakdown of FCDO's Assistance	116
Figure 60: FCDO's Geographic Focus	118
Figure 61: Thematic Areas of FCDO's Assistance	119

Figure 62: FCDO's Budgetary Allocations	121
Figure 63: FCDO's Implementing Partners	122
Figure 64: ILO's Result-Based Program Cycle	124
Figure 65: ILO's Budgeted Expenditures in US\$ million	125
Figure 66: WHO's Mission and Goals	125
Figure 67: WHO's Focus Areas	126
Figure 68: WHO's Program Budget 2022-23, financing—projections & utilization (\$million)	127
Figure 69: Asia Foundation's Focus Areas	128
Figure 70: ADB's Project Ratings	133

LIST OF TABLES

Table 1: HDI of Pakistan 1990-2019	33
Table 2: Strategic groups of actors in the aid policy network in Pakistan	46
Table 3: GIZ Projects by Sector	65
Table 4: Projects by Clients	65
Table 5: On-Going Projects by GIZ	66
Table 6: JICA's Development Assistance Themes	69
Table 7: JICA's Modes of Cooperation	70
Table 8: JICA's Presence Around the World	71
Table 9: JICA's On-Going Projects	71
Table 10: World Bank in Numbers	77
Table 11: World Bank's Recently Approved Projects in Pakistan	77
Table 12: UN Agencies Operating in Pakistan	81
Table 13: FAO's Projects in Pakistan	95
Table 14: FAO's Technical Cooperation Programs	97
Table 15: FAO's Trust Funds	97
Table 16: Composition of External Public Debt	115
Table 17: Projects by USAID in Pakistan & its outcomes	130
Table 18: Instances of discussion of USAID initiatives (and effectiveness of USAID in general) in US Congress	132
Table 19: Contractions and Consultants in ADB-Funded Projects	134

LIST OF BOXES

Box 1: Pakistani civil servants and their foreign trips	40
Box 2: The questionable loans of donors	42
Box 3: The Big Con	45
Box 4: WB's 'moderately unsuccessful', 'unsatisfactory' portfolios, 1994-2023	46
Box 5: Mr. Brown and 'Capacity Building'	50
Box 6: The assistance that helped	56
Box 7: Institutions/Projects built with the US help	59
Box 8: Areas where USAID has been utilized since 1951	64

EXECUTIVE SUMMARY OF FINDINGS

Pakistan has been a regular receiver of foreign aid since its inception. It would not be misplaced to state that Pakistan is addicted to aid! Since its inception, till FY 22-23, the commitments of foreign aid have crossed the \$200 billion mark. There is no single, concise estimate of how much of that committed aid has actually been credited and disbursed. Based on the estimates from various sources, brought together and counterchecked due to their various methodologies, we estimate that at least \$155 billion has been credited and disbursed/used up for various purposes (development and non-development) in Pakistan. This is besides the aid that was credited but has not been documented due to various reasons.

The important question of whether foreign aid has been helpful to Pakistan or not has remained unanswered as the available literature does not offer a clear answer, often bringing out a mixed bag, which is too general and vague. This research effort analyzes this question in light of criterion set by the influential Millikan-Rostow report on foreign aid, which are as follows-

- Transfer of resources in a manner that they don't create future liabilities, especially long-term liabilities
- are NOT source-tied to creditor country, especially projects and services
- leads to economic development and growth in a manner that is sustainable and self-sustaining in the long-run
- raise marginal savings rate in nations receiving aid, which would lead to higher capital formation
- formation of additional capital should be complemented by a development program that helps enlarge the economy-wide capacity to absorb additional capital productively

We find that, in aggregate, foreign aid inflows to Pakistan meet none of the above stated criterion. Over time, improvements have been marginal and concentrated in only a few sectors and selected projects. For example, vaccination efforts led by the UN present one example of success of foreign aid (although Pakistan has become ever more dependent upon others for provision of vaccines, and the program is not self-sustainable). But when it comes to the above stated criterion and aggregate economic outcomes, there is little to doubt that all the aid inflows have

failed to achieve any of these objectives.

Even if one were to bifurcate Official Development Assistance (ODA) by sectoral inflows, it only tends to affirm improvements of marginal nature rather than any substantial improvements that can spillover into positive aggregate economic outcomes. For example, OECDs data on ODA shows that in the last two decades, 'Health' and 'Education' sector has received a combined inflow of \$12 billion (approximately). But despite such heavy infusion of aid, the outcomes in both sectors remain dismal! Pakistan's human capital quality remains poor, and the disease burden remains substantial. Pakistan's Human Development Index (HDI) is perhaps the best reflection of this, hardly budging from its position two decades ago. Keeping in with Milton Friedman's dictum of there being no such thing as free lunch, we demonstrate the various costs of foreign aid to the country. To put it mildly, it costs the country a fortune, but is rarely discussed or analyzed. The most obvious cost is the growth in external liabilities over the decades (the 'debt burden'), with external debt now touching \$125 billion and more. The second cost comes in the form of 'offensive financial statecraft', a form of induced demand for credit and projects that have little utility to creditor country, but ends up saddling it with more debt. Donor induced projects of various types are a norm in Pakistan, indicating the donor influence in policymaking circles.

The heavy dependence of Pakistan's development programs (PSDP at federal and provincial levels) is another cost of aid, whereby foreign aid component is a substantial portion of total outlays of PSDPs. The non-materialization of the external aid component, which is the usual case, is part of what leads to unnecessary delays and ballooning of project costs. This is amply demonstrated by PIDEs analysis of PSDP over the last decade. Further, the tied nature of aid means that Pakistan has to buy goods and services that in the end proves to be costlier, as found out earlier by Dr. Mahbub ul Haq. Also, creditors are usually successful in generating long-term demand for goods and services within the creditor economies, which more than makes up for the financial aid they provide.

Then there is the loss or non-development of what a domestic 'thought industry', leading to real or perceived need for donor technical advice and expertise¹. This also opens the way for donor influence in the policy circles whereby they are a regular presence, at the cost of domestic research and domestic Think Tanks.

Their advice, over the years, has also led to founding or administrative setups that have delivered little in terms of what they were meant for (like bifurcation of WAPDA, CGA, PMRCL, or the setting up of a huge infrastructure for disaster management etc.), and now being a burden upon the national exchequer in the form of salaries and other perks being paid through taxpayer money.

Both the donors and Pakistan's civil servants (primarily civil bureaucracy and military) are responsible for the foreign aid bearing little in terms of development over all those decades. Over time, they have developed a healthy relationship that is based upon looking after each others' interests. Donors, for example, can push loans through the official machinery without due diligence or need-assessment (whether the loan is needed at all?) while the civil servants can enjoy perks like paid foreign tours, project allowances, project posts, consulting and post-retirement work with donors.

The global Consulting industry has also made its mark in Pakistan, with big consulting firms like McKinsey picking up contracts for various projects and assignment. Despite the increasing scrutiny over its workings, the latest being Mazzucatto and Collington's work ('The Big Con'), discussion over its work in Pakistan and its evaluation is rare. Pakistan first hired consultants in 1949, and the trend continues till now, with either the donors or the government handing out contracts to donors. An effort to develop Pakistan's own home-grown consultancy was initiated in the early 1970s, with the establishment of organizations like PEC and NESPAK. However, the policy did not much headway as the influence of external donors and lack of policy continuity plus government support led to fizzling out of this initiative. But it left these organizations largely dependent upon public dole without much to show for (especially PEC).

Donors have a substantial network in Pakistan which includes both the public and the private sector, and domestic plus external individuals/groups that are part of the aid apparatus. Donors themselves reveal little about the network and its standard working. For example, there is no information on to whom have contracts been awarded to over time? While donors do claim to cooperate amongst them

1. See Haque Who Protects Our 'Thought' Industry? - PIDE Blog

selves in terms of pursuing development goals within the country (and there is some evidence to back this up), this cooperation is smaller part of their overall work, whereby they pursue their goals/work solely. These goals keep changing with the changing geo-economic and geo-political situation.

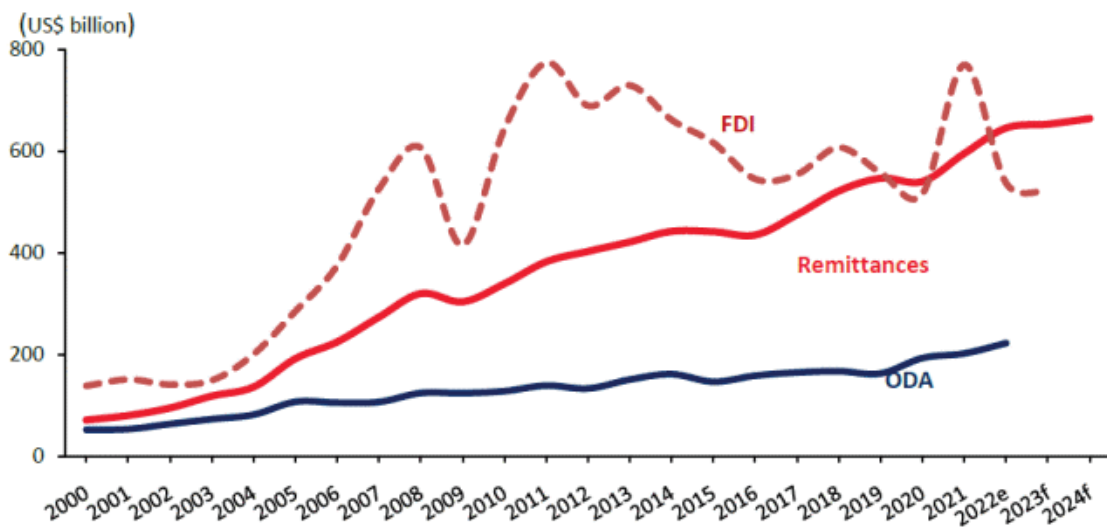
The research finds that on aggregate, foreign aid has led to what William Easterly referred to as 'loss of agency' and the failure at the domestic level to develop what Dr. Nadeem Ul Haque calls the 'thought-industry'. Pakistan's policymaking has a huge donor influence, and seriously lacks in its own thought and skills when it comes to tackling economic issues of critical concern. All in all, there is little evidence to suggest that all the foreign aid inflows over the decades has done anything substantial to put Pakistan on a sustainable path of economic growth, or of improving the macro or micro indicators of the economy.

1. INTRODUCTION

Dambisa Moyo, famous Zambian economist, writer of several books² and Member House of Lords United Kingdom (UK), remarked that ‘Aid is now the new governance of the world’! Moyo’s assertion finds a good reflection in the growing size of Official Development Assistance (ODA), growing several fold since 2000 (as the following graph depicts), touching almost \$200 billion per annum, a sizeable amount³.

■ Figure 1: Official Development Assistance (ODA) ■

Remittance, Foreign Direct Investment, and Official Development Assistance Flow to Low- and Middle-Income Countries, 2000-2024f



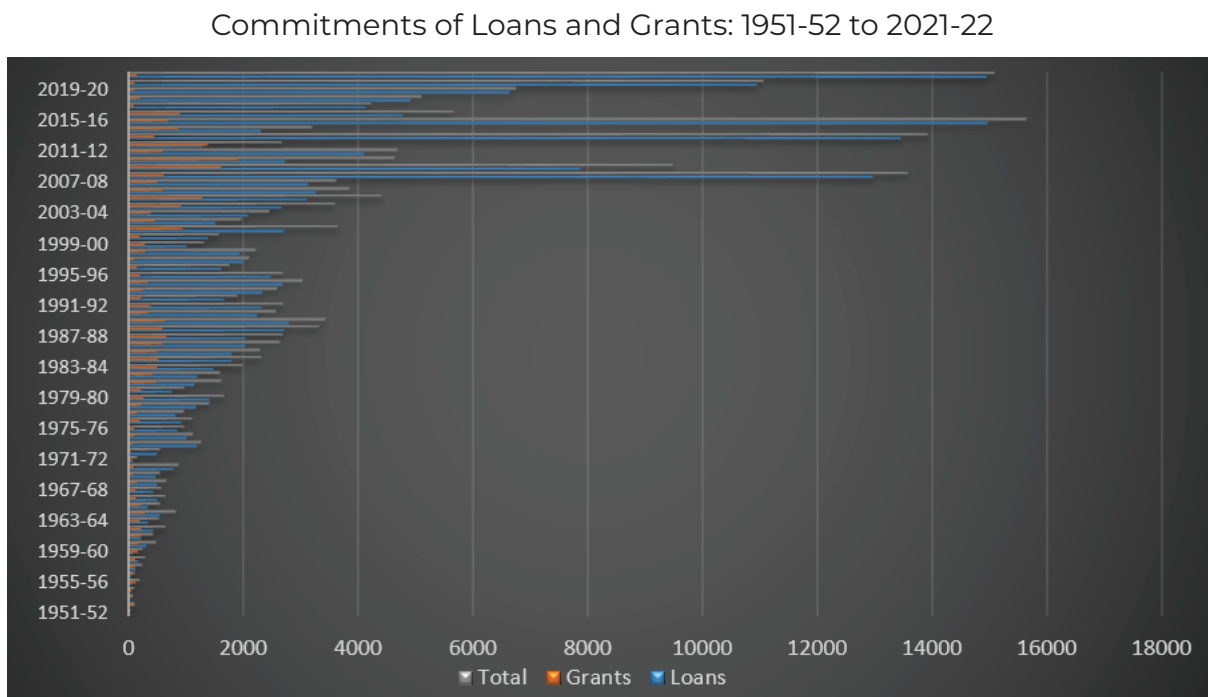
Source: Official Development Assistance (ODA), OECD

Pakistan is a good (if not a perfect) reflection of what she said as it has been a regular recipient of foreign aid in various forms, right from the start of its creation. In 1947, amidst a refugee crisis, wheat shipments from the US arrived in Pakistan to alleviate the shortages of the staple. Since then, Pakistan has been a regular recipient of foreign aid, donor advice and consultancies (that complement the foreign aid inflows). But what implications (positive or negative) has all this aid had on Pakistan’s economy? This research effort is aimed at addressing this critical ques

tion, aside from documenting other critical aspects of foreign aid. It is important to note that this research is not aimed as a diatribe or propaganda piece against the donors; rather, the main aim is to generate debate over this important issue by bringing out important facets of this debate that have hitherto remained little discussed. In short an evaluation as well as a national conversation on external loans and grants, especially from Pak academia is necessary.

Since independence, Pakistan has received commitments of external assistance of around \$200 billion, presented in the figure below⁴.

Figure 2: Commitments of Loans and Grants, 1951-22

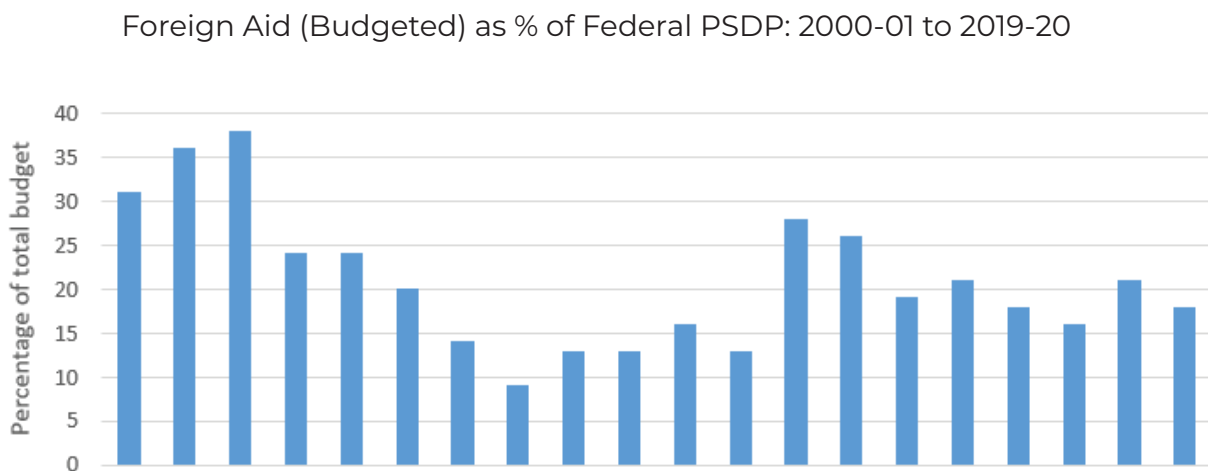


Source: PBS ('50 years of statistics in Pakistan'), various editions of Economic Survey (Finance Division)

1. Dead Aid: Why Aid is Not Working and How There is a Better Way for Africa' (2009), 'How the West Was Lost: Fifty Years of Economic Folly – And the Stark Choices that Lie Ahead' (2011), 'Edge of Chaos: Why Democracy Is Failing to Deliver Economic Growth – and How to Fix It' (2018) and 'How Boards Work: And How They Can Work Better in a Chaotic World' (2021)
 3. Source: World Bank
 4. 'Commitment' is different from 'disbursed', which reflects aid received and used.

Commitments, of course, are not the same as actual aid received, which in reality is lesser in Pakistan's case (to be discussed in later section). However, there are some 'stylized' facts about Pakistan's foreign assistance landscape that are undisputed, starting with the fact that 32 major and minor donors, bilateral and multilateral, dot its landscape. They all finance a plethora of projects around the country, with our estimates suggesting that on average, 1,268 projects per year have been running all over the country in the last decade alone. A large proportion of these loans are for 'projects', with a substantial number being of 'tied' nature (implying that they come with strings attached). Foreign assistance also makes for a considerable portion of development spending, both at federal and provincial levels, a fact reflected in Figure 3 that depicts foreign funding as proportion of federal Public Sector Development Program (PSDP).

■ Figure 3: Foreign Aid (Budgeted) as % of Federal PSDP: 2000-20 ■



Not all of the committed aid, though, materializes in time, leading to delays and cost overruns in projects dependent upon foreign assistance⁵.

While some donors are relatively forthcoming about their work and its outcomes, most of them retain a non-transparent attitude in terms of their work, with almost no one willing to provide information upon aspects like administrative over-heads, financed foreign trips of Pakistani bureaucrats, as well as their contractors and consultants, etc. Over time, donors have managed to create a very powerful niche for themselves in policy making circles, ably supported by civil servants (bureaucrats

and military). Despite all the foreign assistance and aid inflows, Pakistan's development indicators (especially Human Development Indicators or HDI, discussed later) remain poor, and Pakistan is still as dependent upon foreign assistance as it was at its birth and early years (if not more).

This general information is pretty much what is available in context of foreign aid, and accepted amongst the Pakistani intelligentsia and intellectual circles that have either opined on it or have done some research work on this aspect; all other aspects of foreign aid remain murky, shrouded in some form of secrecy and available on different forums with different numbers that do not coincide with each other. For example, a substantial portion of project loans tend to come with attached consultancy services, yet there is little public information about the nature of the project, its loan SOPs (time frame, interest rate, etc.), and the original signed document itself is rarely made public⁶. Above all, there has never been a domestically led effort to carry out a cost-benefit analysis of the effectiveness of foreign funded projects that could have provided a clearer picture of the positive or negative effects/spillovers of the works in question.

The operations/works of donors has also come under substantial criticism. From accused of being naïve in terms of being willfully blind to the ground realities and political nature of economic management⁷ to pursuing projects that have questionable utility⁸ and aid flows leading to deterioration of quality of legal and political institutions within a country⁹, the literature and criticism is vast. However, there has been little discussion of their presence and operations within Pakistan and whether the criticism on them is justified in Pakistan's context?

5. Authors' calculations based on Planning Commission data

6. The agreement for Lahore Orange Line, for example, still remains under wraps despite Lahore High Court's (LHC) order to make it public

7. See, for example, 'It's the politics! Can donors rise to the challenge?', by Sue Unsworth

8. Economist William Easterly's writings are an apt reflection of this aspect

This work is an attempt to cut through the fog of confusion and secrecy, and come up with aggregate statistics and information regarding foreign aid inflows to Pakistan over time, profile the donors and their work, and try to decipher the aspects hitherto unknown (like consultancy work and donor networks). It was not easy, to say the least, mainly because of dispersed nature of data and non-provision of required information¹⁰. It took time and effort to extract information from various sources of data that give us different numbers, as in the case of data of Economic Affairs Division (EAD) and Organization for Economic Cooperation and Development (OECD) that display substantial difference due to different methodologies¹¹.

We make an attempt to document these kinds of instances and differences, and come up with the most reliable numbers (as much as possible). In the process, we do not claim to have unearthed or documented every aspect of foreign aid in Pakistan, but brings all this information in one place for perhaps the first time, offering a future springboard for interested researchers and policymakers alike.

Before proceeding further, there are two important clarifications to keep in mind. First, it should be taken into consideration from the very start that this research is mainly about documenting foreign aid numbers and gauging their effectiveness for Pakistan (especially its economy). Other aspects, some of which are not covered here in detail, are of secondary nature to the main query.

Second, instead of focusing on 'aid' as merely ODA, which is the norm, this paper takes into account all sorts of inflows because in one way or another, it constitutes 'aid', which by definition means 'assistance, relief, help' etc. IMF, for example, provides loans to Pakistan that help alleviate the pressing external payment pressures. Thus, in taking into account all such inflows, this work uses a more expansive, all-encompassing definition of aid rather than a restrictive one. Further, it's worthwhile to recall that a plethora of multilaterals have cropped up to offer "concession-al" loans with conditionality for the alleviation of poverty and other good goals. These too need to be examined for their efficacy.

9. 'Foreign aid, institutional quality and growth' by Andrew Young and Kathleen Sheehan

10. Official letters were sent from PIDE to all the donors for cooperation in regards to this research work. However, only a few replied

11. For example, EAD tabulates Chinese assistance while compiling data but OECD excludes the data due to its unavailability (Chinese public institutions do not share the data with OECD)

1.1 FORMS OF FOREIGN AID

The classification of foreign aid by OECD is the predominant narrative around the globe, as it is employed by major development institutions and most of the countries. Under this classification, foreign aid is divided into three broad categories, i.e., Official Development Assistance (ODA), Other Official Flows (OOF) and Private Flows. These categories are explained below¹²:

1. Official Development Assistance: ODA entails the flows to countries present on the Development Assistance Committee (DAC) List of ODA Recipients and multilateral development institutions. These flows have to meet these conditions to qualify as ODA:

i. They should be provided by official agencies and their executing agencies; and

ii. Their main objective should be promotion of economic development and welfare of the developing countries, and they should be concessional in character. The aid qualifies as ODA only if it contains a grant element of at least 25%, which is calculated at the discount rate of 10%. The grant element refers to the extent a loan is concessional or the softness of the loan. It should be noted here that grant element varies based on the DAC income group.

ODA is further sub-categorized into three types:

a. Grants: Aid flows in cash or kind against which no repayment is required. It also includes debt forgiveness, support to NGOs, and certain costs incurred during the implementation of aid programs under the DAC reporting standards.

b. Loans: Aid for which repayment is required. Notably, only loans with 1+ year of maturity are included in DAC statistics.

c. Equity: Equity investment includes direct financing of enterprises in a developing country. It differs from direct investment in a way that it does not have a lasting interest in the enterprise

It should be noted here that the International Development Association (IDA) is the main part of the World Bank that deals with concessional loans while IBRD deals with non-concessional loans. Moreover, ODA does not include military aid, peace-keeping, nuclear energy, and cultural program.

2. Other Official Flows (OOF): Aid flows by the official sector that are either not aimed at development or have less than 25% grant element.

3. Private Flows: These aid flows entail private grants, i.e., grants by NGOs and other private entities, net of subsidies offered by the official sector as well as flows at market terms originating from private sector resources. Private flows include:

- i. Foreign Direct Investment.
- ii. Private Export Credits
- iii. Securities of multilateral agencies.
- iv. Bilateral portfolio investment and others.

Export Credits: They include loans only meant for trade. They can be offered by both the official and private sector. However, in the case of private export credits, they need to be backed by official guarantees.

Technical Cooperation: Technical cooperation includes grants for the sake of education or training at home or abroad to the nationals of aid-recipient countries and payments to consultants, advisers, and other personnel as well as administrators and teachers working in recipient countries. It also includes the cost of associated equipment.

Tied Aid: Official grants or loans where the donor requires the aid-recipient country to procure goods and services only from companies within its own country or a limited group of countries.

Such requirements may impact the recipient country's value for money for goods, services, and works. DAC promotes untying of aid, especially to the least developed countries.

Untied Aid: This form of ODA does not include any requirement limiting procurement of goods and services to only a few countries.

Partially Untied Aid: This ODA requires the recipient country to procure the associated goods and services in the donor country or a limited group of countries. However, this group should include substantially all aid recipient countries.

Classification According to Pakistan's Manual on Debt Management

The Manual on Foreign Debt Management classifies foreign aid into foreign grants and foreign loans/credits.

Foreign Grants: It sub-divides foreign grants into

Project assistance: Cost of machinery and equipment for projects.

Commodity assistance: Imports of industrial raw material and essential consumer goods.

Technical assistance: Provision of foreign technicians (experts/advisory services),

training facilities abroad for Pakistanis, and equipment for training and demonstration.

Other grants: They include:

a. Relief aid: Relief aid includes import of emergency relief goods and services, as needed during natural calamities.

b. Cash in Foreign Currency: Foreign aid received in cash in foreign currency is meant to fund development projects of the government(s).

Foreign Loans/Credits

It sub-categorizes foreign loans/credits on the basis of:

a) Federal government's role: borrower or guarantor

i) Central Borrowing: These loans/credits are contracted by the federal government. They constitute the federal government's liability and appear in government accounts.

ii) Guaranteed Loans: These loans do not constitute a direct liability for the federal government and hence do not appear in the government accounts. However, in case of default by the primary borrower, the contingent liability rests with the government with regards to the guarantee extended by it.

b) Utilization

i) Project Loans: These loans are for a particular project.

ii) Non-Project (Commodity) Loans: These loans are usually provided for balance of payments/budgetary support. These loans are also called 'program loans' and are always contracted by the federal government.

c) Sources of financing

i) Capital Aid or Official Development Assistance: Capital aid is provided on an official basis and covers projects under the national development program as well as for the import of commodities. These loans are contracted by the federal government, appear in government accounts, and contain an at least 25% grant element.

ii) Export/Supplier Credits: These are credits provided by the suppliers in a country for the promotion of exports to the government/agencies/importers. They are either covered by the Export Credit Insurance Agency or the government. The loans tied to procurement in the donor country are primarily export credits. Such loans do not appear in the government accounts, as they do not constitute a direct liability to the government unless extended to the federal government. Another form of external private debt is un-guaranteed non-public external debt where the monetary authorities attempt to release foreign exchange to the debtor to service

their debt in foreign exchange as per the schedule.

iii) State-cum-Bank Credits: These credits include credit facilities by countries like Switzerland and France for purchases of goods and services. They comprise 50% financing by the government, which is on soft terms, and 50% commercial credits by the banks, which are on semi- or commercial terms.

d) Mode of payment

i) Foreign Loans and Credits contracted in foreign exchange and payable in foreign exchange;

ii) Foreign Loans and credits contracted in foreign exchange but payable in local currency;

iii) Foreign loans and Credits contracted in foreign exchange and repayable in rupee for credit to Trade Accounts of Lender country useable for export of goods.

1.2 THE OFFICIAL FOREIGN AID MACHINERY

At the official level, Pakistan has a considerable bureaucratic setup for aid management, led by the Economic Affairs Division (EAD). Aside from EAD, important role is played by the Finance Division, whose approval is needed for foreign loan agreements to go through¹³. Once the agreements are signed, though, most government departments take the liberty of not reporting details of projects. Provinces, except in some cases, are also mostly independent in negotiating project loans, whereby foreign aid forms a major portion of their development budgets.

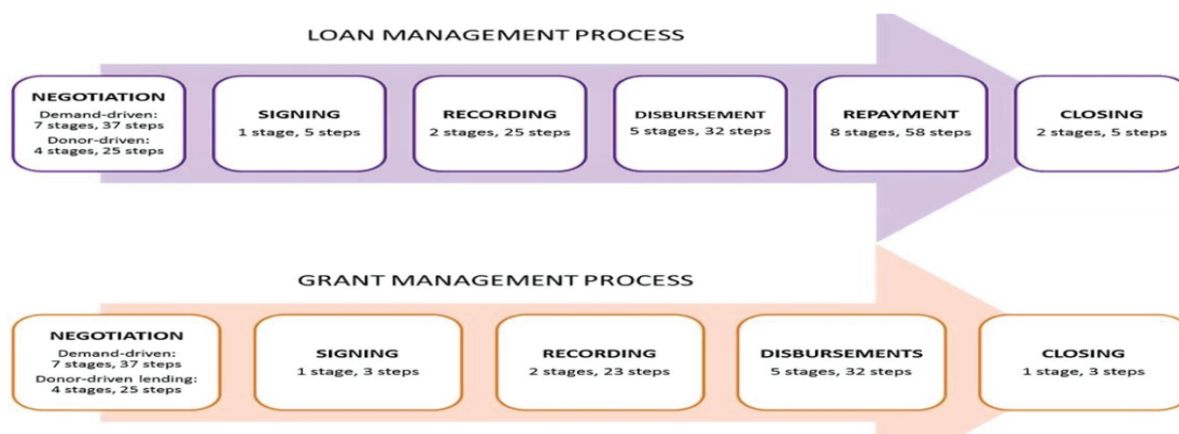
Briefly put, a 'loan' management process involves 6 phases and around 25 steps while 'grant' management process involves 5 phases and 13 to 16 steps. In essence, it's a complex, time-consuming and non-transparent process. The process is depicted in the diagram below¹⁴.

12. Source: OECD Library, OECD Glossary for Creditors Reporting System and Pakistan's Manual on Foreign Debt Management

13. In term of Grants, the approval from Finance Division is not needed

14. Foreign aid to Pakistan', Hanzla Jalil, PIDE

Figure 4: Loan & Grant Management Process



2. LITERATURE REVIEW- IS FOREIGN AID HELPFUL OR NOT?

Since foreign aid, in the form of donor aid flowing to lesser developed countries, has been a long-established practice, it has unsurprisingly been the subject of countless studies. Suffice to say, the opinion on its effectiveness as a tool for economic growth remains divided. The following lines present a brief review of literature on effectiveness of foreign aid in Pakistan.

2.1 FOREIGN AID EFFECTIVENESS IN PAKISTAN

Available literature tends to offer varying opinions on the effectiveness of foreign aid to Pakistan. Baqai and Brecher (1969) offer an early critique of Pakistan's official foreign aid methodology and requirements, viewing the process as fraught with shortcomings since it ignored key aspects of foreign aid (especially future debt servicing requirements). Islam (1967) warned of similar shortcomings in his study, pointing to a psychological barrier ('psychic disutility') in terms of credit receiving nations whereby they could fathom the real costs and benefits of foreign aid. Naheed and Ali (1994), looking at the case of foreign aid for human resource development, opined that there was little or no development of human resource despite aid flows for this purpose, and that the country was being forced by donors to follow policies that are inimical to the country's socio-economic progress. Mah

mood (1997) opined that there were both positive and negative impacts of foreign aid for Pakistan. Initially, it helped Pakistan set up institutional and infrastructural foundations for modern economic growth. But later on, it lulled Pakistan's policy-makers into complacency, away from the demanding tasks of domestic resource mobility efforts and creating a donor dependency. Rogriguez, Morrissey and McGillivrey (1998) analyzed the foreign aid to the public sector in Pakistan between 1956-1995, concluding that it had a 'slightly positive' impact on public investment and a negative impact on tax effort.

Rahman (2005) traced the founding and proliferation of Non-Government Organizations (NGOs) to the considerable vacuum created by the absence of publically led overall governance, and the desire of donors in seeking alternative platforms for aid given the inefficiencies experienced in providing aid through the public sector. In fact, in the Local Government Ordinance (2001), the idea of Citizens Community Boards (CCB) was inspired by the NGO model. Anwar (2006) found that the recipients' genuine needs are less of a factor in provision of foreign aid than bureaucratic interests (both in donors' bureaucracy and that of receiving country). Malik (2007) analyzed the donor aid programs for the last two decades (since 1985) to gauge their effectiveness in terms of education sector's performance and finds that outcomes were consistently poor.

Vaqar and Siddique (2010) from Planning Commission analyzed foreign assistance along four dimensions- the link between aid, security and growth with special reference to Pakistan, general equilibrium impact of foreign resource inflow on economic growth and poverty, aid effectiveness in Pakistan, and priorities for aid policy reform in the country. Overall, they found mixed results, identifying rural support, microfinance, earthquake relief and recovery as areas where foreign aid has had a positive impact. Tahir (2015) found that delegation of tasks by donors (for achieving their objectives) to recipients creates local level conflicts. Khan (2017), using game theoretic framework, traced the donor-Government officer interaction in order to unravel the 'black box' of aid delivery system, and finds a vast network of various players woven in the foreign aid matrix. Tariq (2019) found that although there was observed growth in GDP with the higher aid inflows, the overall effects on governance is detrimental. Moreover, the power dynamic between the donor and recipient ends to end up favoring the donor in context of foreign aid, allowing their added influence on policies. Malik and Rana (2020) looked at the

effects of foreign aid meant for civil society activism. They found civil society discourse has been turned into 'projectization' that does not go beyond donors, practitioners and consultants.

In essence, it's a mixed bag as the literature offers varying interpretations of foreign aid's effects upon Pakistan.

3. HAS FOREIGN AID BENEFITTED PAKISTAN OR NOT?

We first address the all-important question of how much foreign aid has actually arrived in Pakistani coffers for onward utilization? This proved to be a really challenging aspect of this research since the data is reported by diverse sources, and none of them seem to agree upon a single number. The following example would illustrate the difficulties encountered. Between FY 1994-95 and 2000-01, we get two very different numbers from two different data sources. Aggregating realized inflows (gross disbursements) in this time-period from Official sources like Pakistan Bureau of Statistics (PBS), EAD and Economic Survey's (various years) gives us a number close to \$17 billion, but the WB's data puts the same figure at approximately \$22 billion¹⁵. Bifurcating further, the 00-01 figure given by EAD is \$2.6 billion, while the WB states it at \$2.9 billion¹⁶. Similarly, the PBS puts the aggregate figure for FY 94-95 and 95-96 at \$4,036 million while the WB puts the figure at \$6,893 million¹⁷.

The confusion over these different statistics tends to easily spill over to academic and social media reporting. A report by a leading newspaper in 2016, for example, put the foreign aid inflows into Pakistan at \$22.46 billion between 2000-01 and 2008-09¹⁸. But EADs stats on received grants and loans in the same time-period puts the figure at \$29.46 billion.

Moreover, things are made more difficult by the fact that not all the aid inflows to the country have been tabulated/reported in public or private sphere. For example, in a 2008 hearing before the US Congress, it was revealed that the amount of unofficial aid provided to Pakistan (not stated in official books) was equivalent to the officially stated aid (around \$7-8 billion) during the time-frame under review¹⁹. Similarly, recently declassified documents of the US Foreign Office reveal that President James Carter authorized payment of \$2 billion for Pakistan (with an equivalent matching grant from Saudi Arabia) to counter Soviet incursion in

Afghanistan. Nowhere in official documents do we find mention of this inflow.

Additionally, significant differences exist in data reported by EAD and Organization for Economic Cooperation and Development (OECD). For example, OECD does not account for inflows from China, and little or no details are available in terms of final outcomes of the projects in both the public and the private sector, which makes the task of gauging outcomes significantly difficult.

What follows is the closest approximation of foreign aid (rounded off), accumulated from different sources that take into account the received aid.

Between 1950-1960, total inflows were approximately \$2 billion, with grants being a bit more than loans²⁰. Between 1960 to 1993, Pakistan received \$36 billion in sum total (including IMF money)²¹. Between 1994 to 2001, the total received equated to \$22 billion. Finally, between 2002 and 2022, the total received equaled \$95 billion²³. Thus, adding up these numbers, in some total, Pakistan received \$155 billion of the commitments made by the donors (approximately \$200 billion). Allowing for the inflows that remain off the books, the approximation can easily touch \$170-\$175 billion²⁴.

3.1 DOES FOREIGN AID MEET THE EFFECTIVENESS CRITERION?

As the literature review suggests, there are mixed views with regards to effectiveness of aid in Pakistan. One of the primary reasons for the lack of clarity on this question is the absence of well-defined criterion for gauging the effectiveness of aid. The usual go-to tool in majority of the studies seems to be to borrow a specific methodology from a published paper, bring in the numbers and run a regression to get the results. However, these kinds of studies come with their own limitations, specifically the direction of causality and failing to take into account the obligations/liabilities created by foreign aid in the long-run. In other words, there is little

15. 'Global Development Finance' (2003), WB, Table-4

16. Despite the fact that WB uses EAD reported data, there still exist these kinds of discrepancies. It is not clear, then, why such discrepancies arise? It may be due to different reporting methodologies. Even EADs own reports state different numbers for the same year, and the number is different in context of reporting of reporting to different agencies

17. '50 years of Statistics in Pakistan', PBS

18. 'Pakistan external debt, debt to GDP ratio alarming', Sabir Shah, the NEWS, 1st February 2016

or no accounting of the 'net effect', i.e., asset creation vs liabilities in the long-run.

As it turns out, there are good criterion for judging the effectiveness of foreign aid, which came about after extensive debate in Western capitals upon this issue, specifically in the post-WWII period²⁵. In summary, the following criterion were outlined-

- Transfer of resources in a manner that they don't create future liabilities, especially long-term liabilities
- are NOT source-tied to creditor country, especially projects and services
- lead to socio-economic development and economic growth in a manner that is sustainable and self-sustaining in the long-run
- raise domestic marginal savings rate in nations receiving aid (leading to higher gross savings rate as a percentage of GDP), which would lead to higher capital formation (lessening dependence upon external capital)
- formation of additional capital should be complemented by a development program that helps enlarge the economy-wide capacity to absorb additional capital productively, and raises aggregate productivity

These five criterion provide us with a very reasonable roadmap of gauging the effectiveness of foreign aid, especially in the long run. The following lines use these criterion (not in any strict hierarchical ordering), in the context historical and present data to come to gauge foreign aid effectiveness in Pakistan.

19. Details are stated in the USAID profile

20. Source: 'Management of Pakistan's economy, 1947-1982', p.295, chapter on foreign aid. Author contends that grants were 59 percent (on average) during this time-period.

21. Source: 'Pakistan's economic performance 1947-1993', Sohail Jahangir Malik, Safya Aftab and Nargis Sultana, Table 9.1, p. 317

22. Source: various editions of 'Global Development Finance', a WB publication

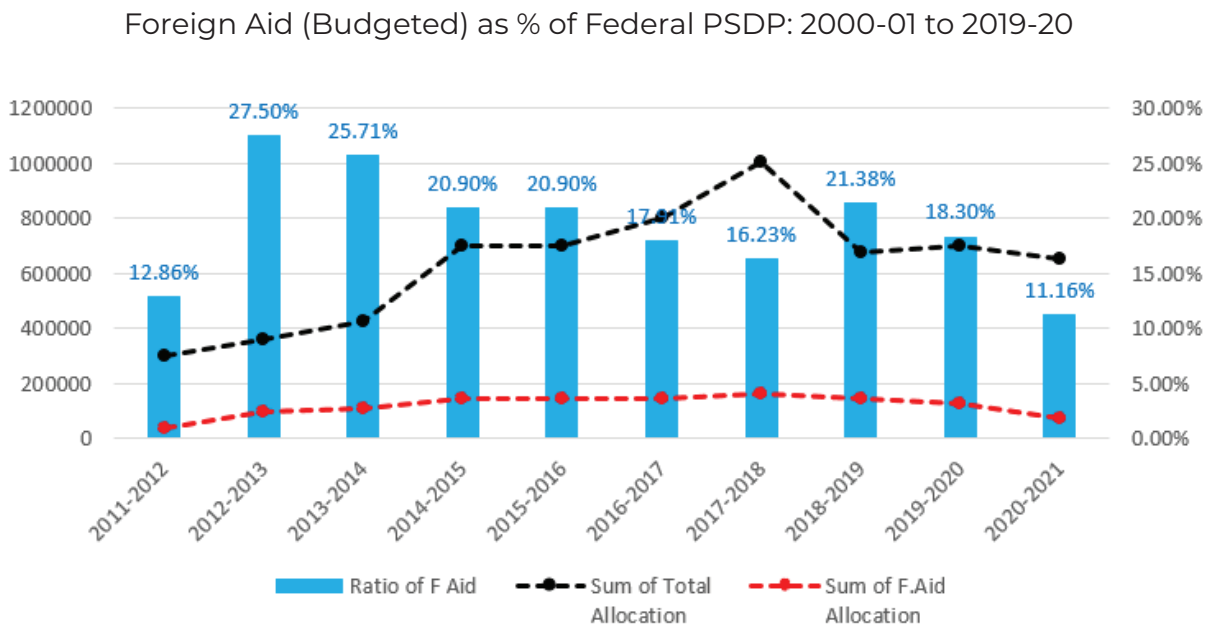
23. Source: Economic Affairs Division (EAD), summary on disbursements of foreign economic assistance, various editions

24. Aid related to sensitive military equipment, for example, is not mentioned in official figures

25. See, specifically 'Objectives of the United States economic assistance programmes', (1957), MIT. This report was used in conjunction with research by Walt Rostow and Mark Millikan ('The Millikan-Rostow Proposals'), published

We first turn to the 'dependency syndrome'. An excellent reflection of this dependency comes in the form of foreign aid component in our premier development program, the PSDP, as depicted in the earlier graph (Figure-3) that shows foreign aid constituting a significant proportion of financing our federal development program in the 21st Century. Further bifurcation by the last decade of PSDP, carried out by Mehmood, Satti and Zubair (2023) affirm this dependency, reflected in the figure below²⁶ -

Figure 5: PSDP Foreign Aid Allocation

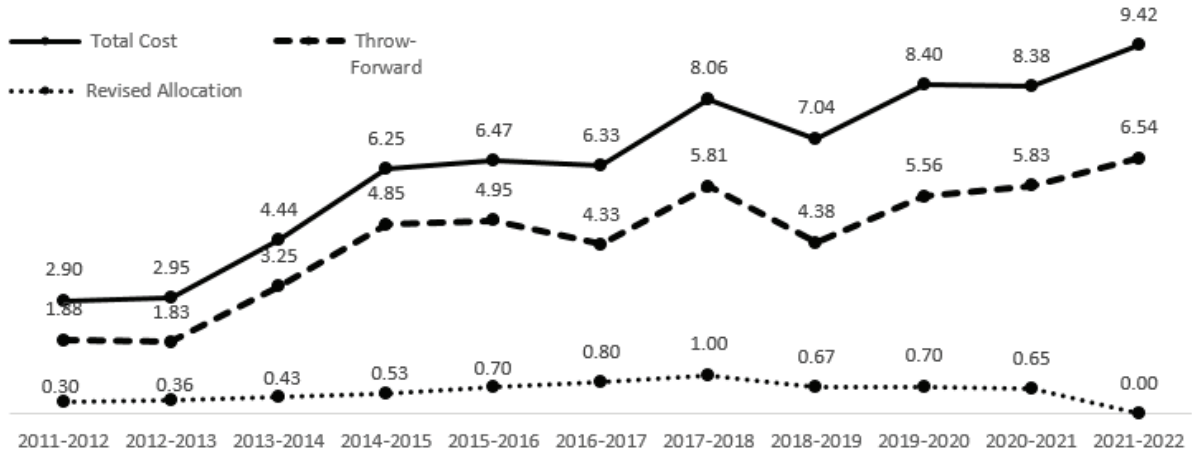


This clearly violates a few of the above-mentioned criteria, specifically additional capital formation and increased savings rate that should have lessened (or done away with) the need for foreign financing for development. This also leads to increasing our future liabilities²⁷, reported by the above mentioned PIDE paper, which informs us that not even half of foreign commitments tend to materialize, leading to delays and 'throw-forward' costs that now stand at Rs. 8 trillion, a huge future liability, of which Rs. 1.5 trillion is the extra amount that accumulated from escalations due to non-completion of works on time (reflected below in figure 6

26. 'Reforming the Public Sector Development Program' (2023), PIDE. Graphs reproduced from the Working Paper
 27. 'Reforming the Public Sector Development Program' (2023), PIDE

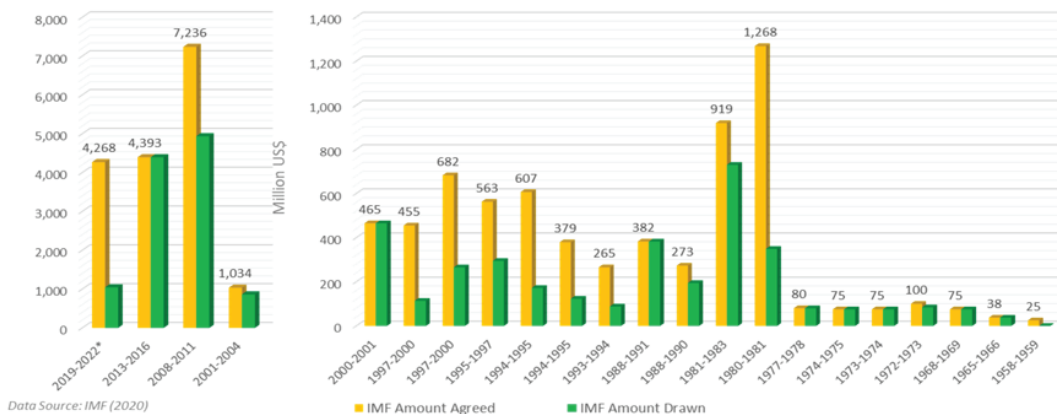
Figure 6: Total Cost, Throw Forward, Revised Allocation 2011-22

Total Cost, Throw Forward, Revised Allocation (in Trillions)



Another reflection of Pakistan’s dependency upon external assistance, despite receiving substantial foreign aid, is the number of times Pakistan had to take recourse to the International Monetary Fund (IMF). Since 1958, Pakistan has gone to the IMF 24 times for assistance! This clearly puts into question the notion of foreign aid leading to more savings, more capital accumulation, higher aggregate productivity and creation of assets that should have circumvented need for taking up so many loans.

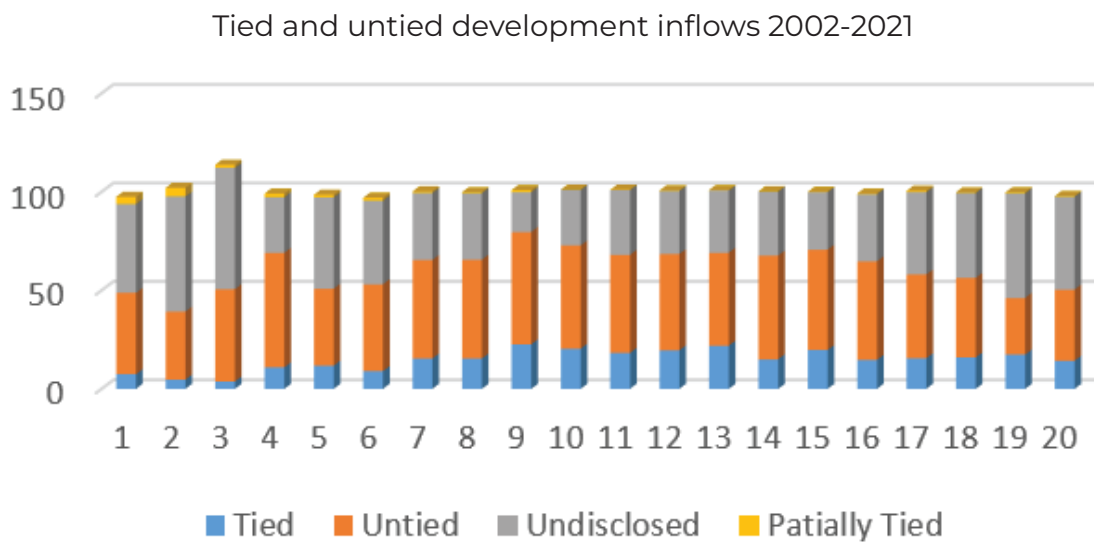
Figure 7: IMF aid committed vs received



Source: Khan, F. J. (2020). Foreign Aid & Public Sector Capacity in Pakistan. SBP Webinar Series on Economic and Finance. 17th Sept 2020.

In terms of the criterion of aid being tied or untied, using OECD data on ODA, we find that over the last decade, around 15 percent of the projects were of ‘tied’ nature. If we add the ‘undisclosed’ category (average 39 percent) as well as ‘partially tied’ category (average of 2 percent), we can easily assume that 20-25 percent of the aid comes in the tied category, a violation of the criterion that envisaged aid being non-tied²⁸.

Figure 8: Tied and untied development inflows 2002-2021



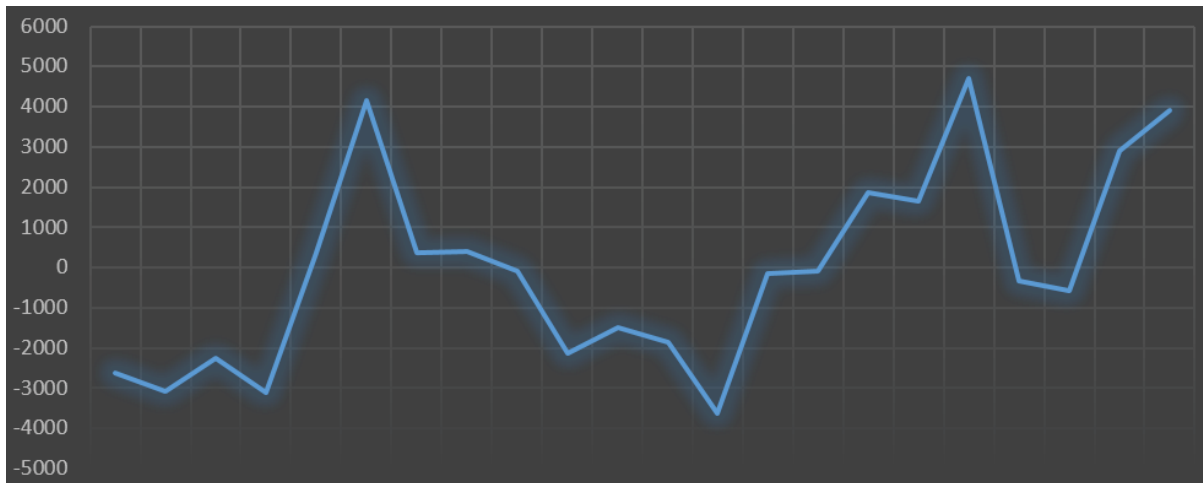
We now turn to the critical ‘Net Resource Transfer’ criterion. Again, data brings forth interesting (albeit alarming) statistics. Although in sum aggregate, if we are to consider the inflows vs. outflows since 1950, the net transfers are positive. But worryingly, in the 21st century, the net transfer has been above \$50 billion in the negative (implying more resources are flowing out to creditors than being spent in Pakistan). This is reflected in the figure below²⁹.

28. One of the categories is labelled ‘undisclosed’, basically denoting projects about which no information exists

29. Disaggregated statistics of net inflows vs. outflows, as in statistics published by the WB, actually show that trends starting turning negative as early as 1990, when the net inflow was \$-57 million. Similarly, in 1994-95, it was -\$159 million. Later, from 1996-97 to 2000-01, we had four straight years of negative net inflows totaling -\$ 5,322 million

■ Figure 9: Net Resource Transfer FY01-FY22 ■

Net Resource Transfer (inflows vs debt repayments): FY 01 to FY 22 (\$million)

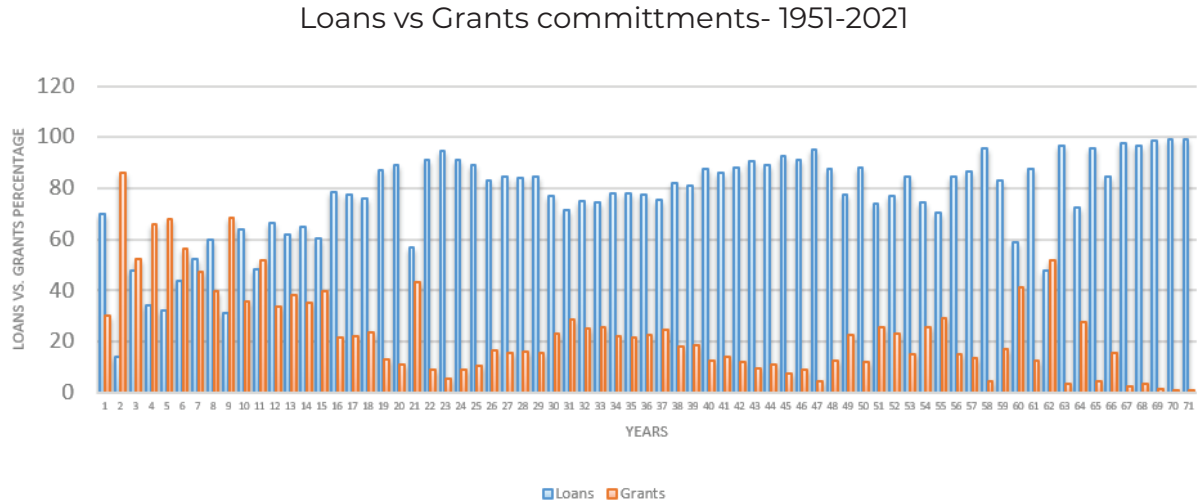


Source: SBP and Economic Survey, Government of Pakistan

Even the fact that the aggregate transfer in question is positive over the existence of the country does not offer solace since the negative trend in the 21st century points to the fact that the inflows could not be materialized efficiently! If it were the opposite case, i.e., inflows leading to sustainable development, capital formation and higher savings, Pakistan would not have been in dire need to foreign monetary and technical assistance, and hence there would have been lesser chances of the negative trend that we witness in the 21st century.

Here, it is important to bear in mind that the negative net transfers, indirectly, reflect the failure to capitalize on the earlier flows in terms of generating enough resources to lessen the need and dependence on foreign inflows, a violation of other criteria stated above (like additional capital formation). It is not that foreign inflows have lessened; in fact, inflows have gone up over time. Yet the majority of these are loans rather than grants, pointing to the utter failure of economic management in utilizing the loans and grants in a manner that there is lesser need for foreign assistance.

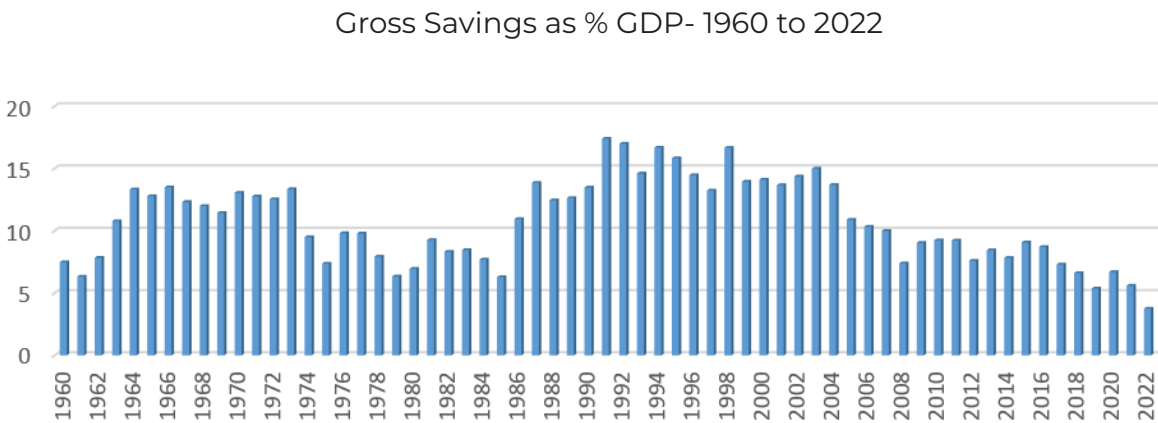
Figure 10: Loans vs. Grants Commitment 1951-2021



Source: PBS and various editions of Economic Surveys

Have all these external flows caused the savings rate (as a percentage of GDP) to rise, as posited by one of our criterion? The answer is in negative, amply depicted in Figure 11

Figure 11: Gross Savings as % GDP- 1960 to 2022

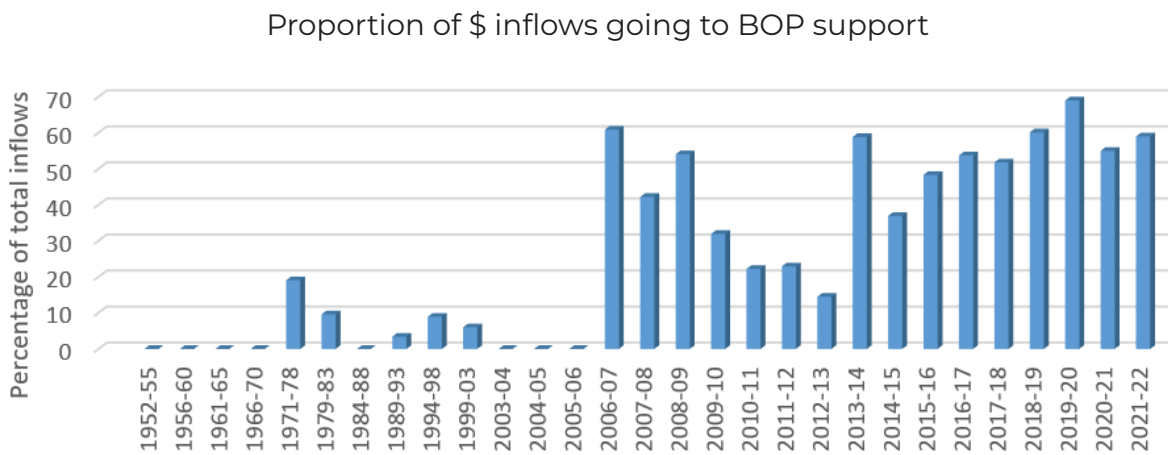


Source: World Bank database

There are a few notable aspects of the graph depicted above. First, the savings rate never show a persistent rise despite external inflows; it follows a rise-fall trajectory, mirroring the topsy-turvy trajectory of GDP growth. Moreover, it is striking to note that in some instances, we observe a negative relationship between aid flows and gross savings. For example, between 1978 and 1988, Pakistan received generous aid inflows (official and off-the-books) courtesy of support for Afghan resistance against the Soviet Union. Yet the gross savings rate remained low. Contrast this with period from 1988 to 1998, in which Pakistan remained under several sanctions (like Pressler Amendment) and aid flows declined substantially. But in that time period, the gross savings rate was on an upward trajectory! Similarly, the 21st century saw largest proportion of total aid inflows into Pakistan (more than 60 percent). But we see a gradual decline in gross savings rate.

Has all the foreign aid inflows led to sustainable development in Pakistan? And are these inflows being used for creation of capital that could help bring about sustainable capital creation? The following graph helps us to answer this question.

■ Figure 12: Proportion of \$ Inflows going to BOP Support ■

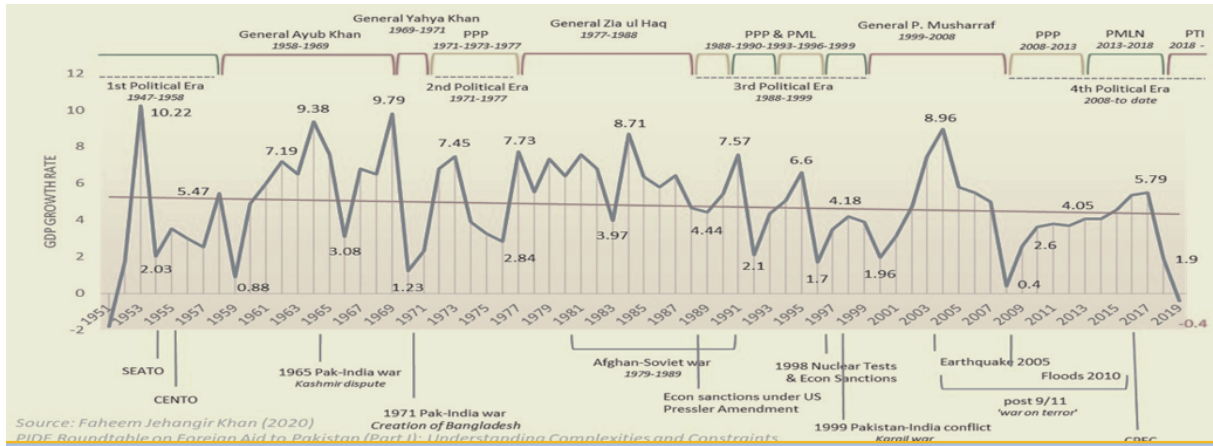


Source: Historical official databases (Economic Surveys, State Bank reports and book chapters on foreign aid)

As is clear from the figure, majority of the inflows are now going towards sustaining the imbalance in external payments rather than investments leading to capital creation. In other words, majority of external inflows are going towards paying for consumption. Additionally, has there been sustainable GDP growth despite exter

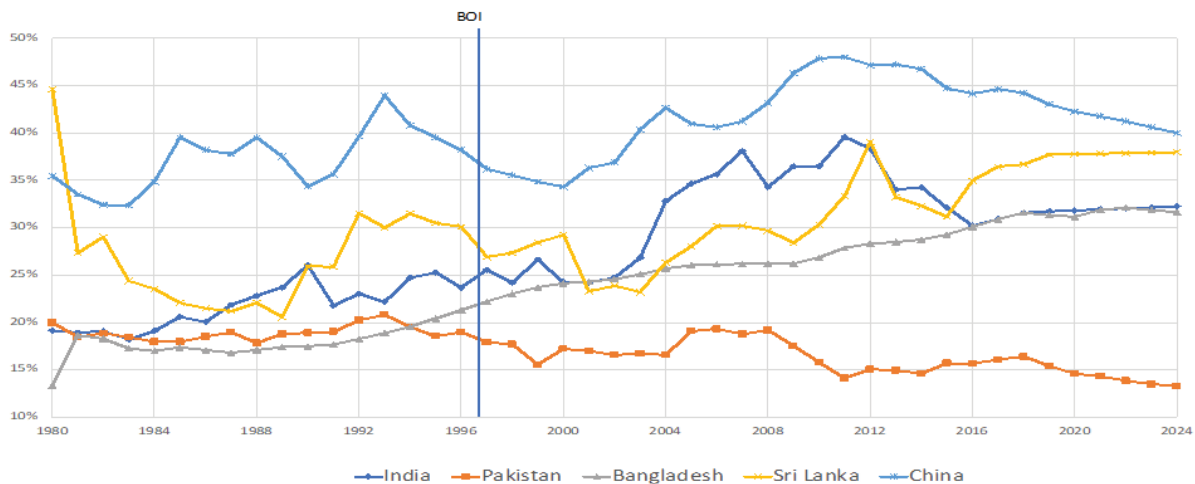
nal inflows? No, as reflected in the following figure, with peaks and troughs marking the growth trajectory.

Figure 13: The topsy-turvy Growth trajectory of Pakistan



Has all the aid influx resulted in aggregate productivity growth and a development program that propels productivity, growth, higher investment through higher savings and capital formation. Again, the answer is in negative, reflected in the following two figures, one depicting Pakistan's falling investment as a percentage of GDP and low aggregate factor productivity³⁰.

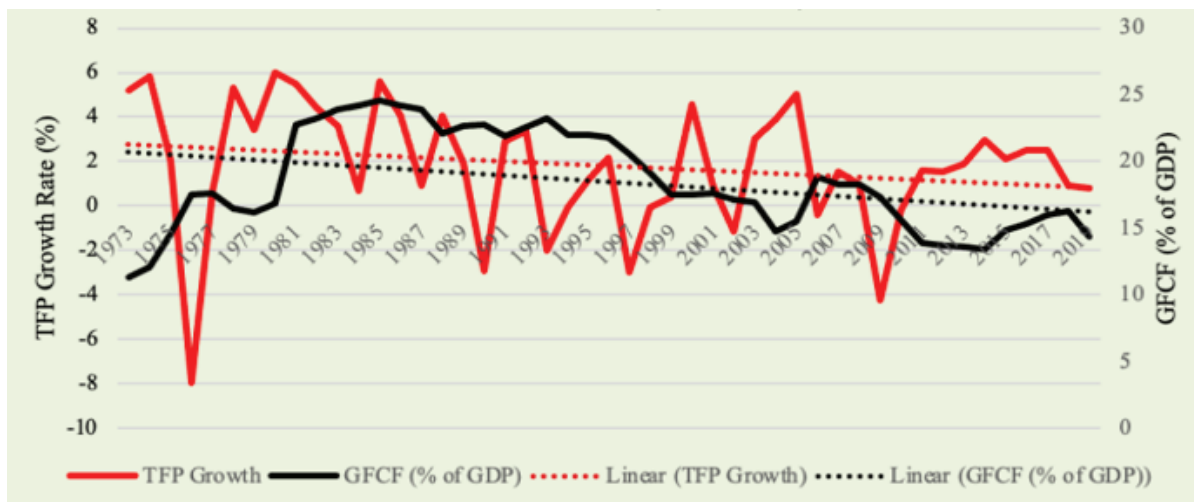
Figure 14- Comparative Investment Rates



Source: IMF World Economic Outlook Graph Constructed by Authors

Figure 15- TFP Growth Rate and GFCF, 1972-2019

TFP Growth Rate and GFCF (% of GDP): 1972 - 2019



Source: Both figures taken from PIDE RAPID Growth Strategy

In sum total, all the foreign aid inflows have failed to help Pakistan achieve any of the goals as described by the criterion for ‘success’ of foreign aid.

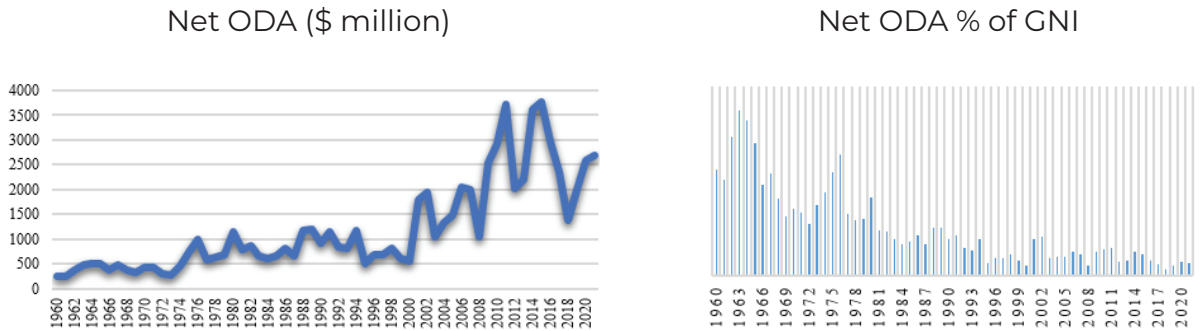
3.2 Aid and Projects Galore, Yet Little Development!

As stated above, Pakistan’s economic landscape is dotted with projects. There is no concise figure of how many projects and programs have been implemented over the decades. We do have an average figure (reported above), though, which shows 1,268 new and ongoing projects every year since last decade. The number of projects, though, could differ substantially by years. For example, Khan (2017) reported that approximately 2,094 projects were running all over the country in 2015. By any count, these are a lot of projects, consuming a lot of aid.

In terms of considering only the ODA, Pakistan’s nominal ODA has seen a persistent rise over time, although the rise has not been linear. Moreover, as a percentage of GNI, it has fallen over time³¹. Both these facts are reflected in the figures below-

30. Both figures taken from PIDE RAPID Growth Strategy

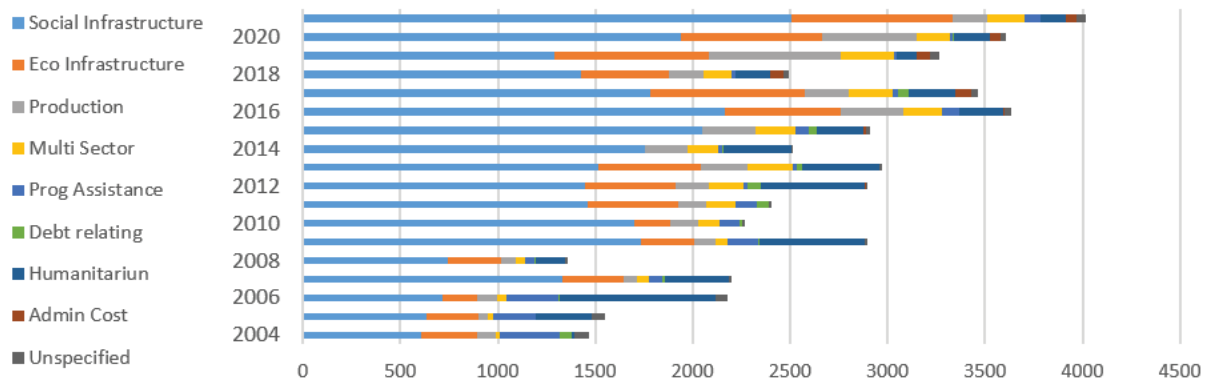
Figure 16: Net ODA



Source: OECD and various Government publications

Sectoral breakup of ODA shows that most of the aid over the last two decades has gone to the 'Social Infrastructure'.³²

Figure 17: Sector-Wise ODA to Pakistan (2004-2020)



Source: OECD

31. This does not, however, imply that aid has become less important in policy discourse. Other forms of aid have tended to fill lesser ODA

32. These include sectors like Health, Education, water, Population, Governance and Civil Society

With so many projects and programs, what do we observe in terms of development indicators? The HDI is a handy proxy in terms of critical development indicators like education, health, sanitation, availability of needed services (like clean drinking water), etc., which make up the 'social infrastructure'. Unfortunately, despite thousands of projects and substantial amounts of inflows, Pakistan's HDI does not show much improvement. This is reflected in the table below, giving us disaggregated figures of HDI by regions in the country.³³

Table 1: HDI of Pakistan 1990-2019

Human Development Indicators (HDI): Pakistan, 1990-2019									
Region	1990	1995	2000	2005	2010	2015	2017	2018	2019
Total	0.402	0.427	0.448	0.486	0.513	0.536	0.549	0.552	0.558
AJK	0.467	0.502	0.532	0.583	0.606	0.606	0.608	0.605	0.612
Baluchistan	0.382	0.405	0.424	0.459	0.454	0.455	0.467	0.469	0.475
FATA	0.377	0.398	0.416	0.449	0.464	0.46	0.463	0.459	0.465
GB	0.424	0.449	0.469	0.505	0.522	0.553	0.578	0.585	0.592
Islamabad	0.508	0.54	0.568	0.619	0.682	0.69	0.68	0.67	0.677
KP	0.395	0.418	0.437	0.472	0.503	0.516	0.522	0.521	0.527
Punjab	0.391	0.414	0.433	0.469	0.51	0.542	0.556	0.558	0.564
Sindh	0.388	0.412	0.433	0.472	0.505	0.522	0.527	0.526	0.532

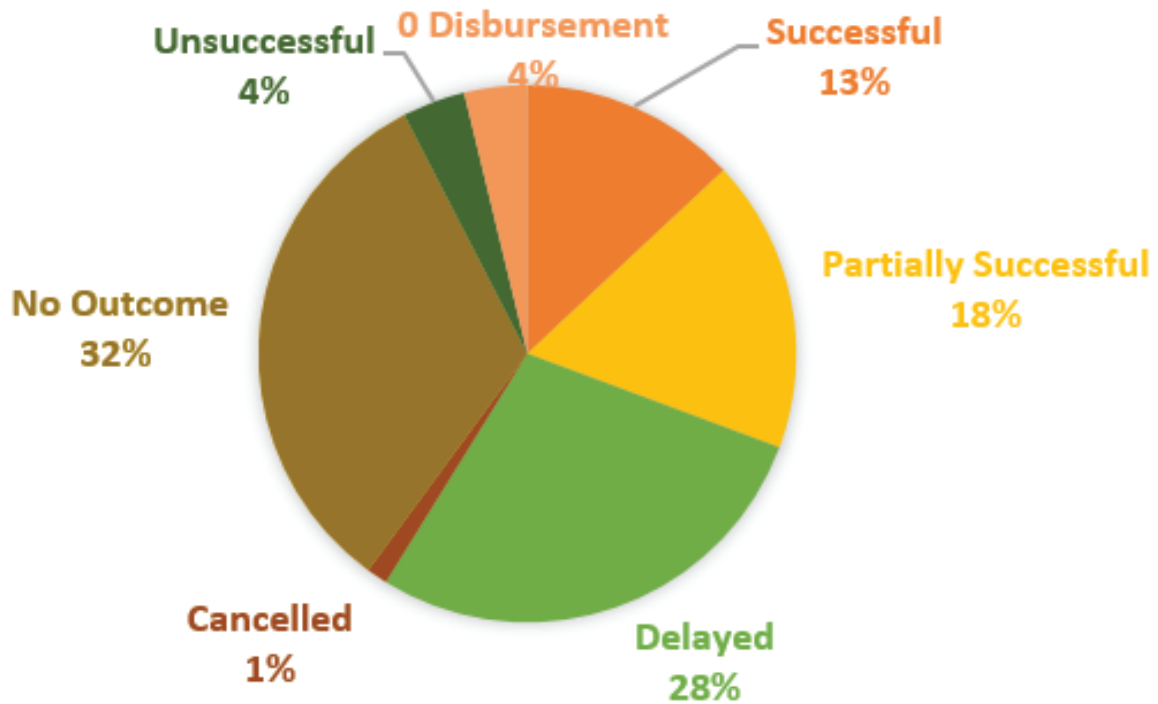
Source: Global Data Lab

Digging a bit deeper into the projects over the last two decades, despite the fact that little in terms of public or detailed information is available about all projects being pursued, the study managed to get details of around 250 projects, whose outcomes is reflected in the given graph.³⁴

33. Source: Globaldatalab.org; data under 'Subnational Human Development'

34. Source: Newspapers, official documents and donor evaluation of projects. The team traced the complete details of projects, from initiation to finish, in order to come to a conclusion. Readers should note that the researchers went beyond mere statements of 'successful' or 'failed' to get the extensive details. Based on these details, the projects were accordingly bifurcated. For example, 'partially successful' meant that there were only marginal improvements, but the major aim/s remained unfulfilled

■ Figure 18: Development Projects as per Outcome ■



Hardly 13 percent of the projects were 'successful', with the remaining either incomplete, partially complete or having little or no information. One implication of this waste, especially in terms of delayed projects in the public domain, is the payment of 'commitment charges' over unutilized funds (discussed later). Even the projects found to be declared 'successful' were basically premised on timely utilization of aid rather than any qualitative or productive outcomes.

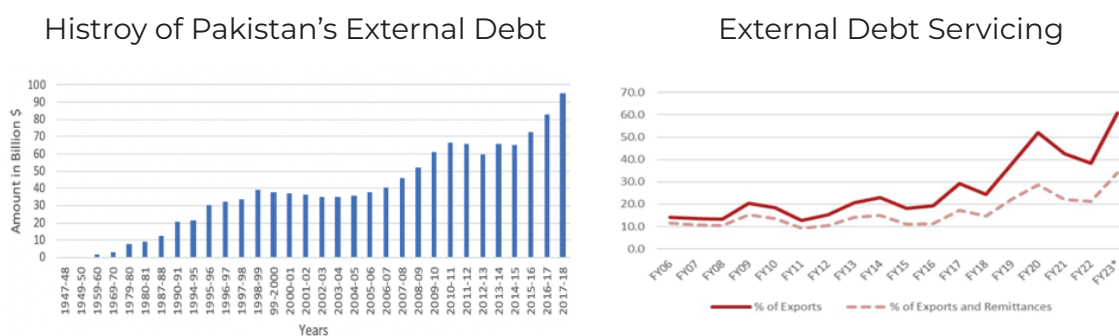
These statistics seem to conform to the random appearance of news items that informs us of delayed projects with unutilized amounts and questionable utility. For example, a recent report informed us that till end-June 2022 (FY 21-22), there were 238 donor financed projects running across Pakistan, worth \$33 billion (95 percent on loans), majority of them delayed due to one reason or the other. It is perhaps no surprise then that we do not see aid delivering in terms of development goals within the country.

3.3 THE COSTS OF FOREIGN AID

Milton Friedman famously remarked that there is no such thing as free lunch! The case of foreign aid inflows into Pakistan fits this statement very well. It's not just the loans, which have to be returned with interest, that are one aspect of this cost, but even the grants (which are not to be returned) seem to carry a cost! A brief account of the various costs is as follows-

The first, and the most obvious, cost comes in the form of increasing debt burden and liabilities. By now, Pakistan's external debt liabilities stand at \$127 billion (and increasing), with ever increasing dependency on external inflows to finance consumption and investment, and to repay the earlier accumulated debt. Reportedly, in the first quarter of this fiscal year (FY 23-24), debt repayments (of which a substantial portion were on repaying foreign debt) were equivalent to total income of the federal government. The following two figures aptly reflect this cost-

Figure 19: Pakistan's External Debt & External Debt Servicing



Source: SBP and various editions of Economic Surveys

Another way that foreign aid costs Pakistan is what Daniel McDowell labelled 'offensive financial statecraft' in his book³⁵. The basic argument is that creditors induce such policies in debtor states which generate demand for credit and services of the crediting states. And in most of these cases (if not all), there is 'quid pro quo' agreed behind the scenes.

35. 'The (Ineffective) Financial Statecraft of China's Bilateral Swap Agreements' (2019), Daniel McDowell

Although McDowell's book was concentrated upon China's credit, the argument can easily be applied to other creditors. And Pakistan is an eminent example of what he was alluding to; none of the China Pakistan Economic Corridor (CPEC) agreements, for example, has ever been made public, and by now, China has become Pakistan's largest bilateral creditor. The CPEC (and non-CPEC) projects financed by China create sizeable demand for Chinese expertise and equipment.

Quite surprisingly, this kind of 'offensive financial statecraft' and its negative repercussions have been recognized in Pakistan since long. The Economic Survey 1980-81 noted that up till Dec 1980, 91 percent of total foreign aid to Pakistan was tied to specific projects, confined to purchases from donor countries.³⁶ The costs of such induced demand for projects (that might not be needed in the first place) include higher debt, higher liabilities and binding debtor countries to over-priced services and goods. In the same document, 'badly conceived big ticket' items, with major donor financing component, were pointed out as the main culprit in Pakistan's total external debt (\$9 billion).³⁷ Similarly, back in 1970, Dr. Mahbub Ul Haq estimated that Pakistan had to buy goods and services under source-tied projects at cost that was 170 percent in excess of market prices!³⁸

However, astonishingly, no study of foreign aid in Pakistan seems to have taken this aspect seriously, i.e, short-term inflows resulting in long-term economic gains for the creditor country economies (primarily through services and contracts doled out by the debtor country)! Perhaps the most prominent example of this phenomenon is military aid to Pakistan, amongst which the provision of F-16 fighter jets stands as an apt example. Pakistan has been using these jets since the 1980s as American aid started flowing in. While all aid may not have been tied, a substantial portion was, specifically to buying creditors' weaponry (F-16 jets and Cobra Gunship helicopters are two example of major purchases through US aid). This was repeated in the early 2000s as Pakistan became an ally in America's 'War on Terror', when Pakistan placed an order for the advanced Block 50/52 version of F-16s (earlier versions were A and B Block-15 series) using US inflows. For context, the deal created an estimated 7,000 jobs along the supply chain, across the US, creates a present and future revenue stream from manufacturing and services, upgrades, trainings and spares, etc.³⁹

It is important to remember here that Pakistan has been using these jet fighters since the 1980s, and intends to continue using the older versions till at least 2030. In between, the jobs and services generated within the US economy comfortably equals (if not exceeding) the aid used up for buying this weaponry.

Additionally, we have the recent statement by a US Policymaker that at least 90 percent aid to Ukraine would come back and create jobs in US, affirming the proposition that creditor nations plan aid in a manner that it benefits its economy in the end.⁴⁰

The other point, closely connected to the point above, is the loss of our own 'thought industry', a term coined by Nadeem Haque to describe (generally speaking) the meagre to non-existent domestic abilities to come up with development projects and solutions.⁴¹ This induces a dependency upon donors, via bureaucracy's help who have their own interests at stake, which ultimately leads to accepting their solutions and their projects without the need to gauge their relevance. Examples are too many to state here, with the above stated graph on foreign financing for PSDP being a good reflection of this since a lot of them are dependent upon donor technical support and advice. Interestingly, again, this observation is decade's old, but no remedial measures were implemented to address this deficiency. Back in 1982, Richard Gable and Robert Laporte opined that

'Planning is geared to securing foreign aid funds; the planning processes favor large, expensive project which emerge from the more developed areas of the country and discriminate against the smaller projects with a shorter time horizon needed in less developed provinces- thus accentuating economic imbalances'.⁴²

36. Economic Survey, 1980-81, p.153

37. Ibid, p.154

38. Source: 'The management of Pakistan's economy: 1947-1982' (1984), chapter on Foreign Aid

39. Calculations based on various US and international sources. For example, an article in Times of India claimed that Pakistan's deal to purchase Block 50/52 F-16s helped save 5,000 jobs in the US ('F-16s to Pak save 5000 US jobs', March 26th 2005). Similarly, in 2019, new orders for these jets generated a demand for 400 direct jobs within Lockheed Martin, the company that manufactures these jets ('Why it matters that Lockheed Martin is set to launch production of F-16s in Greenville', Greenville News, 23rd April 2019)

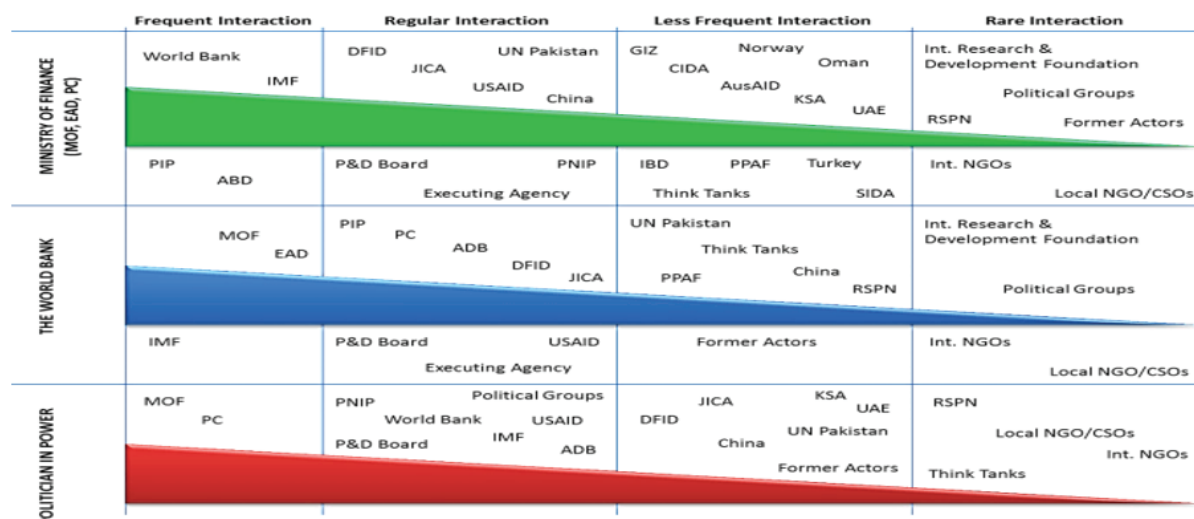
40. See 'Ukraine aid's best-kept secret: Most of the money stays in the USA', by March Thiessen, Washington Post, 29th November 2023

41. 'Who protects our thought industry?' (2020), Nadeem Haque, PIDE

42. 'Planning and budgeting in Pakistan' (1982), Richard Gable and Robert Laporte

How well have the donors captured the policy space can be gauged by seminal findings of Khan (2017), who for the first time studied the donor network in Pakistan in detail. He found that the donors have easy and frequent access to economic policymaking institutions (like Finance Ministry), with both of them (donors and government institutions) making less interactions with domestic research institutions. This is depicted in the graph below (reproduced from Khan's paper)-

Figure 20: Patterns of actors' interactions



Yet another cost comes in the form of instituting new departments/organizations within the public sector framework that tend to become longer term liabilities rather than assets. The bifurcation of WAPDA into DISCOS (distribution companies) in the power sector is one example, done on advice of WB. This bifurcation and separation of DISCOS and GENCOS (generation companies), with establishment of other related companies (PEPCO, for example) created a long-term liability as Government had to support all these through taxpayer money (and still is) as the loaned amounts for the purpose ran out. By now, the power sector is saddled with a 'circular debt' of Rs. 2.3 trillion, and most of the DISCOS are loss-making entities, with their billions in losses subsidized through taxpayer money.

Similarly, the Controller General of Accounts (CGA) was established in 2001 on advice of donors. Till now, it has little to show in terms of improvements in its area.⁴³ Recently, in June 2018, the Pakistan Mortgage Refinance Company Limited

(PMRCL) was created on advice of International Financial Cooperation (IFC, an arm of WB), with a credit line of \$85 million and a federal government share of 29 percent, notwithstanding the contrary advice of several senior commentators and policymakers. Till now, there is little to suggest that the institution has done anything substantial or has had any notable effect on its desired market, i.e., mortgage market. What we do know is that last year, federal government had to approve first tranche of \$50 million as 'supplementary grant' (rather than regular expense) for this purpose.⁴⁴ In addition the commodities exchange in Karachi that never worked. Then there are a plethora of several tax TA projects which have failed to deliver.

3.4 WHOM TO FAULT? POLICYMAKERS OR DONORS? THE QUESTION OF 'SKIN IN THE GAME'

So now that this study, based on the above stated criteria, comes to the conclusion that foreign aid posits little in terms of our economic fortunes, there arises the obvious (albeit critical) question: who is to blame for this failure?

Pakistan's civil servants, especially its civil bureaucracy and military that are dominant in domestic policymaking circles, usually do their best to 'accommodate' the donors. As the figure above regarding influence of donors suggests, they are quiet receptive in facilitating them. In return, a donor financed project brings a lot of benefits with it, including project allowances, vehicles, foreign trips financed through project costs, and the opportunity to land a well-paying job with the donors post-retirement (and on deputation while in service).

43. As per the statement available on its website, CGA is the premier accountability institution of the country, also tasked with authorization of payments. Two decades after its founding, public financial management and accountability still remain a huge issue the quantum of leakages and embezzlements from public funds has only grown over the years

44. Source: World Bank

Box 1: Pakistani civil servants and their foreign trips

Pakistan's bureaucracy seems to be avid foreign travelers under various pretexts, especially under the aegis of 'training' and 'capacity building'. The former is usually on taxpayer money, while the latter is almost always upon donors' finances. Data was sought on foreign trips of civil servants (bureaucrats, judges and military officials) for this research piece from various public sector organizations, especially Establishment Division, but all of them refused to share information. Similarly, donors were requested to share information upon how many trips do they finance and are part of projects/programs? Again, no data was provided.

However, there is enough information to conclude that this is a really serious issue. In 2009, the Minister of Planning informed the Senate that Rs. 35.6 million were spent on foreign trainings and external meetings of 60 bureaucrats (BPS 17-22) of the Planning Commission. In 2013, the PML-N government banned foreign trips of bureaucrats under the pretext of trainings and meetings. However, the ban was nullified and violated at will. For example, several officials of PTDC undertook expensive foreign tours despite the ban. Recently, more than 100 officers of Railways undertook lengthy trips to China, explained as 'training' and 'capacity building' for building Railway coaches. The ministry claimed that all these trips were being financed by the organization from which the coaches were being bought, in itself a conflict-of-interest. Later, it was revealed that aside from the Chinese company financing the trips of bureaucrats, the PSDP funds for Railway were also utilized! There is good evidence to suggest that such abuses still continue unabated. Recently, Finance Division issued an Official Memorandum (O.M No.1(10)R.10/2006-259, dated 2nd August 2023), aimed at stopping the practice of bureaucrats withdrawing daily allowances from official kitty while being on foreign tours that are fully funded by donors.

Background talk with donor officials revealed that they always include public officials' trips and project finances in perspective while coming up with new projects and programs. They argued that without this, bureaucrats do not let projects go through. Although no numbers are available, if we take the above stated average of 1,268 projects running every year in the country, with a substantial number in public sector, one could safely assume that the number of trips would be considerable.

Additionally, as per the official guidelines, there are different classes of travel allowed to different tiers of governance class (President, PM, Service Chiefs, Bureaucrats, etc.). Secretaries and Special Secretaries are allowed business class air travel.

Donors cannot be absolved either. There is enough evidence to suggest that their actions are quite questionable and have a critical impact upon the success and failure of the programs/projects for which they dole out loans to Pakistan. Dr. Mariam Chughtai, Director National Curriculum Council (NCC), recently confided:

"When international donor agencies send their funds, they also send a long list of conditions. For example, recently I signed a proposal to hire twenty consultants for a donor-funded project as per need. However, when the grant was released, donor agencies pre-hired the twenty consultants who were not exactly experts in the relevant project. One of them was earning Rs. 250,000 per day- the same amount that a highest paid government officer in my department earns in a month!"⁴⁵

Similarly, Dr. Noman Ahmed has previously written about how ADB managed to push a \$70 million loan for a project in Korangi in connivance with Karachi Water and Sewerage Board officials despite little groundwork and no consultation with communities. It was all a closed-door affair, challenged by citizenry who succeeded in scuppering the attempt. However, it did not stop waste of financial resources (loans) on other questionable projects like the Baldia Sanitation Project and Solid Waste Management Project for the city. Dr. Noman contends that in all these projects and many more like these, there was no demand for them in the respective sectors, but were still pushed upon the respective governments by donors.⁴⁶

45. 'The paradox of Pakistan's bureaucracy', Momina Ashraf, PROFIT, January 29, 2023

46. 'DB projects need reviewing', Dr. Noman Ahmed, DAWN

Box 2: The questionable loans of donors

Looking at the history of loans, especially to the public sector, one cannot but notice the questionable role of provision of loans, especially when previous loans for similar or same purposes yielded little or could not be used at all! Some examples are as follows-

- A WB loan of \$380 million, for Public Financial Management (PFM), signed in 2019, had to be restructured two times (latest in 2023) since Government could not implement it. Before this, loan of \$84 million for the same purpose (PFM, titled 'PIFRA-II') was taken in 2005, leading to creation of a department, the Controller General of Accounts (CGA), under donor advice (\$20 million of this loan was for 'capacity building' of AGPR). It was preceded by PIFRA-I (initiated in 1997), which saw 13 project directors during the implementation of loan since there was no 'project allowance' which made the posts un-attractive to bureaucracy. Therefore, in PIFRA-II, WB added project allowances as part of loan

- Microfinance loans are another category where the less-than-satisfactory outcomes have not deterred donors from pursuing this objective. In 1999-00, ADB provided US\$150 million loan on soft term at 1 to 1.5 percent mark-up with repayment period of 33 years, to be extended as credit of Rs 5,000 to Rs 30,000 to people in smaller communities to be used for income generating activities. At that time, the initiative was dubbed as 'revolutionary social movement to empower the under-privileged communities and give them self-respect, rights and money to feed themselves and their families'. The Bank was to operate on non-profitable and on cost recovery basis and to give credit to around 100,000 poor persons by December 2001. By end 2022, the bank was on the verge of bankruptcy due to various reasons, including non-recovery of loans. Other microfinance ventures have not fared well either, but donors still find microfinance to be of keen interest

- In 2006, ADB lent Pakistan \$600 million for 'enhancement of private sector participation in Infrastructure development', stating that 'The program should attract private investment in the power, transport, and water subsectors by helping establish a comprehensive framework that will address key policy, legal, regulatory, and institutional constraints to private participation in these areas'. Another \$400 million for the same purpose were approved in Oct 2011. There is no evidence to suggest that it led to any sustainable private sector participation in infrastructure investment, or of enhancing investment to GDP ratios in the country. ADB (and other donors like JICA) has been loaning to Pakistan and other countries for the same purpose since decades. However, private sector led infrastructure investment has remained only a pipe dream. Also, by that time, majority of ADB loan financed projects turned out to be dismal failures (like Karachi Urban Development Project). The end result was little or no positive development despite ADB financing over 200 projects, but a lot of debt. By 2003, Pakistan owed ADB \$6.5 billion!

- 'Structural Reforms' and 'Capacity Building' are two buzzwords that we have been hearing continuously over the years as a basis/pretext for loans. However, they turn out to have little or no effect upon envisaged long-term outcomes. Repeated loans to the FBR's are one such example. A loan of \$400 million in early 2000s failed to enhance FBR's operational efficiency or tax net. Despite this, another one of the same amount and for the same purpose was signed in 2019. And recently, FBR got another loan of \$300 million from another donor for the same purpose. Similarly, in 2022, a \$300 million was approved for the SECP, in continuation of an earlier loan of the same amount in 2020, for the purpose of 'deepening capital and debt markets, and enhance market surveillance system for better information exchange'. No one expects, with experience and study of Pakistan's economic management an institutions, expects these loans to make much of a difference in the institutions they are meant for

- Multiple mega programs for socio-economic uplift, improving HDI and other indicators like poverty have been financed by external loans and grants, but the results have been less than satisfactory. The Social Action program (SAP), initiated in 1992 and finally closed down in 2002, amply reflects this contention. The program was financed by donors like the WB, ADB, the Dutch Government, DFID and EU. In its two phases, donors had extended financing (loans) equivalent to 17 to 20 percent respectively. Despite having a meagre share, the program's operations were effectively overtaken by the WB ('The SAP experience in Pakistan', Heart Resources). In 2002, on Planning Commission's recommendation, SAP was closed down, citing poor performance, corruption and lack of ownership and financial resources. All the staff hired for SAP was retained, and put on public dole. On donors' advice, the finances were diverted to another initiative, the Poverty Reduction Strategy Paper (PRSP), which proved to be yet another failure

Recently, in the wake of devastating floods of 2022, the international donors hired 100 consultants from around the globe to assess the total damage by floods.⁴⁷ Selected academic literature, like Azhar (1994), also opines that easy flow of donors' money was a large factor in the later poor efforts in terms of domestic resource mobilization and policy making, whereby ground was ceded to donors.⁴⁸

Another critical question that arises in terms of donors' aid is the presence of 'absorptive capacity' of the receiver, without which the loan/aid would be of little importance. Back in 1950s and 60s, when the effectiveness of foreign aid was being vigorously debated, emphasis was placed upon 'absorptive capacity' of an economy, whereby the authors suggested that 'capital aid should be offered wherever there is reasonable assurance that it will be effectively used...Absorptive capacity thus becomes the measure of allocation of aid between different countries'. Thus, indirectly, we get certain criterion for gauging the effectiveness of aid around the globe. But even more strikingly, the authors conclude that the nations receiving aid could hardly utilize even 50- 60 percent of it;

'In practice, it is unlikely that 50 to 60 percent of this amount would be taken up'.⁴⁹ In hindsight, this was quite a remarkable observation, especially as it turns out to be accurate in Pakistan's case, where donors keep pushing loans when there is little need or absorptive capacity for it. Examples of this are numerous. In 2017, for example, ADB cancelled \$29.36 million loan facility because it could not be used by Pakistan. At the same time, Pakistan coughed up \$7 million fine on account of 'commitment charges' for not using the loan facility.⁵⁰ This was just a small part of ADB program portfolio for Pakistan, of which 60 percent of total outlays remained unutilized. Clearly, this was a reflection of the lack of capacity at federal and provincial levels to utilize loans. Despite this, in the same year, ADB signed additional loan agreements worth \$320 million. This raises serious questions in terms of conduct of donors.

Readers should note that Pakistan pays a handsome amount of interest on unutilized loans yearly, known as 'commitment charges'. Although aggregate statistics are not available, in most cases that do tend to surface in public, its utilization rates of foreign loans in the agreed upon time-period remains very low.

In this context, it is valid to ask whether those involved in signing up and utilizing these loans suffer any consequences of failures? We get a probable answer in the form of writings of Nasim Nicholas Talib, a famous writer, who came out with his book titled 'Skin in the Game'(2018). If there is a message that comes out of his book, it is that 'if you have no skin in the game, you shouldn't be in the game!' Explaining this, Nasim opined that "If you give an opinion, and someone follows it, you are morally obligated to be, yourself, exposed to its consequences."⁵¹ The book is littered with examples of people who were part of a system from which they benefitted immensely, but then were saved from the devastating consequences when that system gave way. For example, he mentions a former US Treasury Secretary who collected \$120 million in compensation from a large bank which had invested heavily in mortgage-backed Securities. The same securities led to an explosion of the system that ushered in the 'Great Recession' in 2007, inflicting trillions of dollars of losses on the global economy. However, the banks and financial intermediaries, and their heads that were the cause of this great meltdown remained largely unscathed, with the bill (and negative spillovers) being footed by taxpayers around the world.⁵²

Another way of putting this is that the risks from an action should be shared equally, or at least the probability of risk sharing for everyone should be equal, and not just for the people who were never part of advocating that action or policy!

These kinds of individuals have no 'skin in the game', something not only true of foreign consultants that have descended upon Pakistan since long but the same holds true in the case of Pakistan's decision-making apparatus, consisting of civil bureaucracy (especially PAS and military). Historically speaking, these groups of decision makers have rarely (if ever) faced the consequences of their policy making actions and advise themselves; rather, it's the masses who bear the brunt of poor decisions and policies. The role of consultants, and consulting industry as a whole, has come under tremendous scrutiny and critique in recent times, with the latest one being 'The Big Con' that takes an extensive, critical look at the consulting industry.⁵³

47. 'International donors hire 100 experts to determine flood losses', Mehtab Haider, the NEWS, 23rd September 2022

48. 'The role of foreign aid in economic development of Pakistan' (1997), Azhar Mahmood

49. 'Objectives of the United States economic assistance programmes', (1957), MIT. This report was used in conjunction with research by Walt Rostow and Mark Millikan ('The Millikan-Rostow Proposals'), published as 'A proposal: Key to an effective Foreign Policy' (1957)

50. 'Pak to pay ADB \$7 m as fines for non-usage of loans', PROFIT, 21st March 2017

Box 3: The Big Con

The main argument of the book is that the powerful Consulting industry around the globe has huge influence on decision-making. But more often than not, such advice (backed by fat consultancy contracts) ends up either as a negative spillover for the country and its people, or as a disaster! The deeply embedded consulting industry has led to hollowing out of state capacity. And it's not just the developing nations that one would assume to be easy targets of such schema, but even developed nations have suffered due to their advice. Authors, for example, cite the case of Britain, where in one particular case, consultants were earning more than a million pounds per day for their work. Tracing the origins of the consulting industry, Professor Mazzucato and Rosie Collington opine that the industry works on basis of 'knowledge can be purchased, as if off the shelf'. Additionally, one of the biggest reason for success of the consulting industry lies in making governments believe that they do not have the capacity, knowledge or expertise to tackle issues, thus clearing way for their work.

The consulting industry and donors are rarely questioned on their agendas, quality of projects, and their efficacy. They are complemented well by government officials in departments like EAD and Finance Division.⁵⁴ Majority of these loans turn out to be poorly thought-out, needless loans that increase the debt burden upon Pakistan, a burden that is neither shared by donors nor the officials who negotiate these questionable contracts (in proportion to the burden befalling the common man). There is a feedback effect- as debt grows and so do the Balance of Payment (BOP) needs grow, more and more debt is given to finance BOP. In reality this amounts to keeping an appreciated approach in place.

Given that Pakistan has been addicted to foreign aid since the very start, there are innumerable examples of loans that either proved to be waste or had questionable utility. Independent Power Producers (IPP), with the World Bank (WB) as its main financier and an avid advocate, is one such work that has had long-term consequences. The Social Action Program (SAP) and the bifurcation of WAPDA into several entities⁵⁵ are other examples of programs designed and implemented three decades ago whose negative spillovers are being faced by those who were never part of those negotiation and neither had any idea why those actions were required in the first place?

51. 'Skin in the game by Nasim Nicholas Taleb review- How risk should be shared', The Guardian

52. This event, and its consequences, gave rise to 'Wall Street vs Main Street' movement, also known as the '1 percent vs 99 percent'

53. 'The Big Con', by Mariana Mazzucato and Rosy Collington, especially CH. 6

54. 'Who protects our thought industry', Nadeem Haque, PIDE

Yet, the addiction with aid and consultant/donor-driven programs continues unabated! The WB and the Asian Infrastructure Investment Board (AIIB) just approved another \$600 million loan, RISE-II ('Resilient Institutions for Sustainable Economy').⁵⁶ The first one, RISE-I, a loan of \$200 million, could not achieve anything! The end result, as depicted by the 'Net Resource Graph' graph above, is that more resources get transferred outside of Pakistan than coming in.

Box 4: WB's 'moderately unsuccessful', 'unsatisfactory' portfolios, 1994-2023

An evaluation was carried out by the WB over its program portfolio from 1994-2003. In sum aggregate, it acknowledged its programs as being unsuccessful (adding 'moderately' to it), blaming 'lack of commitment' by government and 'institutional capacity', with one of its recommendation being to concentrate upon improving this capacity in a 'sustainable' manner! Since then, hundreds (if not thousands) of capacity building programs have been run on loans, but nothing has come of all these (Source: 'Pakistan: An evaluation of the World Bank's Assistance', Independent Evaluation group, 2006).

The state of affairs continues unabated, with a recent evaluation declaring that more than half of WB's portfolio of federal projects, valued at \$6.7 billion, were 'unsatisfactory' and problematic. In essence, neither the creditor nor the government departments could sort out their issues over all these years; yet the funding continues unabated (Source: 'Projects face lengthy delays', Shahbaz Rana, Express Tribune, 12th November 2023).

In conclusion, donors and our policy makers who have a close liaison with them have little or no skin in the game! Donors are completely shielded against the repercussions of their projects and policies, and our own individuals/groups accenting to their idea and projects also have little to fear in terms of the consequences. For the moment, and likely for the foreseeable future, Pakistan will remain beholden to those who do not have any skin in the game. The only ones to suffer, as always, would be people who have little to do with such decisions, but end up bearing the full brunt of it.

What we can conclude is that both the policymakers and the donors are at fault! Who is more at fault and what is the direction of causality would need further research and further refinement of criterion to answer these questions.

55. At this moment, there are about 20, all run by bureaucracy and retired and active service military personnel (as in WAPDAs case). See 'Power Sector: An Enigma with no easy solution', PIDE

56. 'AIIB and World Bank approve \$600 million for RISE-II', DAWN, 15th October 2023

4. THE CONSULTANTS AND THE CONSULTING INDUSTRY

Donors and consultants, historically speaking, have had a complimentary relationship when it comes to foreign aid to recipient countries. Pakistan is not immune to the workings of this complementarity: majority of its foreign aid comes with foreign-based consultancy services, a form of 'tied' aid, although the documents may not mention it.⁵⁷

Over time, consulting has developed into a full-fledged industry. Given its close relationship with foreign aid, it's worthwhile to take a brief look at the development of the consulting industry, at the global level and in context of Pakistan.

4.1 GLOBAL CONSULTING INDUSTRY: THE 'BIG CON'

In early 2023, a new book by Professor Mariana Mazzucato and Rosie Collington⁵⁸ put the global consulting industry in limelight (and under intense scrutiny). Valued at approximately \$700-900 billion in 2021, with annual earnings of \$250 billion (estimated), they brought forth many aspects of the hitherto secret (or lesser-discussed) workings of the global consulting industry, tracing its origins, its influence and its presence around the world. Some insights are quiet surprising, like Britain spending 1 million pounds a day on consultancy services during COVID-19! The book is an extension of their work on Public Value Theory (PVT), which argues against the dominance of the neo-liberal free market narrative, and advocates bringing government back to the centerfold of economic production and value creation.⁵⁹

The authors argue that overall, the consulting industry has done considerable damage to countries around the globe, especially the aid receiving countries. The state capacity has been hollowed out gradually due to over-reliance on the powerful consulting industry, which takes advantage of the weaknesses of erosion of the state capacity over time. They claim that the growth of the consulting industry has come at the expense of proficiency of state capabilities. The consulting industry frequently employs what the authors label 'confidence trick', convincing the client government's that they do not have the capacity or expertise for dealing with a certain issue.

The substantial influence of these consultancy firms owes in large part to their alumnus getting anointed to top posts in public and private sector. McKinsey, for example, has produced 70 past and present CEOs of fortune 500 companies.

Mazzucatto and Collington are the most well-known critics of the consulting industry, but not the only one; A five year investigation led by two senior New York Times journalists (Walt Bogdanich and Michael Forsythe) into the workings of McKinsey⁶⁰, one of the oldest and most successful management consultancy firm that advises 85 of the largest 100 corporations, brought forth devastating indictment of their failures. Amongst the many questionable practices that they found at McKinsey was keeping the information about their clients, the sums involved and their own prescriptions given to clients. Conflict of interest is apparent as a substantial number of McKinsey workers end up heading public and private sector organizations around the world, in turn dishing out contracts to the firm.⁶¹ Similarly, it received \$83.7 million in marketing fees from the pharmaceutical firm that manufactured the drug 'Oxycontin', a drug that fueled the opioid crisis in the US, leading to half a million deaths. The book also details its engagements all around the globe.⁶² McKinsey was taken to court over the Oxycontin related deaths. By October 2023, it had paid \$870 million to the victims!

In November 2022, the French Economy and Finance Minister, Bruno Le Maire, acknowledged that their government had relied on large consultancy firms like McKinsey at significant costs to the country (he used the word 'too far' in describing French government reliance on consultants).⁶³ Resultantly, the French Government launched an investigation into the significant contracts handed to the large consultancy firms from 2017 to 2022.

In December 2022, Jan Egeland of Norwegian Refugee Council decried the influence of international consultants and donors having a stronghold on finances despite the local Nordic NGOs doing most of the ground work but getting little in return.⁶⁴

57. Although the OECD encourages donors to disclose such binding services, but it's not obligatory for the donors to do so

58. 'The Big Con: How the Consulting Industry Weakens Our Business, Infantilizes our Governments, and Warps our Economies'. Also see their article 'Consultants and the crisis of Capitalism', Project Syndicate

59. See Mariana Mazzucato and Rosie Collington (2022), 'Beyond Outsourcing: re-embedding the State in public value production'

The list goes on, with little indication that there is any change in how big consultancies have gone about their business. Perhaps more strikingly, it is difficult to find projects or works around the globe that these consultancies turned around and really made a socio-economic impact. In fact, they have been accused of offering nothing more than stale clichés and second-hand ideas.⁶⁵

4.2 THE CONSULTING BUSINESS IN PAKISTAN

Evidence suggests that Pakistan's government took recourse to foreign consultancy services since early years. In 1949, a government document mentions hiring of consultancy services for developing coal reserves and their estimates for the purpose of power production. A 'Central Engineering Authority' was created based on advice of a foreign consultant, Sir Henry Howard. Consultancy services were also hired for other areas like paper making and fertilizer production. For the latter, government contracted two well-known chemical production businesses, namely Messrs. Power Gas Corporation of UK and Chemical Construction Company of USA. Similarly, consultancy services were sought for diverse areas like rubber and steel production.⁶⁶

60. 'When McKinsey Comes to Town: The Hidden Influence of the World's Most Powerful Consulting Firm'

61. Enron, one of the biggest corporate bankruptcies in history, was headed by former McKinsey consultants, keeping a close liaison with the firm even though they headed Enron. Before its bankruptcy, McKinsey declared Enron as the new model of 'corporate innovation'

62. A short account of the findings can be found in 'When McKinsey Comes to Town: The Hidden Influence of the World's Most Powerful Consulting Firm- Book review' by Tim Adams, Guardian, 31st October 2022

63. 'France went 'too far' in relying on consultants like McKinsey, finance chief admits', POLITICO, 27th November 2022. It became known as the "McKinsey Affair" in France

64. 'Local humanitarian actors still poorly funded. After 7 years, UN Agencies and NGOs hold tight to donor funds', Development Today, 15th December 2022

65. 'The consultancy racket can't survive any more lawsuits', Telegraph, Matthew Lynn, 1st October 2023

66. 'Development Plans for Pakistan' (1949), Embassy of Pakistan, p.6, p.7, p.9 and p.10

Since then, foreign consultants have been a continuous, regular presence in Pakistan's development schemes, pursued either through the public sector or the private sector. Pakistan's capital, Islamabad, for example, was developed by a famous Greek Architect, Doxiades. In between, Pakistan tried to develop its own consultancy services and industry, which have largely failed to deliver any meaningful result as foreign consultants are still a norm in development projects based on loans and grants. The 1970s saw official attempts to domesticize the consultancy industry in Pakistan, which would collaborate with foreign consultants on various projects and plans. This strategy saw the establishment of National Engineering Services of Pakistan (NESPAK) in 1973, which began as an association for promotion of consultancy business in Pakistan. It was followed by setting up Pakistan Engineering Council (PEC) in 1976, a regulatory organization to oversee the development related consultancy within the country. Consultancy services are still regulated under the Engineering Council Act.⁶⁷

Box 5: Mr. Brown and 'Capacity Building'

The lead author of this research piece once worked at a public sector institution, which was running a 'capacity building' program at that time (on a dollar loan!). A foreign consultant, Mr. Brown, was in-charge of the effort. Twice a year, Mr. Brown (his real last name) would fly in from his abode in a western capital, stay at Serena or Marriot Islamabad for a few days, and then leave after having meetings with top management. Similarly, the Secretary and other top management undertook 'training' tours to several western capitals. The program ran for 3 years, and all the local research staff hired under the capacity building effort were shown the door. Most of the top management of the institution was changed before completion of the program (but not before they undertook their foreign tours). Several years later, another such program was implemented!

By 1999, Pakistan had 109 Consultancy firms with an estimated 800 employed individuals and a turnover of around \$40 million.⁶⁸ At present, though, there are no precise estimates available in terms of number of firms, individuals employed, the quantum and portfolio of projects, etc. The information is disbursed and often lacking in details. But credible knowledge exists that show that some of the large, domestic consultancy firms tend to get all the big contracts from donors. These include Chemonics, OPM, ASI and DAI, etc. In his book 'Looking Back', Dr Nadeem Haq has provided a list of contractors of the USAID (this paper also contains an extensive list of USAID contractors, both in Pakistan and in US, in section on USAID). Additionally, in context of consultancies and donors, Dr. Haq along with Jahangir Aziz had provided an earlier framework whereby low domestic human

capital gets supplemented/replaced by foreign technical assistance.⁶⁹

However, in terms of the big global consultancy firms, we do come across some information that suggests that although contracts do get awarded to them, their presence in the country has declined over time and that it is the local, private firms act as their representatives/subsidiaries in the country. For example, Deloitte, one of the big four accounting consultancies around the globe, legally detached from its local namesake (now Yousaf Adil & Company) in 2021, effectively ending its engagement in Pakistan. Similarly, other big consulting firms like PWC have their own local subsidiaries (AF Ferguson in PWCs case) who use their name while applying for contracts.

The declining presence of big consulting firms in Pakistan mainly owes to two factors- a) low revenue generation and b) volatile macroeconomic situation. In 2021, for example, PWCs total revenues in Pakistan stood at merely Rs. 3 billion (\$18 million at that year's average exchange rate), which is nothing compared to the firm's total revenue of \$45 billion in the same year.⁷⁰ Much the Rs. 3 billion revenue was taken up by the local arm, and the remaining money for repatriation encountered difficulties due to stringent forex regulations. This exodus has meant new opportunities for new global players and local firms to take advantage of the consultancy landscape in the country, usually by forming partnerships with influential local firms/organization. For example, the consultancy work for the mega Diamir-Bhasha dam was awarded to a JV of China Power and Frontier Works Organization (FWO, military's engineering arm).

Why couldn't a domestic consultancy industry, rivalling the foreign consultants in technical prowess and knowhow, develop in Pakistan? There are no concise answers to this vexing question and differ by sources. Talk with government and private sector individuals point to lack of technological development as a major culprit, primarily owing to very low expense over time on science and technology. Mega projects like dams, nuclear power plants, ports, defense production, etc., require nuanced and deep understanding of complex technical processes, which in turn require high quality human capital. In Pakistan's case, given the poor state of education, such quality human capital is either difficult to find or non-existent. This compels the government to turn towards external consultancy assistance. We are witnessing this at the present in context of proposed privatization and out

sourcing of state assets, whereby foreign consultancy firms have been hired for their valuation.

The other view blames the non-development of domestic consultancy industry on donors and bureaucracy that has proved to be a serious detriment. Perhaps the most ardent proponent of this view is Dr. Nadeem Ul Haq, presently serving as the Vice Chancellor (VC) of PIDE. In one of his articles, he shared an interesting incident of how donors were more than eager to accept the faulty, imaginative figure of \$40 billion in total losses due to 2010 floods since the chance of employing their favored consultants (aside from substantial loans) beckoned.⁷¹ In another article,⁷² he gave the example of an individual with a PhD from Harvard, who had excellent research ideas for contributing towards better economic policymaking in Pakistan, but saw his dreams shattered as the bureaucratic mindset forced him to rely on donors' aid, resulting in reports and research which had little relevance to the country's economic problems. Despite his top notch qualifications, he ended up earning much less than foreign consultants on the same projects, who were less qualified than him.

All in all, Pakistan remains as dependent upon foreign consultants and their services as it was since the start, and as much as it is dependent upon foreign loans. Anecdotal evidence suggests that the foreign consultancy services are part and parcel of foreign loans. Importantly, this implies that given the need for foreign loans, especially for meg-infrastructure projects, Pakistan is highly unlikely to see foreign consultancy services being replaced by domestic ones, at least in the near future. This much was acknowledged recently by the Finance Minister, Dr. Shamshad Akhtar, who termed foreign technical expertise essential for Pakistan's future development.

67. These public sector consultancies, over time, have been given ample opportunities to grow their footprint in consultancy work and through hefty contracts, especially NESPAK. However, outside of the public sector, they have little or no presence. NESPAK, after half a century, has managed to bag contracts outside of Pakistan, but only in Gulf countries where they have been present since 1978. Even there, majority of their contracts are in the public sector, who have good relations with Pakistan's public sector

68. 'Policies and Incentives for Consultants in Various Countries', (2000). The turnover and registration figures are from table-1 and table-2

69. 'The quality of governance: 'Second-Generation' civil service reform in Africa

70. Source: <https://www.statista.com/statistics/189636/aggregated-revenues-of-pwc-since-2006/> The figure of Rs. 3 billion revenue comes from Mr. Asad Ali Shah, quoted in 'The auditors want to leave', PROFIT, 12th April 2021

71. 'How do consultants, donors and Pakistani ministries solve problems' (2019), available at medium.com

72. 'Who protects our thought industry' (2020), PIDE

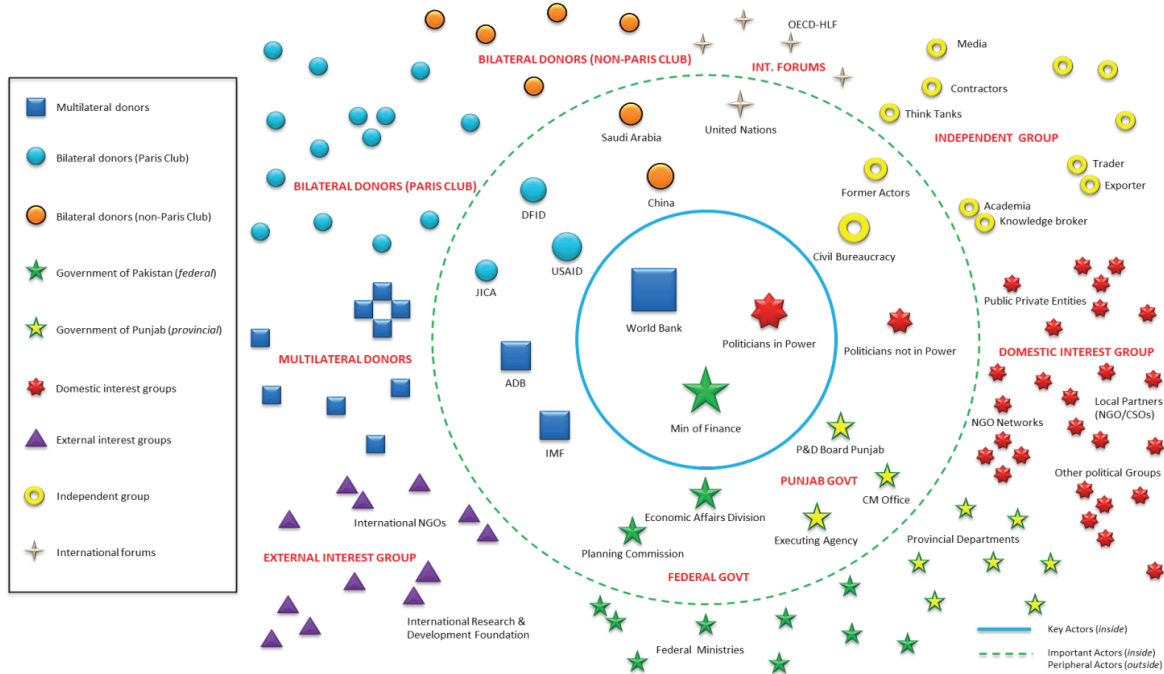
4.3 THE DONOR AND CONSULTING NETWORK

Over time, donors have established a huge network that is part of the external aid inflows and its utilization. These include both domestic as well as foreign organizations and consultants. Up till 2017, when Khan came up with his seminal work on donor's network in Pakistan⁷³, there remained little information in terms of this vast network (identified in the following table and figure).

Table 2: Strategic Groups of Actors in the Aid Policy Network in Pakistan

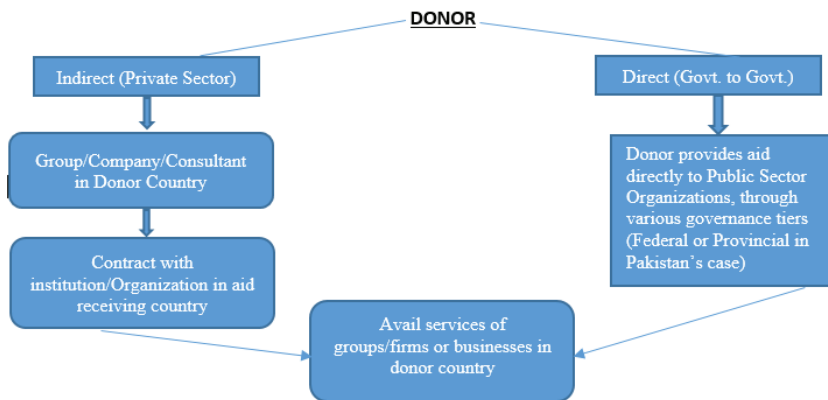
ACTORS/ GROUPS OF ACTORS	DESCRIPTION
1. GOVERNMENT OF PAKISTAN	The Pakistan government is comprised of specialised actors (or organisations). The Ministry of Finance along with its two specialised divisions, the Economic Affairs Division and the Planning Commission of Pakistan, are the key government organisations managing the aid policy process in Pakistan.
2. PROVINCIAL GOVERNMENT – PUNJAB	At the provincial level, each province has a Planning and Development department and a number of specialised provincial departments – called Executing Agency in this study – managing aid at the lower tiers. These government organisations liaise with numerous development partners, contractors and interest groups in the network to achieve governments' objectives and policy goals.
3. MULTILATERAL DONORS	This group includes multinational development organisations and finance institutions, such as the World Bank, the Asian Development Bank, the Islamic Development Bank, the UN system (consists of 18 UN agencies operating in Pakistan) and others.
4. BILATERAL DONORS – PARIS CLUB	Bilateral donors (Paris Club) focus mainly on economic policy and programming of bilateral economic assistance through international development assistance programmes, ministries or departments. Members of the Paris Club include Australia, Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, New Zealand, Norway, Russia, South Korea, Spain, Sweden, Switzerland, Turkey, UK and USA.
5. BILATERAL DONORS – NON-PARIS CLUB	Bilateral donors (Non-Paris Club) focus on multiple economic areas like trade, investment, finance, banking, technical cooperation as well as economic assistance. Members of the Non-Paris Club include China, Iran, Oman, Saudi Arabia and the United Arab Emirates.
6. EXTERNAL INTEREST GROUPS	This group mainly comprised of international non-government organisations (INGOs) and international research and development foundations (IRDFs) operating in Pakistan. Organisations in this group collect funds through charity or receive grants from (member) donor countries/agencies, and work in close collaboration with local partners, experts and policymakers.
7. DOMESTIC INTEREST GROUPS	This group is comprised of diverse actors as compared to the others. This group includes politicians-in-power (elected politicians in the government), politicians-not-in-power (elected politicians in the opposition), other political interest groups, public-private entities, non-government organisations (NGOs), civil society organisations (CSOs), and groups or networks of local partners.
8. INTERNATIONAL FORUMS	This group includes international forums – such as the United Nations, the High Level Forum on aid effectiveness of the OECD-DAC, the Commonwealth, and others – whose policies may affect aid relationships and the momentum of international development assistance in recipient countries.
9. INDEPENDENT GROUPS	This group is comprised of actors from different institutional backgrounds such as researchers, civil bureaucracy, knowledge organisations (think tanks), print and electronic media organisations, and former actors (former government officials, donor officials and practitioners) as part of the aid policy network in Pakistan.

Figure 21: Actors in the aid policy network in Pakistan



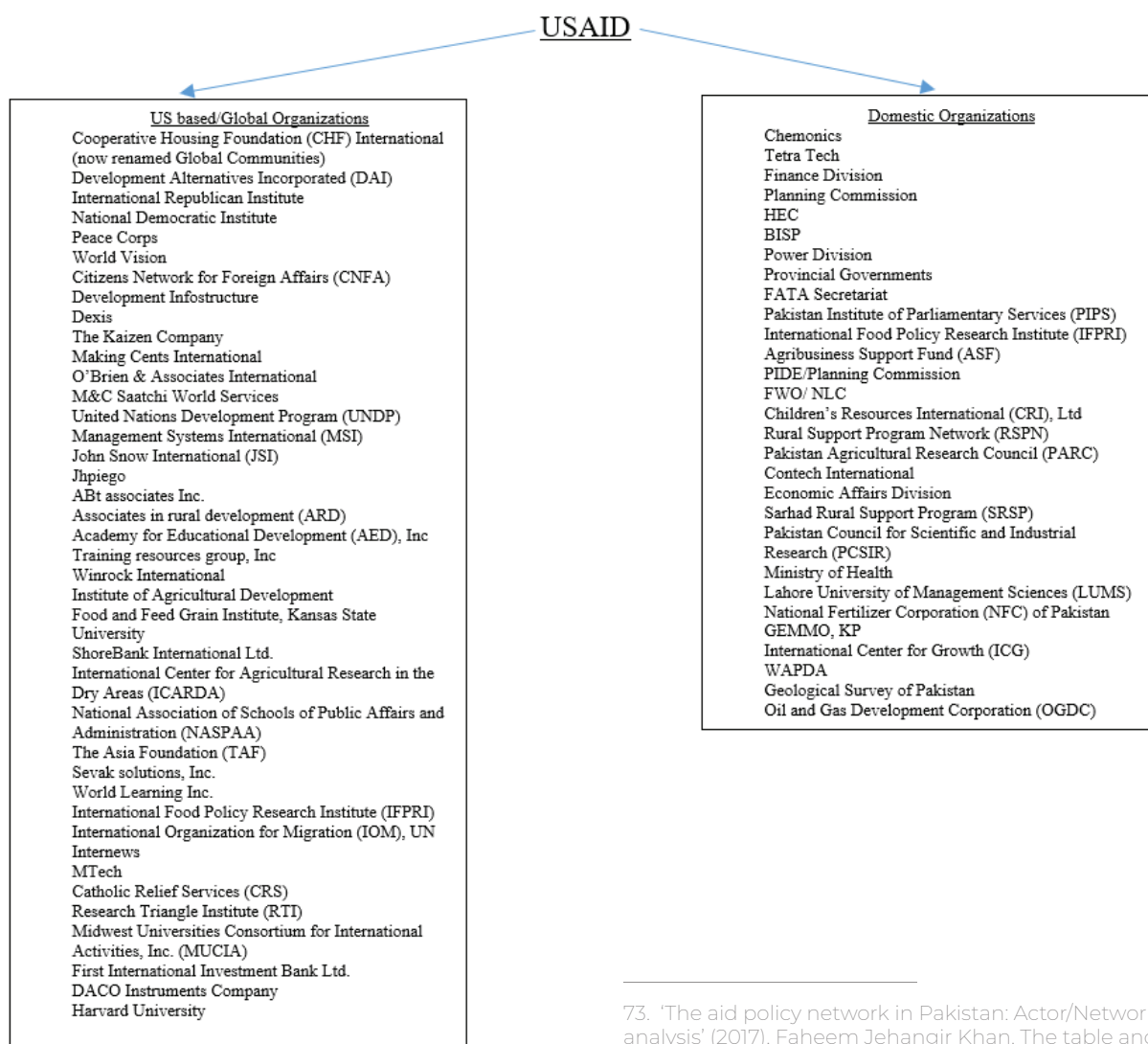
This paper expanded upon the above said research and came up with additional information upon the donor and consultancy network with both external and domestic ties. The interdependent network is figuratively demonstrated below, followed by the network of organizations/actors who have received aid through the USAID, Pakistan's largest donor.

Figure 22: Donor Network



USAID serves as a good example of the vast aid related network that complements donors and their activities. This research found that 40 institutions (all private) in US had benefited from US aid to Pakistan and 30 institutions/organizations in Pakistan (Public plus Private) had benefitted from all the USAID related activities within the country. In almost all arrangements, Pakistan based aid receiving institutions had to avail the services of US based firms/organizations. This created both short-term and long-term services within the US economy.

The list of organizations availing USAID funding for project work in Pakistan is as follows-⁷⁴



73. 'The aid policy network in Pakistan: Actor/Network analysis' (2017), Faheem Jehangir Khan. The table and graph are reproduced from the paper

74. This list was compiled from various sources on USAID to Pakistan (historical and present) by the lead author

5. A BRIEF PROFILE OF DONORS IN PAKISTAN

Pakistan has a vast presence of donors and a substantial network built around donor aid. As Faheem Jahangir Khan put it, 'In Pakistan, the aid establishment is now substantial. As of 2013, there were 32 official bilateral and 12 official multilateral donor agencies (plus 18 UN agencies) operating in Pakistan, managing some 2094 project activities (OECD, 2015). At the recipient end, 38 divisions of 33 federal ministries and around 150 provincial departments and their executing agencies in the four provincial governments interact with these 44 official donor organizations to manage foreign aid in Pakistan. Further, some rough estimates suggest that there were around 100 INGOs, 200 consultants and some 15,000 to 20,000 NGO/CSOs operating in the country. The presence of these numerous actors in the country, their contrasting priorities for the development process, and overlapping project activities add up to the complexity of aid delivery in Pakistan'⁷⁵

Box 6: The assistance that helped

In sum aggregate, as this research piece argues, the gains (especially long term gains) from receiving foreign aid are questionable in Pakistan's case, there are many examples of success and positive gains too. Although, in the bigger scheme of things, these are marginal gains at best, but nonetheless these have helped usher in positive aspects. Above all, it shows that if both the government and donors get their act together, there can be community and country-wide gains. Some examples are as follows-

- Health sector is probably the area which has seen the highest positive spillovers of foreign aid. COVID-19 is the most recent case in point, whereby assistance in the form of COVID-19 vaccines helped vaccinate the population. Over the decades, the UN's child vaccination program has been quite successful in vaccinating newborns (for free) against life-threatening diseases, helping bring down the Infant Mortality Rates (IMR) all over the country
- A recent example of positive spillovers of foreign assistance is land settlement, digitizing record, registration, consolidation and assessment in ex-FATA through financial and technical assistance (through provision of latest measurement equipment) by USAID. This has the potential of substantial human rights and economic spillovers as non-availability and enforcement of property rights in the country, especially ex-FATA, is a regular flashpoint for conflicts in the region, leading to loss of lives and livelihoods (as demonstrated by the recent loss of life due to fighting over land in Kurram)
- South Rohri Fresh Groundwater Irrigation Project and the Baluchistan Fisheries Development are two community oriented projects that have shown promising results and positive spillovers for the community
- Loans for reconstruction efforts in the wake of floods and 2005 earthquake proved to be of significant help in efforts to resurrect livelihoods destroyed by natural disasters
- Some of the initially constructed hydropower projects, especially the Tarbela dam, has had positive spillovers over the long term, both for power and agriculture sector

75. 'Aid policy network in Pakistan', PIDE

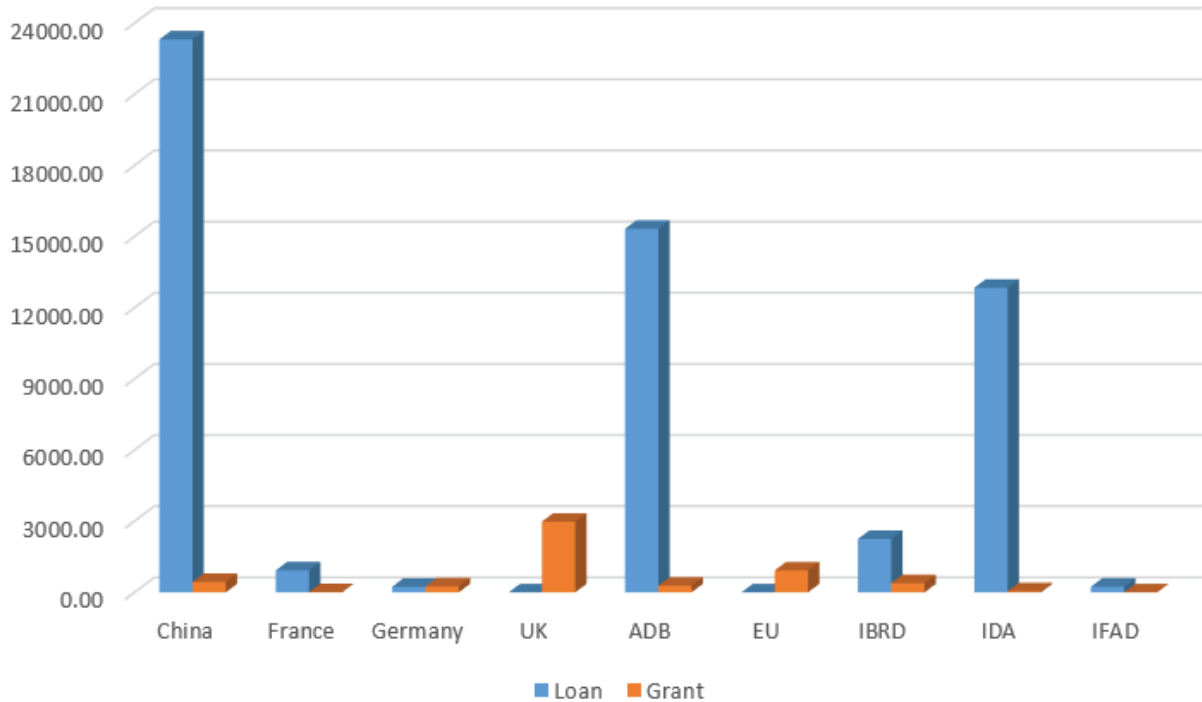
Given the impossibility of tracking all the projects since the start and their bifurcation by department/purpose, this research effort concentrated on available data for the last two decades in order to gauge the flow of aid by purpose/area. This analysis dissects the foreign aid data maintained by the EAD as per the donors' commitments and disbursements made from 2006 to 2019. EAD's status reports, available online, have been consulted for this purpose. The analysis includes sector-wise commitments by the donors as well. The categorization of these sectors is also taken as is from the EAD's reports. However, this categorization underwent a few inconsistencies, as certain projects were categorized under their relevant sectors in the initial reports and their purpose was mentioned as BOP/Cash. In the later reports, the BOP/Cash was categorized under the sector head and several energy and other projects were categorized under this head. For instance, 2010-11 report separates BOP/Cash and puts it under the 'Purpose' category and allocates the relevant sector to the projects. However, this pattern has not been followed evenly in all the reports, especially all the ones preceding the aforementioned one. There are examples of other inconsistencies in the EAD reports, such as the difference in the figures for project-wise compilations and then sector-wise compilations (2010-11, 2011-12).

Nevertheless, the aid is categorized into Floods, Earthquakes, Afghan RRA, Energy/Power, Agriculture, Transport & Communications; Governance, Research, and Communications; Physical Planning & Housing, Science & Technology, Education & Training, Health & Nutrition, Rural Development & Poverty Reduction, Social Welfare, Manpower, Women Development, Water, Environment, Dams & Irrigation, Finance, Industry & Commerce; Manpower, Employment & HRD; Miscellaneous, BOP/Cash, IDPs, and TDPs (This analysis has combined the IDPs and TDPs category). A few categories like Tokyo Pledges, 'Unallocated' appear off and on in the reports for 2006-10.

Additionally, while the said reports mentioned the sectors where foreign aid was a contributor, it did not compile the donors' contributions as per the sectors. Hence, for this report, the figures for sector-wise donor commitments have been compiled from scratch. Forex rate of June of the corresponding year has been applied by the researchers to compile the commitments in dollars, using State Bank's data.

The following graph reflects an aggregate picture by chosen donors, which is followed by brief profile of donors and their work-⁷⁶

Figure 23: Major Donors' Commitments in Loans & Grants 2006-19



5.2 United States Agency for International Development (USAID)

The US has had a deep interest in Pakistan since the country's founding in 1947, which continues till this day. The actual quantum of US Government's help till date is not known, but what is clear is that the help has been the largest in terms of foreign aid received by Pakistan (financial, military or other). Since the 1950s, the main avenue of the flow of USs help has been USAID.

USAID's activities and canvass of areas where the programs/projects have been carried out with US Government's assistance is substantially wider in scope than any other aid agency working in Pakistan. The assistance methodologies are also diverse, ranging from use of US based firms for implementing work to local currency project agreements in terms of development work.⁷⁷

Box 7: Institutions/Projects built with the US help

USAIDs financial and technical help was instrumental in building a number of institutions in Pakistan, mostly in the public sector. What follows is a list of those institutions-

Some of National Agricultural Research Council (NARC); Competition Commission of Pakistan (CCP); Lahore University of Management Sciences (LUMS); Mangla Dam; Tarbela Dam; National Institute of Malaria Research and Training (NIMRT); Guddu Power Plant; Electricity Distribution Training Institute (Lahore), WAPDA; Geodata Center, Geological Survey of Pakistan; Energy Conservation Center (ENERCON); Energy Wing, Ministry of Planning, Reforms and Initiatives; Arid Zone Research Institute (AZRI), Quetta; Hostel at Pakistan Forestry Institute, Peshawar; International Irrigation Management Institute (IIMO), Lahore; MultiMedia Studio, Islamabad; Agricultural Data Collection Cell, Statistics Division; Economic Analysis Network; Gadoon Amazai Industrial area;

Assistance started in 1948 in the form of food and education sector help and increased (in aggregate) over time. In 1964-65, US economic aid to Pakistan totaled \$400 million, constituting technical assistance, development loans and food aid. Major portion was devoted to commodity assistance, which was repayable in domestic currency. The most notable reform achieved was liberalizing import regime.⁷⁸ The aid was suspended due to tensions with India in 1965. US channeled nearly \$7 billion through USAID in official development assistance to Pakistan between 1951 and 1980.⁷⁹ It also made significant contributions to Pakistan through other formal channels, like IMF, WB and UNDP. From a modest beginning, the annual aid commitments grew to around \$400 million in early 1960s as Pakistan became part of military alliances (CEATO and CENTO), before tapering off considerably after the 1965 Pakistan-India war. Aid flows remained subdued in 1970s, until picking up again in 1980s as Pakistan became an ally in Afghan war against the Soviet Union. In 1982, for e-g, the commitment reached \$5.1 billion.⁸⁰

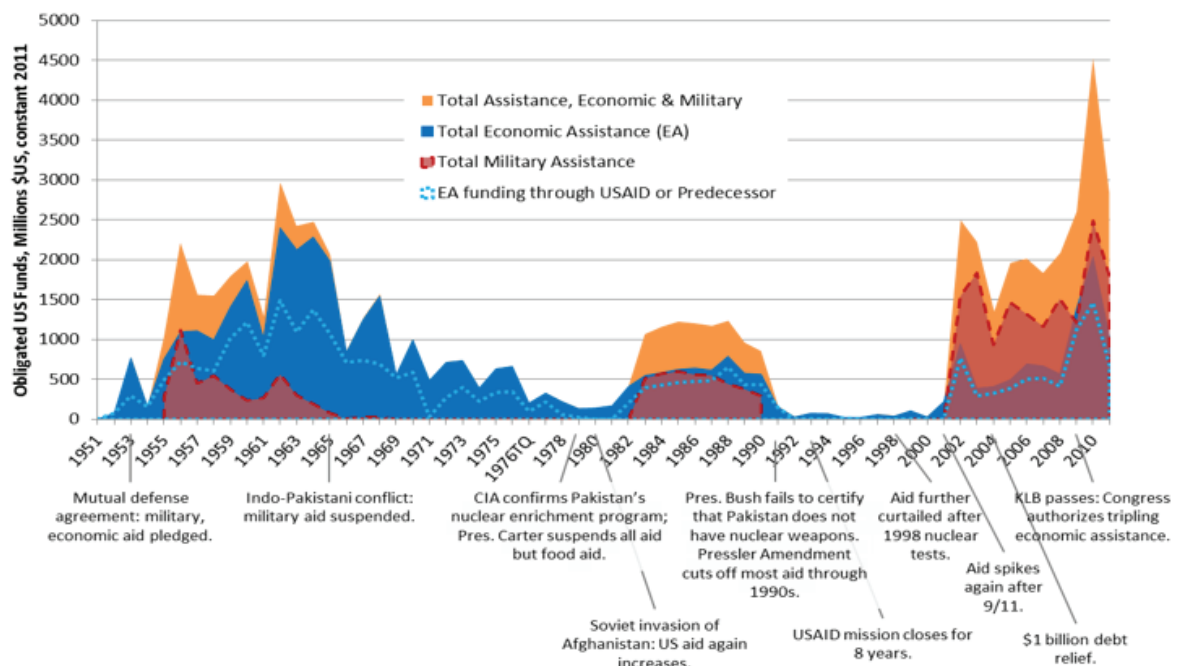
With the end of the war, and the coming of the Pressler Amendment, aid again saw a decline. It reached a point whereby the USAID office had to be closed in 1995, only for them to return in 2001 in the wake of Pakistan becoming an ally in war on terror. Since then, significant amounts of aid through USAID and other sources have continually flowed to Pakistan. According to an estimate, up till 2002, gross aid flows to Pakistan for development ('development assistance') totaled \$73 billion, of which \$22 billion came from the US.⁸¹ Between 2001 and 2010, about \$10 billion was provided to Pakistan, of which 60 percent was under Coalition Support

Fund (CSF) and military purposes (\$5.7 billion direct assistance to Pakistani military).

Another critical area where USAID was quite helpful to Pakistan was debt repayments. In November 2001, US provided a grant of \$600 million under Economic Support Funds (ESF) which helped Pakistan pay off debt to ADB, WB and US Government. An equivalent amount was spent by Pak Govt. on social sector under the understanding with US. In 2003, \$1 billion debt to US government was forgiven, with US providing \$186 million for funding subsidy cost of this debt relief.

The following graph captures snapshot of USAID by types and by time periods up till 2010.⁸²

Figure 24: Economic Assistance by USAID



Source: 'Aid to Pakistan by numbers'

76. All the major and minor donors were contacted for the purpose of this research effort. However, only a few responded!

77. For e.g., Agreement No. 204-76-1 (1976)

78. 'Pakistan, 1963-1965: Performance and Reform' (1967), USAID

79. 'USAID in Pakistan' (1993)

80. 'USAID in Pakistan' (1993), p.6

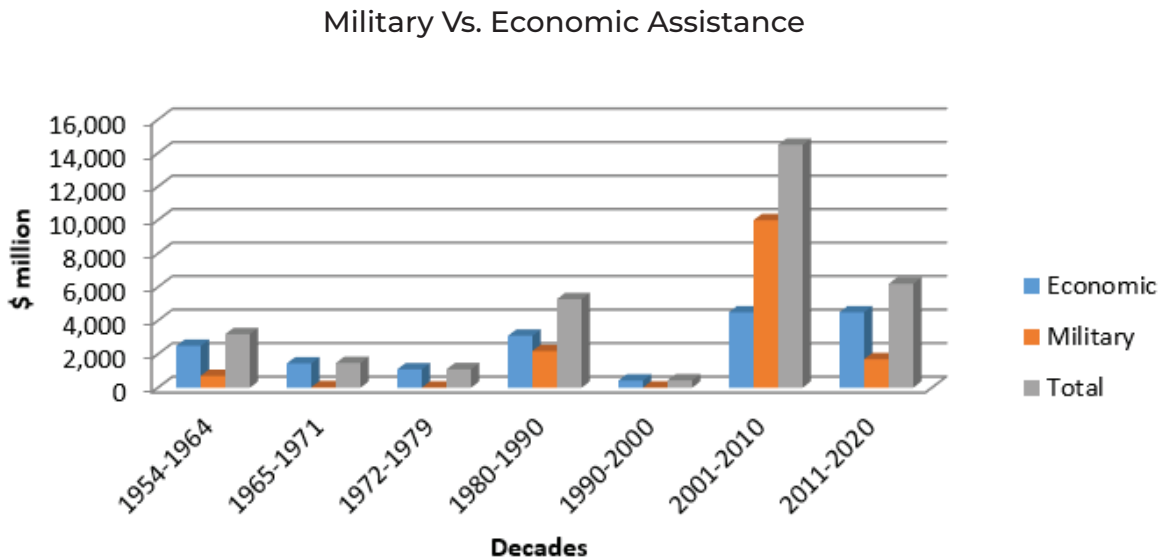
81. 'Who benefits from USAID' (2011), S. Akbar Zaidi, DAWN, 30th September 2011

82. Graph taken from 'Aid to Pakistan by numbers', Center for Global Development

The US flows can primarily be divided into two major categories- Economic and Military Assistance. Figure 25 depicts the divide between them up till the present

_83

■ Figure 25: Military vs. Economic Aid by the US ■



Not surprisingly, military aid tends to accelerate in times of conflicts or being part of alliances. The decade of 2001-2010, specifically, is a point in case, with the exception that military aid was easily above economic aid.

Initially the aid flows were concentrated in three areas- food assistance, capital provision for infrastructure projects and assistance in developing technical expertise. Later on, as the relations between the two countries expanded, the areas of assistance became diverse. In the 1960s, the assistance in terms of supplying food grains morphed into collaboration and support for agricultural research. The 'green Revolution' of the 1960s was made possible with the help of seeds and technology provided by the USAID. Similarly, investments were made in water, power, transportation, military and communications. In terms of aggregate foreign assistance received by Pakistan in the decade of 1960, US assistance was more than half of all assistance received, a third of development budget and half of total import bill.⁸⁴

83. Graph compiled by the lead author, using USAID available data from various sources

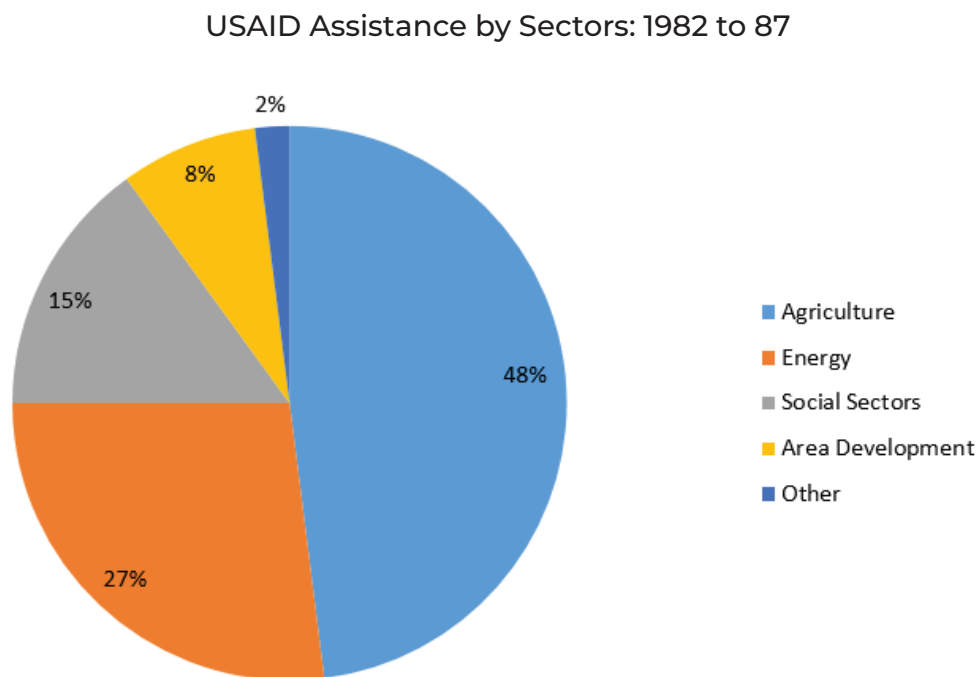
84. 'USAID in Pakistan' (1993), p.7

The 1970s were an era of less cordial relations between the two countries, especially in context of Pakistan’s efforts to propel its nuclear weapons efforts. However, the aid continued to flow, albeit in lesser quantities. Assistance in agriculture continued, as cooperation extended to the area of funding (and providing) fertilizer imports, plus helping develop a domestic fertilizer capability.

Additionally, assistance was extended to areas like Population Planning, disease control (like malaria), immunization and rural development.

The decade of 1980 was primarily characterized by military support in the war against Soviets. On the economic side, the assistance continued in the areas mentioned above, as well as others (like budgetary support). With time, and as per the circumstances, other areas of importance were added. For example, the 21st century saw increased attention on assistance against natural calamities (like the Kashmir Earthquake of 2005 and wide-scale floods of 2010) and beefing up the capacity of civilian forces to counter terrorist activities. The following three graphs reflect the evolution of USAID assistance during various decades.

■ Figure 26: USAID Assistance by Sectors: 1982 to 87 ■



85. Graphs based on calculations by the lead author

Figure 27: USAID Assistance by Sectors- 2001 to 2008

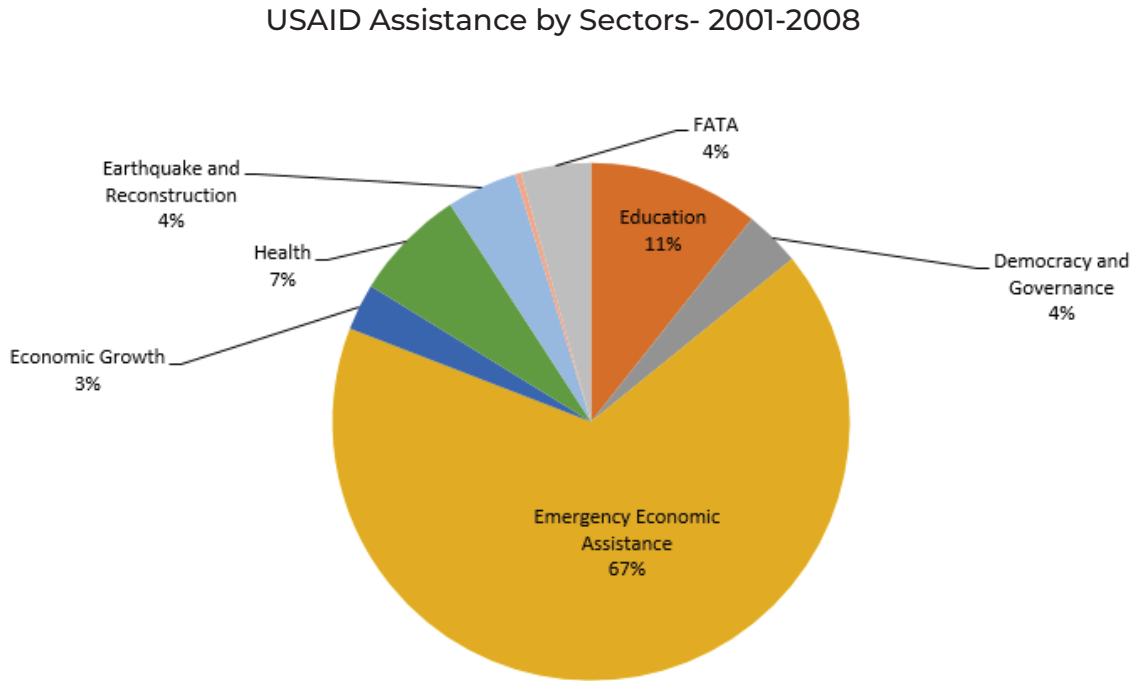
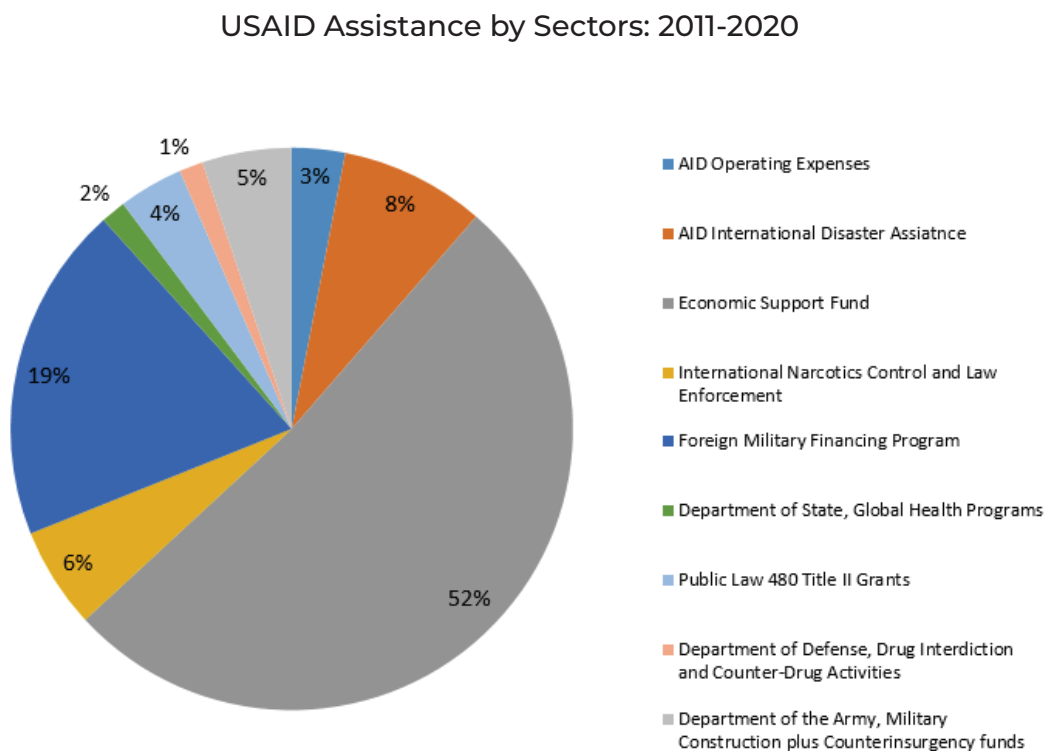


Figure 28: USAID Assistance by Sectors: 2011-2020



Similarly, the list of areas that have availed USAID assistance is vast. An extensive list of areas where financial assistance through USAID was received is given in the following box-

Box 8: Areas where USAID has been utilized since 1951

Programs and training for improving power distribution system efficiency; fossil fuel research and exploration; geological exploration; Energy Conservation; Student exchange and scholarships; canal and watercourse construction; roads; schools; village electrification; Public diplomacy programs, Training of forces for counter-terrorism, Hiring of security of embassies or embassy infrastructure work, Radio programs, Internally Displaced Persons, Counter-narcotics programs, Life and Health Programs, Education Support, Teacher training, Primary Healthcare, FATA and frontier regions, Capacity building, Livelihood development, Data Sharing; microfinance; improving competitiveness of Pakistani business; debt rollover/repayment; scholarships; Municipal and Urban Service delivery; Opportunity/economic zones; Commodity Operations; Monitoring and Evaluation (M&E); Population Planning; Agriculture; Childhood and Neonatal support; Balance of Payment Support; Investment Promotion; female empowerment; Industrial technology, manufacturing and upgrades; rural development; Infrastructure (roads, telecommunications); food support/commodity operations; micro and agricultural credit; trade and trade protectionism; improving water courses and drainage; Livestock and Fodder; Banking and financial sector research and support; Energy; Rural electrification; Malaria control; investment expansion; energy feasibility fund; Pest control;

It is to be noted that the exact quantum of US assistance to Pakistan, through USAID or other channels, remains unknown. This is due to the fact that not all aid is stated in official documents! For example, during a Congressional hearing, Dr. Robert Hathaway, Asia Program Director of Woodrow Wilson Institute stated that “...this \$10 billion figure that is customarily mentioned represents only part of the story. The size of classified transfers from Washington to Islamabad can only be guessed at.... covert payments may have exceeded \$10 billion, raising the total U.S assistance package to Pakistan over the past 6 years (2001-2007) to something approaching \$20 billion”.⁸⁶

Briefly put, USAID still remains one of the most important and influential contributors in terms of foreign aid coming to Pakistan.

86. 'Hearing before sub-committee on international development and foreign assistance, economic affair and international environmental protection', p.54

5.2 ASIAN DEVELOPMENT BANK (ADB)⁸⁷

Asian Development Bank (ADB), established in 1966, is a multilateral development finance institution owned by 68 members, 49 of them are from Asia and the Pacific region and 19 non-regional members. ADB is dedicated to establishing a prosperous, inclusive, resilient, and sustainable Asia and the Pacific while continuing to fight extreme poverty. It envisions a region free of poverty, with a mission to help its developing member countries to improve their quality of life. ADB is a major source of development funding in the region. Policy dialogue, loans, equity investments, guarantees, grants, and technical assistance are the major tools of aid. By promoting policy conversations, providing advice services, and mobilizing financial resources through co-financing operations that access official, commercial, and export credit sources, the ADB maximizes the development impact of its assistance. The ADB supports initiatives in developing member countries that have a positive economic and development impact through public and private sector activities, advisory services, and information assistance.

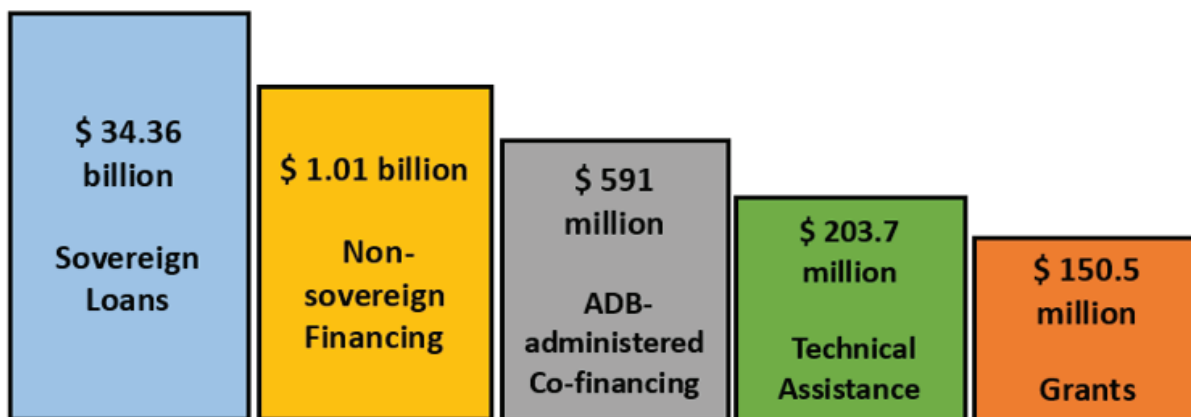
Pakistan was a founding member of the ADB. It has been working with the government and the private sector to improve Pakistan's economy and inclusive growth. Aligned with national development objectives, ADB's partnership priorities aim to attract investment, create industries and jobs, and improve the quality of life of citizens while focusing on the following areas:

- Investment and Reforms in Energy and Infrastructure
- Reforms to Strengthen Governance and Promote Structural Transformation
- Development of Urban Services
- Effective Implementation of Projects and Programs and Capacity Building

Since 1966, the ADB has committed over \$36.31 billion in the country's infrastructure, energy and food security, transportation networks, and social services to foster inclusive economic growth. Bifurcation of total aid is provided in the following figure.

87. Statistics taken from various ADB publications

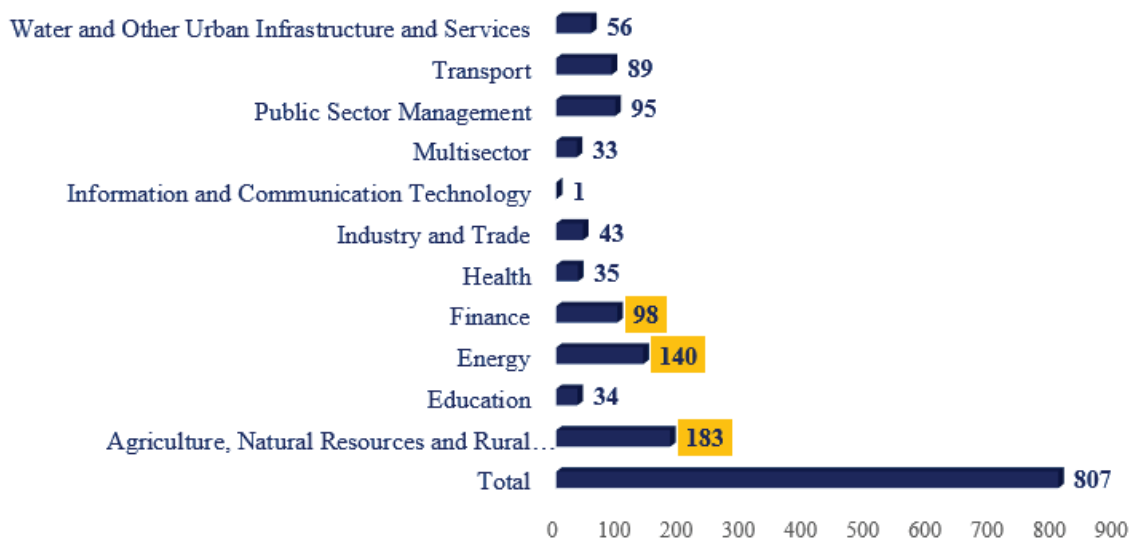
Figure 29: Breakdown of ADB's Financing



In terms of both the quantity of loans and the total financing it has supplied, the ADB is now one of Pakistan's most important development partners. Since 1966, the ADB has funded 6,703 projects in Pakistan, of which 807 are technical support projects and the remaining 5,896 projects are related to trade and supply chain, finance and microfinance sectors.⁸⁸

Figure 30: ADB's Projects & Technical Assistance in Pakistan

ADB's Projects & Technical Assistance in Pakistan
(Number of Projects – | since 1966)

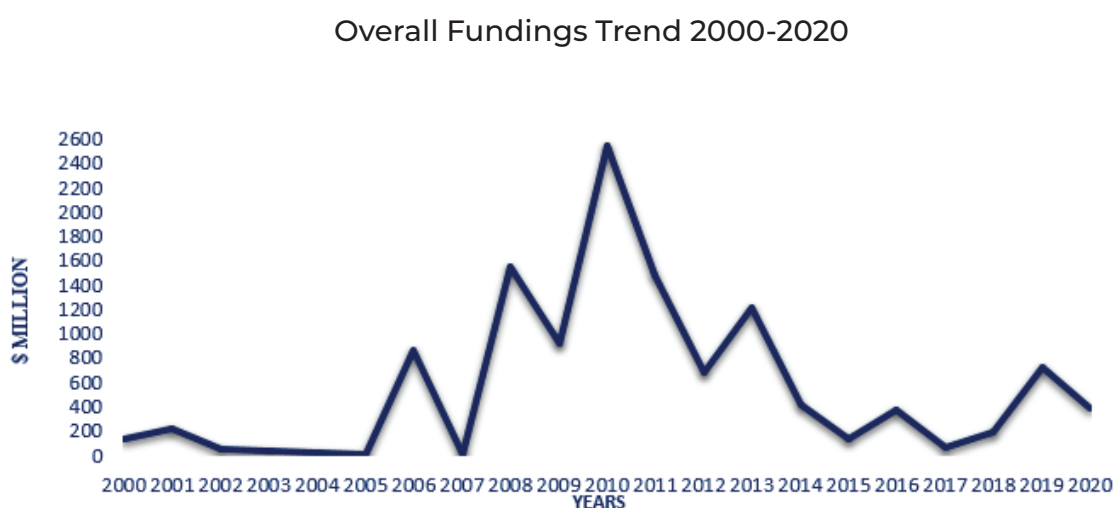


88. Source: ADB

Among 807 technical support projects, the agriculture, natural resource, and rural development sector has 183 projects, followed by the energy sector with 140 projects, finance sector with 98 projects, 95 projects in public sector management and 89 projects in transport sector. In the information and communication technology sector, only one project has been allocated. Moreover, among 5,896 projects related to trade and supply chain, finance and microfinance, number of finance related projects are 2,951 and remaining 2,945 projects are in industry and trade sector. So, in term of number of projects, it is very clear that Agriculture, Natural Resources and Rural Development is in lead with 183 projects, followed by Energy sector with 140 projects and Finance sector takes the third position with 98 projects. It is pertinent to note that Information and Communication Technology has only one project so far.

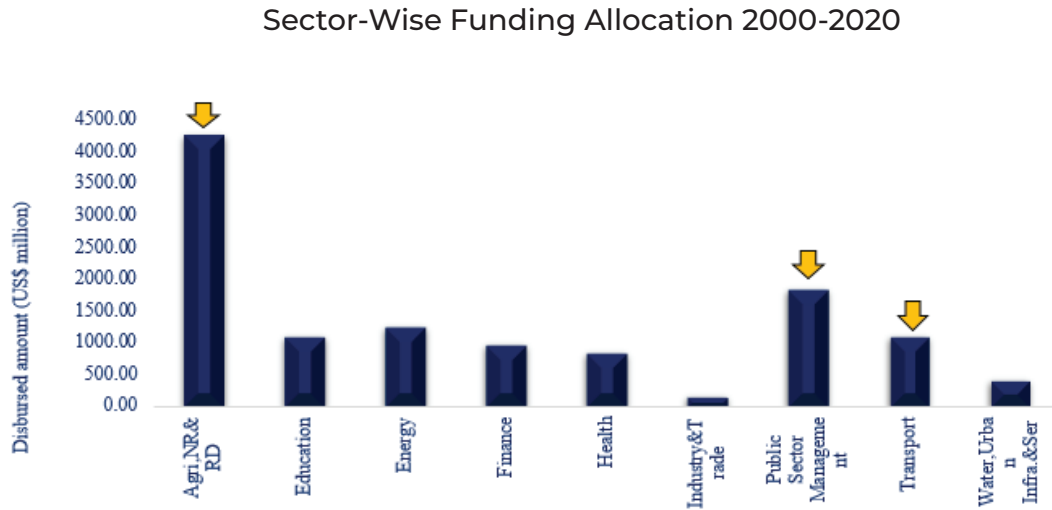
If we see the overall, trend of aid from ADB to Pakistan over the course of last 20 years, we observe both rise and decline over time, reflected in the following graph

Figure 31: ADB's Overall Fundings Trend 2000-2020



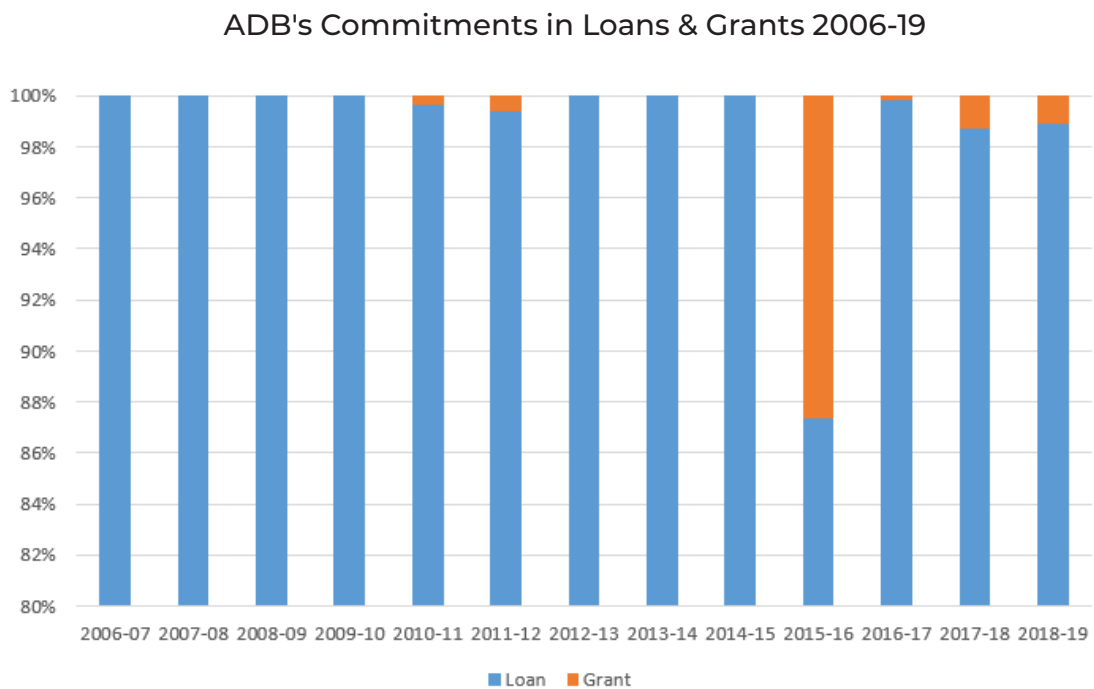
Bifurcating by sectors, the disbursed aid went to the following sectors: Agriculture, Natural Resources and Rural Development again takes the lead with funding allocation of US \$ 4286 million, followed by public sector funding and education, with funding allocation amounting to US \$ 1846 million and US \$ 1099 million, respectively. Next major funding is towards transport sector with total funding US \$ 1096 million, so far.

Figure 32: ADB's Sector-Wise Funding Allocation 2000-2020



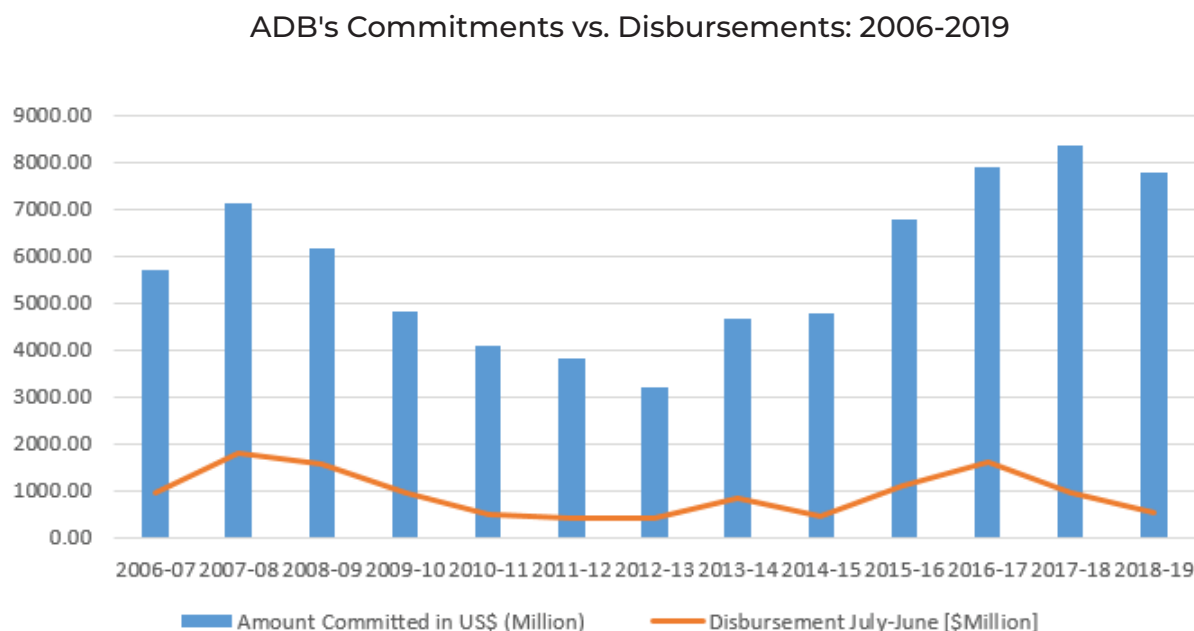
The following figure reflects ADB's disbursements since 2005-06, with total commitments amounting to \$15,613 million of which \$15,333 million were loans and \$280 million were grants.⁸⁹

Figure 33: ADB's Commitments in Loans & Grants 2006-19



Not all commitments, however, tend to get realized, as the following shows ⁻⁹⁰

Figure 34: ADB's Commitments vs. Disbursements: 2006-2019



At the moment, ADB is in its new 5-year national partnership plan (2021-25) to help restore economic stability and growth, improve people's well-being, create jobs, and expand economic possibilities. ADB's country partnership strategy, 2021-2025 for Pakistan focuses on three priorities:

- Improving economic management to restore stability and growth
- Building resilience through human capital development and social protection to enhance productivity and people's well-being
- Boosting competitiveness and private sector development to create jobs and expand economic opportunities

89. Compiled from EAD's Status Reports.

90. Compiled from EAD data.

5.3 GERMAN AGENCY FOR INTERNATIONAL COOPERATION (GIZ)⁹¹

Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH, or commonly referred to as GIZ, is a German development agency that categorizes itself as a service provided in the field of international cooperation for sustainable development and international education work. GIZ's registered offices are situated in Bonn and Eschborn, Germany. GIZ was formed in 2011 following a merger between three organizations the Deutscher Entwicklungsdienst (DED) gGmbH, the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH and InWEnt - Internationale Weiterbildung und Entwicklung gGmbH (Capacity Building International, Germany). Consequently, now GIZ works around the world on behalf of the German Government and its international partners. It is commissioned by the German Federal Ministry for Economic Cooperation and Development (BMZ).

Germany and Pakistan have been collectively working in the development sector of Pakistan since 1961. GIZ GmbH has been working in Pakistan since 1963 and has an office in the country since 1990. Currently, GIZ has 327 national employees and 26 international employees. It categorizes the priorities of its activities as follows:

- i. Training and sustainable growth for decent jobs
- ii. Peaceful and inclusive Societies
- iii. Climate and Energy

Moreover, GIZ has been providing support to thousands of apprentices and vocational educational institutions to meet the demands of labor market as well as advising on more efficient, transparent, and citizen-friendly governance models. GIZ is also collaborating with Pakistan on the issue of managing Afghan refugees, as Pakistan hosts the most refugees of any country in the world. To put things into context, 1.4 million Afghan refugees are registered in Pakistan and as per estimates another 1 million reside in the country unaccounted for.

As per their website, GIZ is currently running 365 different projects in Pakistan amounting to 3,638,553,217 Euros (over 3.6 billion Euros) with the share of combined financing (GIZ and government) being a mere 22%. The following table gives details of these projects per variable categories.

91. Statistics and information taken from various GIZ publications

Table 3: GIZ Projects by Sector

Sector	Number of Projects	Project Budget (Euro)
<i>Secondary Education</i>	1	67,950,000
<i>Non-communicable Diseases</i>	1	5,000,000
<i>State and Civil Society in General</i>	4	44,998,000
<i>Crisis Prevention and Conflict Resolution, Peace and Security</i>	1	10,350,000
<i>Other Social Infrastructure and Services</i>	1	7,000,000
<i>Energy Production, Renewable Sources</i>	2	12,100,000
<i>Private and Other Services</i>	1	14,350,000
<i>Environmental Protection in General</i>	1	10,000,000
<i>Other Multisectoral Measures</i>	1	4,601,996

Table 4: Projects by Clients

Clients	Number of Projects	Project Budget (Euro)
<i>Federal Ministry for Economic Cooperation and Development</i>	11	151,001,996
<i>German Public Clients</i>	1	10,350,000
<i>Client outside the Federal Government</i>	1	8,998,000

Following are details of some of the on-going projects by GIZ in Pakistan, including their total and current allocations as well as the goals or objectives of the projects.

Table 5: On-Going Projects by GIZ

Sr.	Project Name	Project Value (Euros)	Summary
1	Studies And Experts Fund (SEF)	Overall project: 11,542,065 Current project: 4,601,996	Goals: Skilled workers are recruited, selected and dispatched. Advice has been given, studies have been carried out. Small project approaches have been carried out. Project partner: GIZ
2	Support To Parliamentary Development	Overall project: 8,998,000	Not Available
3	Fata Development Program	Overall project: 39,426,075 Expense till now: 18,500,000	Goals: The efficiency of state actors and civil society groups for the provision of services, for self-help and for constructive dialogue is increasing. Project partner: FATA Secretariat
4	Support To The Vocational Training Sector In Pakistan	Overall project: 130,383,973 Expense till now: 67,950,000	Goals: The employability of graduates of competence-based qualification measures is improved Project partner: National Commission for Vocational Education
5	Dissemination of Renewable Energies and Energy Efficiency Concepts in Cities and Industry (REEE Scale)	Overall project: 4,000,000 Expense till now: 4,000,000	Goals: The functioning of municipal energy management systems (EMS) has been demonstrated in Pakistan. Project partner: Ministry of Energy, Power Division
6	Good Governance Promotion Program	Overall project: 50,400,000 Expense till now: 11,500,000	Goals: Self-governing units in Khyber Pakhtunkhwa and Punjab have the regulatory, personnel and financial prerequisites to effectively provide local services. Project partner: Ministry of Finance and Economic Affairs, Economic Affairs Division Islamabad (EAD)
7	Social Security Support, Including Sickness Coverage	Overall project: 12,900,000 Expense till now: 7,000,000	Goals: The prerequisites for creating and securing employment and income opportunities that meet international environmental and social standards have improved and contribute to inclusive and sustainable economic growth. Project partner: Ministry of Finance and Economic Affairs, Economic Affairs Division Islamabad (EAD)

Social Security Support, Including Sickness Coverage Overall project: 12,900,000
Expense till now: 7,000,000
Goals: The prerequisites for creating and securing employment and income opportunities that meet international environmental and social standards have improved and contribute to inclusive and sustainable economic growth.
Project partner: Ministry of Finance and Economic Affairs, Economic Affairs Division Islamabad (EAD)

8	Improvement Of Labor, Social And Environmental Standards In The Pakistani Textile Industry	Overall project: 24,300,000 Expense till now: 14,350,000	Goals: The framework conditions for compliance with labor and social standards in the Punjab Province have improved. Project partner: Ministry of Commerce and Industry
9	Renewable Energies And Energy Efficiency	Overall project: 32,058,694 Expense till now: 8,100,000	Goals: The prerequisites for the dissemination of permanently effective solutions for renewable energies and energy efficiency have improved. Project partner: Ministry of Water & Power (MoW & P)
10	Assisting The Pakistani Government in Managing Refugee Issues	Overall project: 9,650,000 Expense till now: 9,650,000	Goals: The support of the Pakistani state at national and especially local level in the prevention of possible social and economic conflicts between Afghan refugees and host communities. Project partner: SAFRON Ministry of States and Frontier Regions
11	Pak - Social Support For Vulnerable Afghan Refugees And Host Communities	Overall project: 5,000,000 Expense till now: 5,000,000	Goals: Context and gender-sensitive offers for psychosocial support for vulnerable Afghan refugees and members of the host communities, especially women and young people, have been created in selected communities in Khyber Pakhtunkhwa (KP). Project partner: SAFRON Ministry of States and Frontier Regions
12	Improving Education And Health Services For Refugees And Host Communities	Overall project: 6,000,000 Expense till now: 6,000,000	Goals: Access to public services in the health and education sector has been improved in selected local authorities for vulnerable Afghan refugees and members of host communities. Project partner: SAFRON Ministry of States and Frontier Regions
13	Build4Skills	Overall project: 4,800,000 Expense till now: 4,000,000	Little or no information

14 Partnership-Based Approaches For Development-Oriented Training And Labor Migration

Overall project: 14,000,000

Expense till now: 14,000,000

Goals: Partnership-based approaches for safe, regular and orderly training and labor migration between Germany and selected partner countries are used with a focus on development.

Project partner: GIZ

15	Promoting Sustainability In The Textile And Clothing Industry In Asia	Overall project: 34,800,000 Expense till now: 21,500,000	Goals: Workers, employers and government organizations use mechanisms and processes to improve compliance with sustainability standards in the textile and clothing industry in exemplary fashion. Project partner: Ministry of Natural Resources and Environment (MONRE)
16	Plumbing For Millions	Overall project: 27,926,482 Expense till now: 27,926,482	Goals: Access to safe sanitation and hygiene, especially for disadvantaged and vulnerable population groups, has improved. Project partner: Federal Ministry for Economic Cooperation and Development (BMZ)
17	Global Project Digital Transformation	Overall project: 81,000,000 Expense till now: 81,000,000	Goals: Educational offers in selected partner countries in Africa with the help of digital learning content and the use of innovative data systems Project partner: GIZ
18	Project Development Program Pep As Part Of The Energy Export Initiative Of The BMWI (Phase Iv)	Overall project: 29,361,108 Expense till now: 20,250,000	Goals: German RE companies, in cooperation with local companies, are spreading RE technologies in developing and emerging countries and are finding better framework conditions for long-term market engagement. Project partner: Federal Ministry for Economic Cooperation and Development (BMZ)
19	Migration And Diaspora Program	Overall project: 75,450,000 Expense till now: 75,450,000	Goals: Key actors in partner countries are increasingly using regular migration and diaspora engagement to achieve their development Project partner: Federal Ministry for Economic Cooperation and Development (BMZ)

5.4 JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)

The Japan International Cooperation Agency (JICA) is the official channel for Japanese Official Development Assistance (ODA). JICA is mandated to work for advancing human security and quality growth where the focus is to minimize disparity and environment degradation. In 2008, it registered its presence as the world's largest bilateral development assistance agency having contribution of around \$10.3 billion dollars.

JICA uses different development assistance schemes to cater with the diverse needs of developing countries. It has presence in all the continents of the world. The following pillars of development define the scope of JICA operations, where the sub-themes define their focus under each theme.

Table 6: JICA's Development Assistance Themes

Theme	Moto	Area of focus
People	A society where all can live healthy: safe lives	Education
		Health
		Social Security
Peace	A peaceful, just society without fear or violence	State-Building to Prevent the Outbreak and Recurrence of Conflicts
		Governance Support
		Gender Equality and the Empowerment of Women and Girls
Prosperity	A prosperous, sustainable economy at harmony with nature and prepared for promoting social development	Agricultural and Rural Development
		Private Sector Development
		Urban and Regional Development
		Ensure Access to Affordable and Clean Energy
		Development of Transport Infrastructure
Planet	Care for the Planet	Environmental Conservation and Management
		Water Resources Management
		Disaster Risk Reduction
		Climate Change

Table 7: JICA's Modes of Cooperation

MODES OF COOPERATION INTERNATIONALLY	
S. No.	Mode of cooperation
1	Technical Cooperation
2	Finance and Investment Cooperation
3	Grants
4	Environmental and Social Considerations
5	Project Evaluation
6	Recruiting and Training Human Resources for International Cooperation

Table 8: JICA's Presence around the World

JICA's Presence around the World				
S.No.	Region	Countries/ regions	Total value of JICA programs (billion ¥)	Total value of JICA programs (billion \$)
1	Middle East and Europe	27	122.7	1.08
2	East Asia and Central Asia	10	198.4	1.75
3	Africa	49	185.1	1.63
4	South Asia	8	692.6	6.10
5	Southeast Asia and the Pacific	24	468.0	4.12
6	Latin America and the Caribbean	32	57.9	0.51

JICA has had a significant presence in Pakistan since long and has contributed development to various fields. A selected list of on-going projects showcases JICA's diverse contribution.

Table 9: JICA's On-Going Projects

On-going Projects in Pakistan		
Sector	Project	Nature of Assistance
Education	Development of Center of Excellence (CoE) for Technical Education	Technical Cooperation
	Promotion of Student-Centered and Inquiry-Based Science Education	Technical Cooperation
	Non-Formal Education Promotion Project	Technical Cooperation
	Strengthening of DAE Mechanical and Architecture Departments in GCT Railway Road of Punjab Province	Grant Aid
Health	District Health Information System Project for Evidence-Based Decision Making and Management	Technical Cooperation
	The Polio Eradication Project	Loan Aid
	Public Health Capacity Development Assistance for Rural Poor in Sindh	Technical Cooperation
Disaster Risk Management	The Strategic Strengthening of Flood Warning and Management Capacity of Pakistan	Grant Aid
	National Disaster Management Plan (NDMP)	Technical Cooperation for Development Planning
Water Supply and Sanitation	Improvement of "Water Supply in Faisalabad II" and "The Extension of Water Supply System in Faisalabad"	Grant Aid

	Retrieval of Sewerage and Drainage System in Lahore Phase II	Grant Aid
	Water Supply Improvement in Abbottabad	Grant Aid
Environment	Establishment of Environmental Monitoring System	Technical Cooperation
Irrigation and Agriculture	Lower Chenab Canal System Rehabilitation	Loan Aid
	Punjab Irrigation System Improvement	Loan Aid
	Strengthening Irrigation Management System Including Agriculture Extension through Farmers' Participation in the Punjab Province	Technical Cooperation
	Master Plan Study on Livestock and Dairy Development in Sindh Province	Technical Cooperation for Development Planning
Transportation	Indus Highway Construction Project (Phase III)	Loan Aid
	Highway Research and Training Center	Technical Cooperation
	East-West Road Improvement Project (I) (N-70) (PK-P57)	Loan Aid
	Rural Roads Construction Project Phase II (Sindh) (PK-P60)	Loan Aid
	Khyber Pakhtunkhwa Emergency Rural Roads Rehabilitation (PK-P62)	Loan Aid
Electric Power	Load Dispatch System Upgrade Project	Loan Aid
	Dadu Khuzdar Transmission System Project	Loan Aid
	Punjab Transmission Lines and Grid Stations Project	Loan Aid
	National Transmission Lines and Grid Stations Strengthening Project	Loan Aid

	Improvement of Training Capacity on Grid System Operation and Maintenance	Technical Cooperation
	Solar Electricity Generation System	Grant Aid

JICA Technical Cooperation Projects (TCP) are initiated to achieve specific objects in a given area as per JICA’s mandate. The project implementation normally extends between one to five years. A TCP could take place in the form of either or all components as per the need of the recipient country. These include,

- Engaging experts from Japan
- Provision of necessary equipment
- Training for personnel from the counterpart organization/Ministry

The second important mode of cooperation under JICA is Japanese ODA loan. These are low interest rate loans which have the liability of being paid back in the long term. This mode can be used for important projects in developing countries that has the capacity to generate larger impact on the economic growth, environmental improvement and social development of the countries.

The ODA Loans can take the following forms:

1. Project Loans

Such Loans are predominant among ODA loans. The finances are used for the procurement of material, purchase of equipment and services, or for conducting civil works and other related works to complete the desired work.

2. Engineering Services (E/S) Loans

These types of loans are for engineering services, which are necessary at survey and planning stages of the projects. The services include reviews of feasibility studies, surveys on detailed data on project sites, detailed designs and preparation of bidding documents. Completion of feasibility studies or their equivalent are prerequisite for this type of loans.

3. Financial Intermediary Loans (Two-Step Loans)

Financial intermediary loans are implemented through the financial institutions of the recipient country based on the policy-oriented financial system of that country. These loans provide funds necessary for the implementation of designated policies, such as the promotion of small-and medium-scale enterprises in manufacturing, agriculture, and other specified industries and the construction of facilities to improve the living standards of the poor. These loans are known as "two-step loans" because there are two or more steps before the end-beneficiaries receive the funds. Under this type of loan, funds can be provided to a large number of end-beneficiaries in the private sector. Since these loans are implemented through local financial institutions, they also serve to strengthen the operational capabilities of these institutions and to develop the financial sector of the recipient countries.

4. Commodity Loans

This type of loans aims for both supports for balance of payments and economic stability of recipient countries. These loans are often used to import commodities such as industrial machinery and raw materials, fertilizer and pesticide, agricultural and other kinds of machinery, which are agreed upon beforehand between the Japanese and recipient governments. Also, local currency (counterpart) funds, paid by importers to governments to obtain foreign currencies provided under the loans, are used for economic and social development.

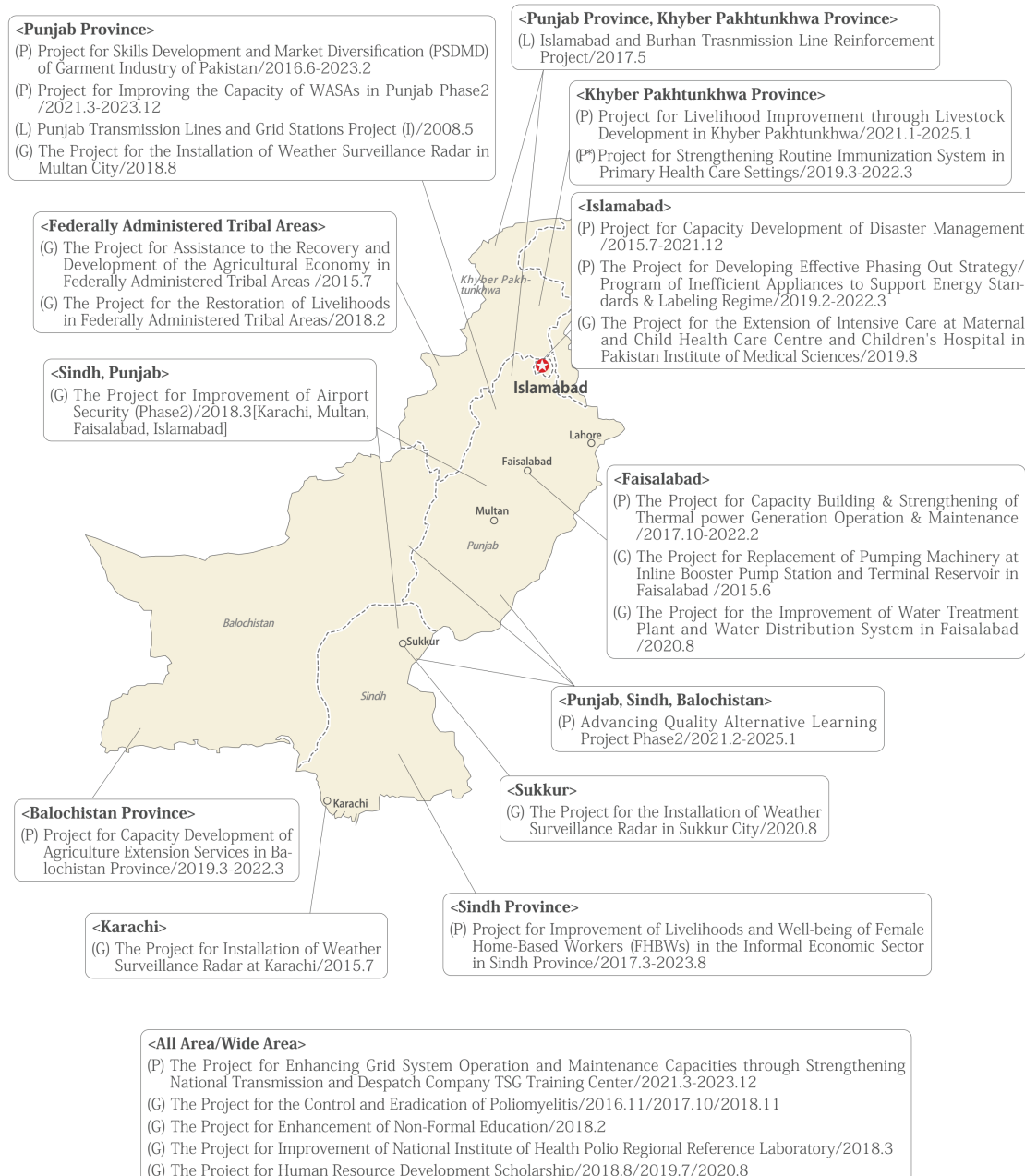
The following figure provides a bifurcation of projects run in the country using JICA aid (partially or completely)

Figure 35: Maps of JICA Projects

Maps of JICA Major Projects

as of July 1, 2021
Pakistan

(P) Technical Cooperation (D) Development Study/Technical Cooperation for Development Planning (L) Loan (G) Grant Aid



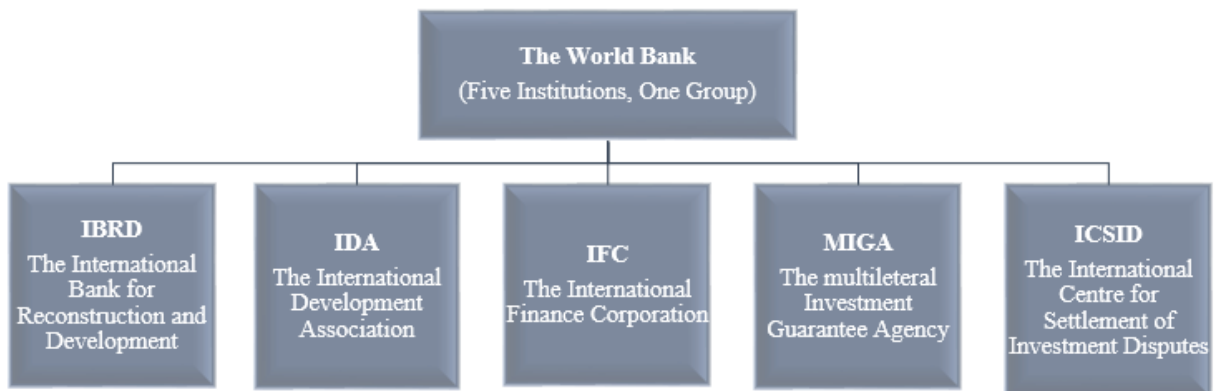
Technical Cooperation : Ongoing and planned (R/D signed) projects, *Technical Assistance Project related to ODA Loan
 Development Study/Technical Cooperation for Development Planning : Ongoing projects
 Loan : Ongoing and planned (L/A signed) projects
 Grant Aid : Ongoing projects (G/A or E/N signed)

5.5 THE WORLD BANK

This donor organization's primary goals are to support long-term economic growth and the alleviation of poverty. For member nations to conduct reforms and initiatives like fighting illness, protecting the environment, providing water and power, and constructing schools, financial support and help is provided. The World Bank provides long-term support, which is paid for through contributions from member nations and the sale of bonds. Staff members of the World Bank are frequently experts in certain fields or topics, such as education or the environment. Their Mission Statement and Organizational Organogram is as follows-

- To end extreme poverty
- To promote shared prosperity

■ Figure 36: Organogram of World Bank ■



The World Bank Group has defined five core values **“Impact, integrity, respect, teamwork, and innovation”** for achieving the mission.

Table 10: World Bank in Numbers

Financial Assistance	Projects	Member Countries
\$ 45.9 B	12,000	189

In Pakistan, it has had a long history of engagement, beginning in the late 1950s, providing aid mainly for large infrastructure projects. Over time, the areas of aid provision have diversified. A brief description of the recently approved projects gives us a glimpse of this diversification.

Table 11: World Bank's Recently Approved Projects in Pakistan

Project Title	Commitment Amount in Millions US\$	Approval Date
Khyber Pakhtunkhwa Rural Investment and Institutional Support Project	200	June 13, 2023
Integrated Flood Resilience and Adaptation Project	213	May 25, 2023
Sindh Flood Emergency Rehabilitation Project	500	Dec 19, 2022
Sindh Flood Emergency Housing Reconstruction Project	500	Dec 19, 2022
Sindh Water and Agriculture Transformation Project (SWAT)	292	Dec 19, 2022
Strengthening Social Protection Delivery System in Sindh	200	Dec 19, 2022
Sindh Integrated Health and Population Project	200	Dec 19, 2022
Punjab Resilient and Inclusive Agriculture Transformation	200	July 15, 2022
Punjab Urban Land Systems Enhancement Project	300	June 9, 2022
National Health Support Program	354	June 7, 2022
Punjab Urban Land Systems Enhancement Project	150	March 10, 2022
Punjab Affordable Housing Program	85	March 10, 2022

Punjab Affordable Housing Program	200	March 10, 2022
Electricity Distribution Efficiency Improvement Project	195	Dec 17, 2021
Sindh Early Learning Enhancement through Classroom Transformation	154	Sep 08, 2021
Pakistan Program for Affordable and Clean Energy (PACE)	400	July 29, 2021
Securing Human Investments to Foster Transformation II	400	June 28, 2021
Punjab Rural Sustainable Water Supply and Sanitation Project	442	June 18, 2021

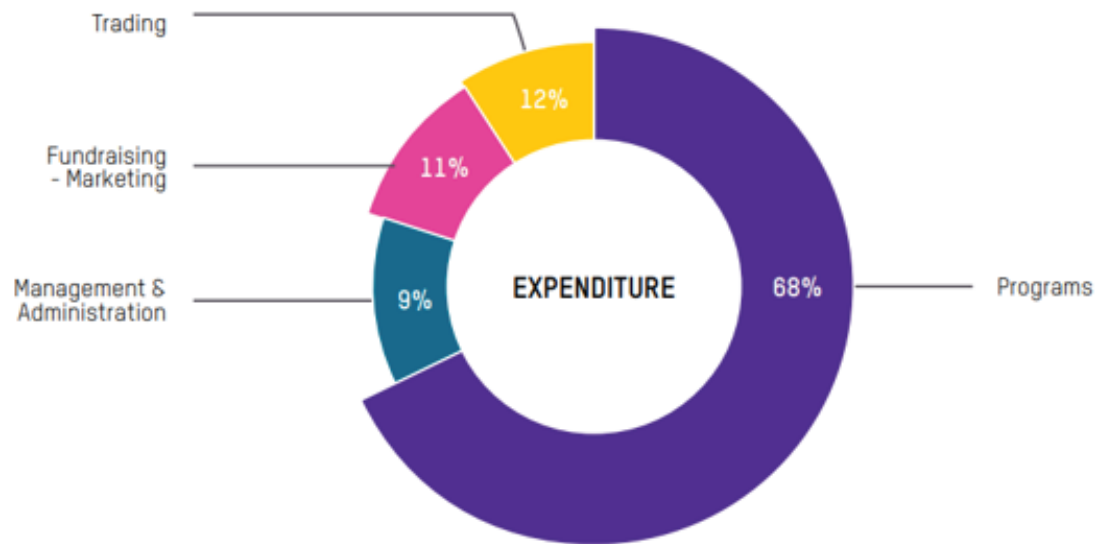
5.6 THE OXFORD COMMITTEE FOR FAMINE RELIEF (OXFAM INTERNATIONAL)

This charity organization's major goal is to combat inequality in order to eradicate poverty and injustice. Additionally, the following topics are covered in their programs.

- **Ending Poverty** Implementing development programs aimed at eradicating poverty while collaborating with various partners and using innovation.
- **Water and Sanitation** Billions of poor people lack access to sanitary facilities and clean water all around the world.
- **Food, Climate and Natural resources** Due to the disparity between food supply and access, billions of people worldwide go to night hungry.
- **Conflicts and Disasters** Since 2008, the climate disasters almost more than double and conflict continues to threaten and destroy the lives of millions of women, men and children.
- **Extreme Inequality and Essential Service** The economies are broken and the richest 1% owned more wealth since 2015.
- **Gender Justice and Women's Right** On average, women are paid 24% less than men for comparable work across all regions and sectors.

A general statement of OXFAM's expenses (bifurcated) is provided in the following figure.

■ Figure 37: Expenditures Distribution of Oxfam International ■



In Pakistan, the following list provides Oxfam's primary focus areas in Pakistan:

- Campaigns on Climate Change, Food Security and Livelihoods.
- Gender Justice
- Humanitarian Response and Disaster Risk Reduction
- Peace Building
- Urban Program

5.7 UNITED NATIONS (UN) SYSTEM IN PAKISTAN

A Brief History of the United Nation:

When World War II was coming to a close in 1945, the international community was reeling from the effects of war. In order to root out the possibility of another world war, the heads of 50 states congregated at United Nations Conference from 25 April to June 26, 1945, to discuss the prospective structure and paraphernalia of an international organization in San Francisco, California. These meetings resulted in the signing of a UN Charter. The mission of United Nation is to ensure a platform where the global community can convene, negotiate common stumbling blocks .

and find shared way forward. Currently, there are 193 member states of the UN, including Pakistan. All the member states are members of the UN General Assembly. States' membership depends on the recommendation of Security Council of the United Nations.

United Nations in Pakistan:

Pakistan joined the United Nations (UN) on 30 September 1947—a month after its independence. The UN committed to support the Government of Pakistan's developmental needs and assisting to achieve the development goals. The agency offers its assistance in case of humanitarian crisis in the country as well.

In 2006, Pakistan agreed to adopt the One UN Program. The One Program is a framework that covers major strategies, approaches, initiatives and tools through which 60-80 percent of the UN operations occur.

One UN Program:

- In February 2009, the first One UN program (2009-2012) also known as OP I, was signed in presence of the UN Secretary General and Prime Minister of Pakistan.
- Second One UN Program OP II (2013-2017) is in line with national political process and both the national and local development strategies and priorities.
- Third One UN Program OP III (2018-2022), was signed in April 2018, also known as the United Nations Sustainable Development Framework (UNSDF), focuses on the Sustainable Development Goals (SDGs).

The mandate of the United Nation in Pakistan is predominantly rooted in human rights, capacity building, gender equality, involvement and environmental sustainability.

The UN Milestones for Pakistan:

The UN set around six milestones to be achieved by 2022. They are detailed as follow.

1. Governance, Economic Growth, and Decent Work: By 2022, the people of Pakistan will have increased knowledge of their rights and improved access to more accountable, transparent and effective governance mechanisms and rule of law institutions.
2. Nutrition, Health and WASH: By 2022, children, adolescent girls and boys, pregnant and lactating women, the elderly and persons with disabilities have improved dietary intake, feeding and care practices, resulting in improved nutritional status, while reducing stunting and other forms of undernutrition. By 2022, the people in Pakistan, especially the most vulnerable and marginalized, have access to, and benefit from, improved universal health coverage, including sexual and reproductive health, and equitable WASH services.
3. Food Security and Sustainable Agriculture: By 2022, the people of Pakistan, especially the most vulnerable and marginalized populations, have improved availability of, access to, and consumption of safe, nutritious and sufficient food, while promoting sustainable agriculture to achieve Zero Hunger.
4. Resilience: By 2022, the resilience of the people in Pakistan, especially key populations, is increased by addressing natural and other disasters, including climate change adaptation measures and the sustainable management of cultural and natural resources.
5. Education and Learning: By 2022, children and youth will have enhanced, equitable and inclusive access to, and benefit from, quality learning opportunities.
6. Social Protection, Gender Equality and Dignity: By 2022, improved and effective social protection systems will be available for all, particularly for the most vulnerable and marginalized populations. By 2022, government institutions will have increased accountability towards gender equality commitments and social, economic, cultural and political rights

UN Entities in Pakistan:

There are around 19 UN agencies working in Pakistan. the list is as follow:

Table 12: UN Agencies Operating in Pakistan

Sr. No	Agencies	Sr. No	Agencies
1	Food and Agriculture Organization (FAO)	11	United Nations Fund for Population Activities (UNFPA)
2	Invested in Rural People (IFAD)	12	United Nations Information Centre (UNIC)
3	International Labour Organization (ILO)	13	United Nations Children's Fund (UNICEF)
4	International Organization of Migration (IOM)	14	United Nations Industrial Development Organization (UNIDO)
5	United Nations Office for the Coordination of Humanitarian Affairs (OCHA)	15	United Nations Office on Drugs and Crime (UNODC)
6	United Nations Human Settlements Programme (UN-Habitat)	16	United Nations Office for Project Services (UNOPS)
7	UN Women	17	United Nations Volunteers (UNV)
8	(UNAIDS)	18	World Food Programme (WFP)
9	United Nations Development Programs (UNDP)	19	World Health Organization (WHO)
10	United Nations Educational, Scientific and Cultural Organization (UNESCO)		

The UN Resident Coordinator Office:

- The Resident Coordinator (RC) system is present in all the UN agencies who are engaged in development activities, regardless of their official existence in the country.
- The vision of RC system is to bridge the gap between different UN organizations in order to enhance their efficiency and effectiveness.
- The role of RCO is to provide the required leadership and motivation/stimulus for the UN in the country.
- The RCO is supposed to assist the Government of Pakistan to meet the SDGs.
- The RCO is to promulgate the One UN initiative to improve the effectiveness of the UN system in the country for the welfare of common people.

- RCO leads the UN Country Team (UNCT), consisting of the heads of all the UN organizations, programs and funds.
- Predominantly, the key role of RCO is to develop coordination among UN operation activities for development and has the responsibility to ensure local priorities.
- The RCO is responsible for the policy and political affairs in the country.
- The RCO is representative of the Secretary General for development operations in the country.
- The RCO along with the Country Team promulgates the UN interest and mandate, providing guidance to all the UN agencies, funds and programs and responding to violation of human rights in the country.

United Nations Industrial Development Organization (UNIDO)

The United Nations Industrial Development Organization (UNIDO's) was established in 1968 in Pakistan. The organization has extensive experience in industrial development. It has worked on over 50 projects in the country. The primary objectives of these projects are to enhance the human and industrial capacity and to promote industrial processes in the country in a sustainable way.

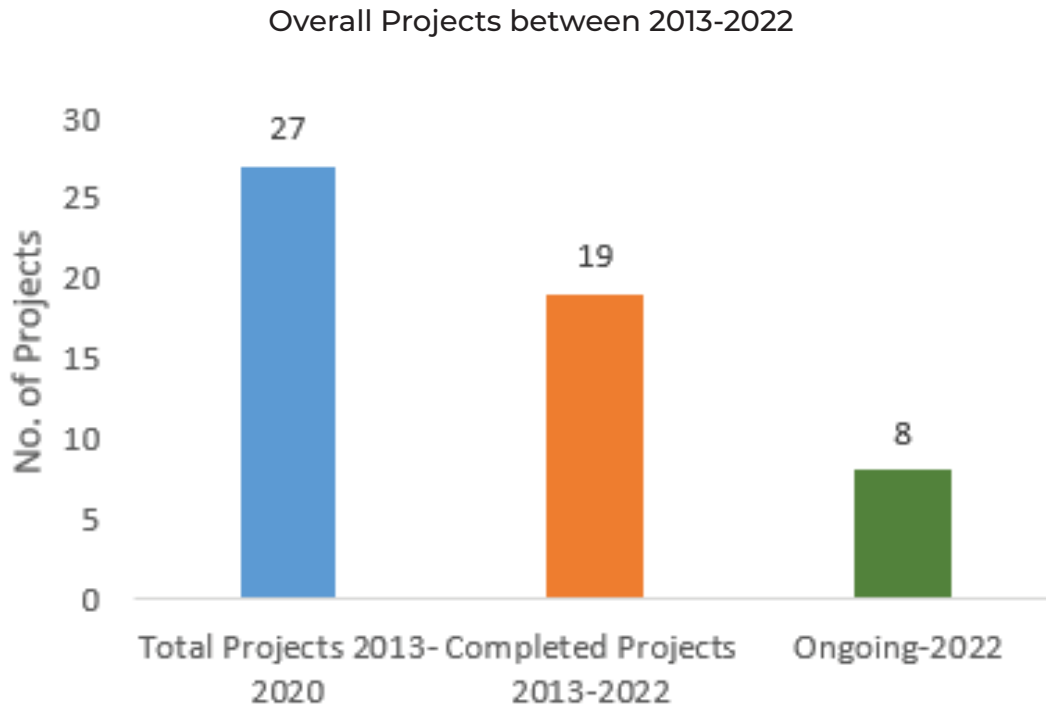
UNIDO's primary focus is on creating shared prosperity, advancing economic competitiveness, safeguarding the environment, strengthening knowledge and institutions, cross-country services and building a better future. The agency's focus is on three major areas, including creating shared prosperity, advancing economic competitiveness and safeguarding the environment.

UNIDO's Projects and Thematic Priority:

Between 2013-2022, UNIDO in Pakistan has initiated 27 projects, with 19 projects completed and 8 projects ongoing, as shown in the figure.

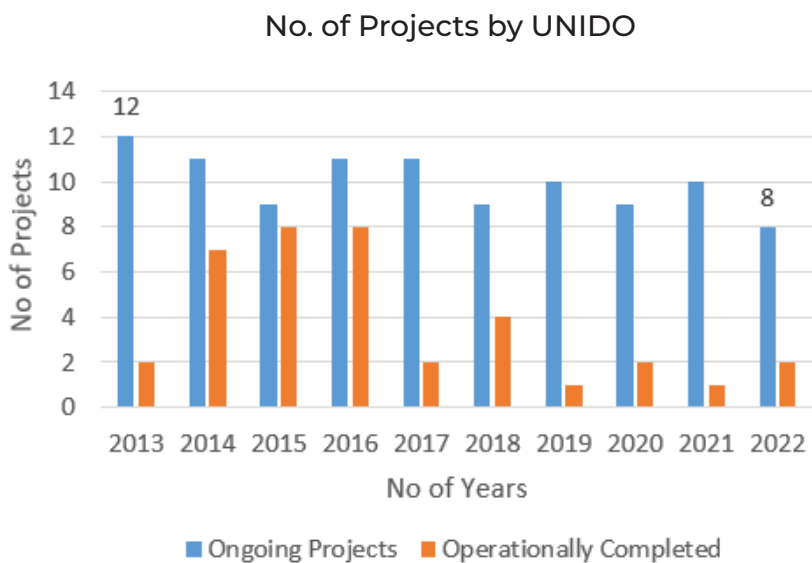
The data shows that UNIOD initiated 12 projects during 2013 and completed two projects within the same year. In 2013, the entity initiated the highest number of projects, followed by 2014, 2016, and 2017.

Figure 38: Overall Projects of UNIOD between 2013-2022



The agency’s major focus is on safeguarding the environment followed by creating shared prosperity or inclusive development. 12 projects focus on environmental protection and 8 projects on shared prosperity.

Figure 39: UNIDO's Projects in Pakistan



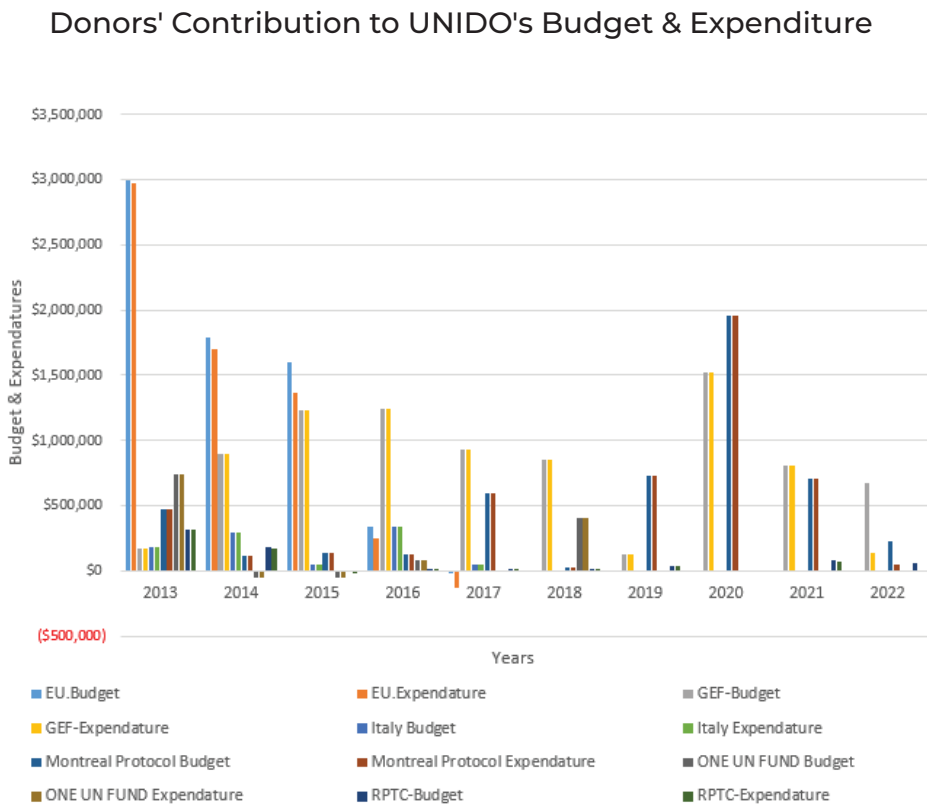
Donors and their contribution

UNIDO is committed to implement diverse development projects in Pakistan. These projects are financed through donor's contributions. The list of UNIOD's donors is given below.

- European Union
- GEF - Global Environment Facility
- Japan
- Montreal Protocol
- Regular Programme of Technical Cooperation
- SCCF - Special Climate Change Fund (GEF)
- Trust Fund for Trade-Related Capacity Building

The following figure represent different donor's contribution to Pakistan's budget and expenditures since 2013.

Figure 40: Donors' Contribution to UNIDO's Budget & Expenditure



Thematic Priority based on Budget:

In the first section, we have highlighted thematic priority based on number of projects. However, this section indicates the UNIDO's thematic priority in terms of budget allocation. In fact, their main focus is on three primary areas including creating shared prosperity, advancing economic competitiveness and safeguarding the environment. The total budget of the agency is \$98.2 billion and total expenditure is \$41 billion. In fact, the entity has devoted most of the resources for advancing economic competitiveness followed by safeguarding the environment. In fact, the budget for advancing economic competitiveness is around \$67.7 billion and expenditure is approximately \$15 billion. And, for environmental protection they have allocated \$18 billion as budget and expenditure of \$17.2 billion. Their third priority is the creation of shared prosperity with budget as \$7.4 billion and expenditure as \$4.8 billion.

Food and Agriculture Organization (FAO)

Food and Agriculture Organization (FAO) was founded in 1945. A meeting is held every two years to review the operationalized work and set programs and budget for the next two years. Its headquarters is in Rome and has 191 member nations, two associate members and one member organization.

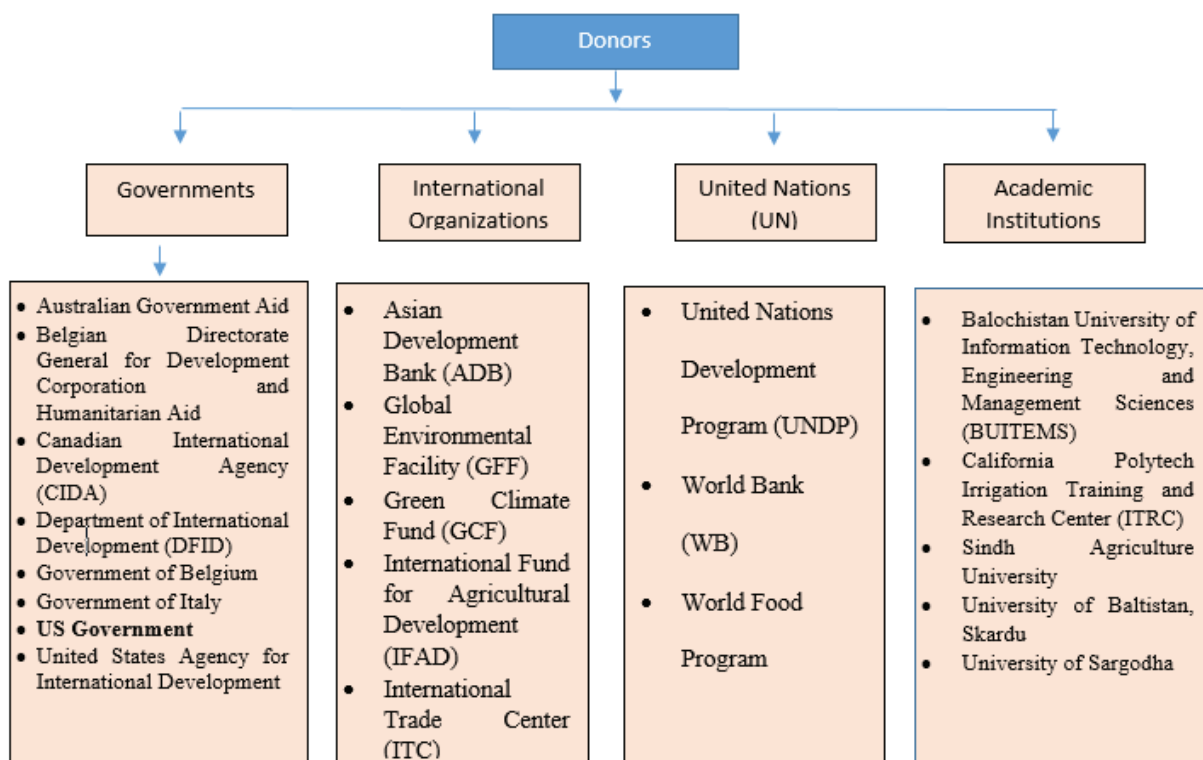
FAO is committed to serve its member states by promoting technical knowledge in the field, framing and agriculture policies, strategies and practices. Moreover, it assists the member countries when they face rural livelihood crisis and provides a platform to member states to discuss and understand common issues.

FAO's Objectives:

The primary objectives of Food and Agriculture Organization are to

- Assist in eradication of hunger, food insecurity and malnutrition
- Make agriculture more productive and sustainable
- Reduce rural poverty
- Ensure inclusive and efficient agricultural and food systems
- Protect livelihoods from disasters.

Figure 41: FAO's Donors



FAO's Partnership with Government of Pakistan:

FAO has partnership with different entities of Government of Pakistan, including

- Ministry of National Food Security & Research (MNFSR)
- National Agricultural Research Center (NARC)
- National Disaster Management Authority (NDMA)
- Pakistan Agricultural Research Center (PARC)
- Pakistan Space and Upper Atmosphere Research Commission (SUPARCO)

FAO'S Programs:

The Country Programming Framework (CPF) sets out three priority areas to guide FAO partnership with the Government of Pakistan. The objectives of the (CPF) is to bring together innovative international best practices and global standards with national and regional expertise during the 5 years from 2018 to 2022.

The three priority areas are given below:

Priority area 1: Zero Hunger: Healthy, Safe and Nutritious Food for All

Under the first priority area, FAO is supposed to create an environment for sustainable agriculture system in Pakistan. The focus is on improving the stakeholder's capacity for better governance of the agriculture sector, sectoral coordination and research-based technical support for policymaking. It aims to strengthen the country's central and regional departments in decision making during the implementation period of the CPF. Moreover, FAO under this priority is committed to support the development and utilization of central and provincial agriculture and food information systems.

Priority area 2: Climate Smart Resilient Agriculture and Sustainable Ecosystems including Forests, Fisheries, Livestock, Rangeland and Water Management

FAO will utilize its national and international expertise to support the government's agriculture departments, national, provincial and district-level disaster management authorities, family farmers and livestock keepers to anticipate and respond to factors affecting food security and nutrition through providing training in agro ecology, climate resilient agriculture, water smart initiatives, DRR/DRM strategies and prevention and control of livestock diseases. Resilience of vulnerable farmers and government capacities to support communities to adapt to climate change will be improved and strengthened. To streamline social protection systems, FAO will initiate and strengthen risk transfer mechanisms, including crop and livestock insurance schemes and access to financial institutions, at district and provincial levels. To promote and develop key ecosystems, sustainable forest and rangeland management will be supported by strengthening policies and pilot initiatives to adopt innovative approaches to forest management and restoration whilst enhancing local livelihoods, capacity building of personnel and stakeholder awareness raising from community to decision makers.

Priority area 3: Inclusive and Efficient Agriculture and Food Systems Inclusiveness and gender equality in agri-food systems at all stages of the value chain from the agricultural producer to the market are crucial to ensure sustainable agriculture development. FAO will work with all the value chain actors, including facilitators (service providers) and enablers (public sector) of value chains using a "systems approach" to address issues and constraints that lead to the exclusion and margin

alization of stakeholders along the chain as well as promote information exchange, increase efficiency, upgrade value chains and connect family farmers with markets. FAO will support the establishment of competitive gender-sensitive and gender-specific value chain processes with increased value addition and improved quality and safety compliance. Value chains for selected commodities will be supported through capacity development of market actors to increase their efficiency, and application of improved value addition and safety practices.

FAO's Projects Details

FAO is committed to implement diverse development projects in Pakistan. These projects are financed through FAO's own resources, bilateral and multilateral aid organizations, and different Governments, along with the Government of Pakistan. The details of some projects are given in the following table.

Table 13: FAO's Projects in Pakistan

No	Projects	Year	Recourse Partner	Budget	Implementation partners	Align to SDGS
1	Feasibility Study and Piloting of Farming of new Shrimp/ Prawn and Fish species in Punjab and Sindh Provinces	19-20	(FAO), Pakistan	USD 195,000	Ministry of National Food Security & Research through the Fisheries Development Board (FDB), Islamabad	1, 14;
2	Restoration of Livelihoods in FATA (Phase II)	18-21	Japan International Cooperation Agency-JICA	USD 4.9m	FAO	1,2,6,13
3	Restoration of Livelihoods in Khyber Pakhtunkhwa Tribal Districts	18-20	DFID	USD 13.38m	FAO, UNICEF, UNWOMEN	1,2,5,13,15
4	Technical support for designing Agriculture and Natural Resource Management (ANR) related Sustainable Development Goals (SDGs) programmes/plans	19-20	TCP, FAO	USD 50,000	Ministry of National Food Security & Research, Government of Pakistan	2
5	Restoring Subsistence and Commercial Agriculture in FATA	17-20	USAID	USD 10 Million	FAO	1,2,5,13,15

6	Support in Implementing the Agriculture and Livestock Policies in Khyber Pakhtunkhwa Support to develop a National Policy and Implementation Plan for Fisheries & Aquaculture sector.	19-20	FAO	USD 50,000	KP Agriculture and Livestock Departments	1,2
7	Support to develop a National Policy and Implementation Plan for Fisheries & Aquaculture sector	19-20	Food and Agriculture Organization of United Nations (FAO), Pakistan	USD 68,000	Fisheries Development Board, Ministry of National Food Security & Research, Islamabad	2
8	FAO's Technical Assistance to the UK/DFID-funded "Building Disaster Resilience in Pakistan" Programme	18-20	UK-DFID	USD 3.9m	FAO, UNDP and WFP	2
9	Multi-Year Humanitarian Program (MYHP)	15-20	Department for International Development (DFID)	USD 6.7m	Agha Khan Rural Support Program Relevant Government Line Departments	1,2,5,8, 13
10	The Australia Balochistan Agri Business program (AusABBA II)	17-23	Australian Government (DFAT)	USD 16.9 m	Livestock and Dairy Development Department, Planning and Development Department (Gob)	2,5,8
11	The Alternative Livelihood Option Project explores potential alternative livelihoods options in Khyber Pakhtunkhwa by engaging the communities to develop agricultural value chains by increasing capacities of value chain actors, service providers, and prom	18-20	U.S. Bureau of International Narcotics and Law Enforcement Affairs (INL)	USD 793 000	FAO	1,2,8
12	The Horticultural Advancement Activity (THAZA)	18-23	USAID	USD 16.2 million	Private sector, government agencies, academic community	1,2,8

Technical Cooperation Programs:

Table 14: FAO's Technical Cooperation Programs

Sr. No	Projects title	Period	Budget
1	TCPF: Support for Development of Master Plan for Ecological Restoration of the Indus River Basin for a Climate Resilient Future	2022-2022	98,000\$
2	Support development and piloting Pakistan Animal Identification and Traceability System (PAITS)	2021-2023	231,000\$
3	Technical Support for Developing Capacity for Implementing 2021 Integrated Agriculture Census	2021-2023	150,000\$
4	TCPF: Strengthening of Seed Quality Assurance System	2021-2022	50,000\$
5	Building capacities on food systems with special focus on gender and women empowerment	2021-2023	378,000\$
6	TCPF: Support to the establishment of Producer Marketing Groups for Improved Food Security	2021-2022	99,000\$
7	TCPF: Technical Support to Pakistan Digital Village Piloting	2021-2022	99,000\$
8	Critical support to the cold wave and one-health emergencies (Desert Locust, FAW and FMD) in Pakistan	2020-2022	500,000\$

Trust Funds:

Table 15: FAO's Trust Funds

Sr. No	Projects title	Period	Total Budget
1	Enhancing food and nutrition security of locust affected smallholder farmers and Control operations	2021-2022	1,352,155\$
2	Transforming the Indus Basin with Climate Resilient Agriculture and Climate-Smart Water Management	2021-2026	4,699,966\$
3	Balochistan Integrated Water Resources Management and Development Project	2021-2022	320,037\$
4	Risk Based Control of Foot and Mouth Disease in Pakistan	2018-2024	0
5	Control of Transboundary Livestock Diseases (Foot and Mouth Disease and Peste des Petits Ruminants)	2017-2022	36,021,186\$
6	Transforming the Indus Basin with Climate Resilient Agriculture and Climate-Smart Water Management	2020-2026	34,990,831\$
7	Strengthening Resilience of Agro-Pastoralists in Sindh (SRAS)	2020-2024	3,576,600\$

8	Reversing deforestation and degradation in high conservation value Chilgoza Pine Forests in Pakistan (FSP)	2018-2023	3,978,440\$
9	The Horticulture Advancement Activity	2018-2023	16,455,048\$
10	Alternative Livelihood through High Value Crops in FATA (ALOP)	2018-2022	1,300,627\$
11	Improved Land Tenancy in Sindh Province	2017-2023	4,494,382\$
12	Strengthening economic resilience and food security for women Home Based Workers and women farmers (COVID-19 related)	2021-2022	700,000\$
13	Pakistan Growth for Rural Advancement and Sustainable Progress (GRASP) Programme	2019-2024	9,728,845\$

United Nation Development Program:

UNDP works with the Government and people of Pakistan to develop local solutions to development challenges. It supports Pakistan's efforts to build a more equitable, prosperous, peaceful and resilient society and to achieve its SDGs and COP25 targets.

The aim of UNDP is to improve the lives of the people of Pakistan through keeping people out of poverty; governance for peaceful, just and inclusive societies; crisis prevention and increased resilience; nature-based solutions for development; clean affordable energy; and women's empowerment and gender equality.

UNDP's Agenda for the Solutions of Problems:

Poverty and inequality; Tackling inequality of opportunities by investing in the enhanced capabilities and striving to ensure people remain above the poverty line.

Governance; Helping countries address emerging complexities by "future-proofing" governance systems through anticipatory approaches and better risk management.

Gender equality: Confronting the structural obstacles to gender equality and strengthening women's economic empowerment and leadership.

Energy; Increasing energy access for those furthest behind and accelerating the transition to renewable energy.

Environment: Putting nature and the environment at the heart of national economies and planning; helping governments protect, manage and value their natural assets.

Resilience: Supporting countries and communities in building resilience to diverse shocks and crises, including conflict, climate change, disasters and epidemics.

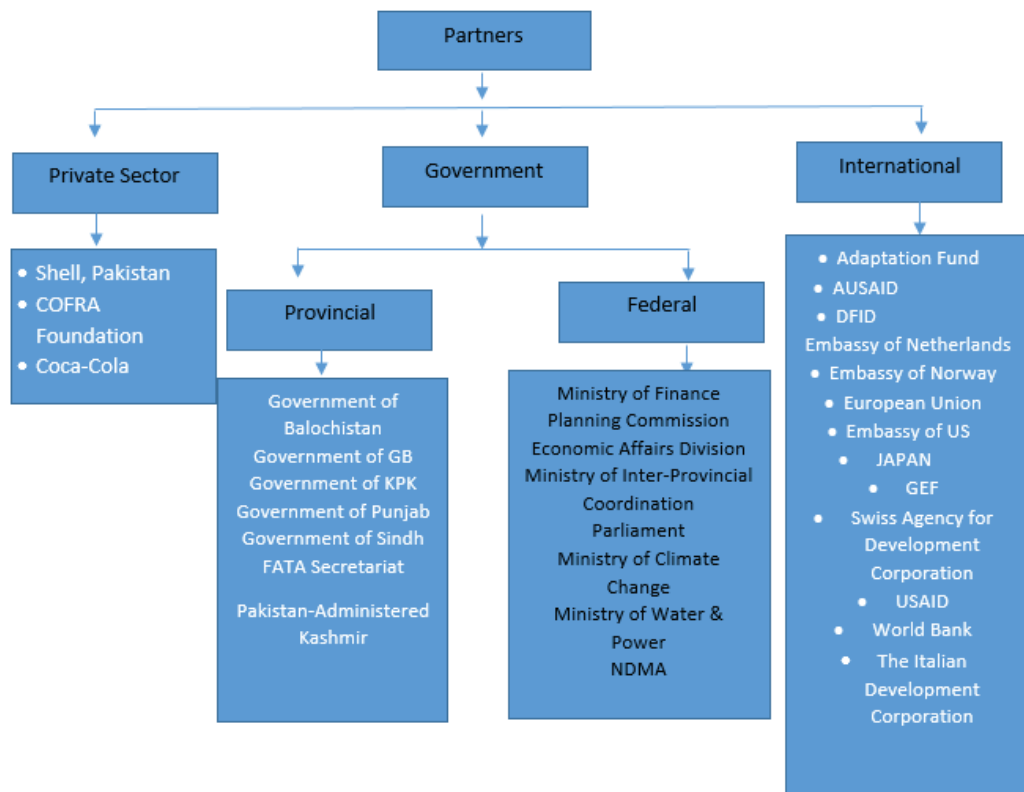
UNDP's Focused Areas:

- Eradicate poverty in all its form and dimensions
- Accelerate structural transformation
- Build resilience to shocks and crisis

Partnerships:

UNDP has a wide range of partners on development including Government of Pakistan, UN Agencies, donors and Civil Society Organizations. They collaborate throughout the development cycle of any project from program design, implementation, review and revision to lessons learned and best practices.

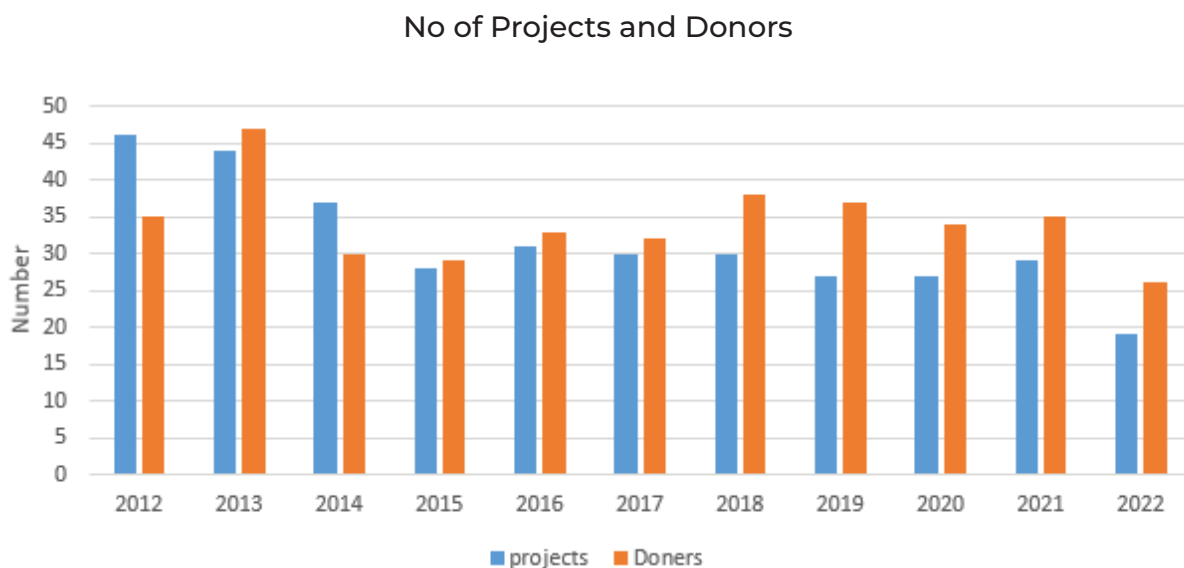
Figure 44: UNDP's Partners



Projects and Donors

The following shows the number of projects and donors of UNDP since 2012. The total number of projects the UN entity has initiated since 2012 are 348. The projects are financed through global, non-voluntary contributions from the UN member countries (core resources), as well as from contributions from bilateral and multi-lateral donors (cost-sharing resources) and from federal and provincial governments. However, based on the available data UNDP has initiated highest (46) projects in 2012. And, lowest (19) in 2022. Moreover, the trend line indicates that the number of projects in the country are continually declining. On the other hand, the number of donors are relatively stable.

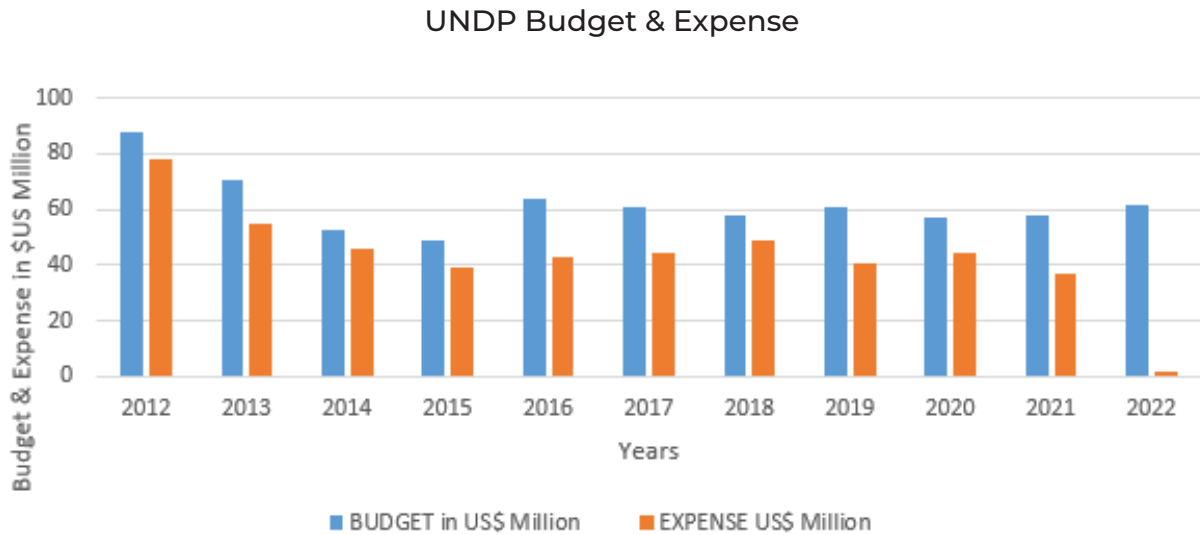
Figure 45: UNDP's No. of Projects and Donors



(Source: Authors calculation; using UNDP Transparency Portal)

BUDGET AND EXPENSE According to UNDP transparency portal, the total budget of UNDP since 2012 is \$680.4 million and materialized (Expenses) \$478.1 million. The graph shows the annual budget and expenditure of UNDP for the years ranging from 2012-2022.

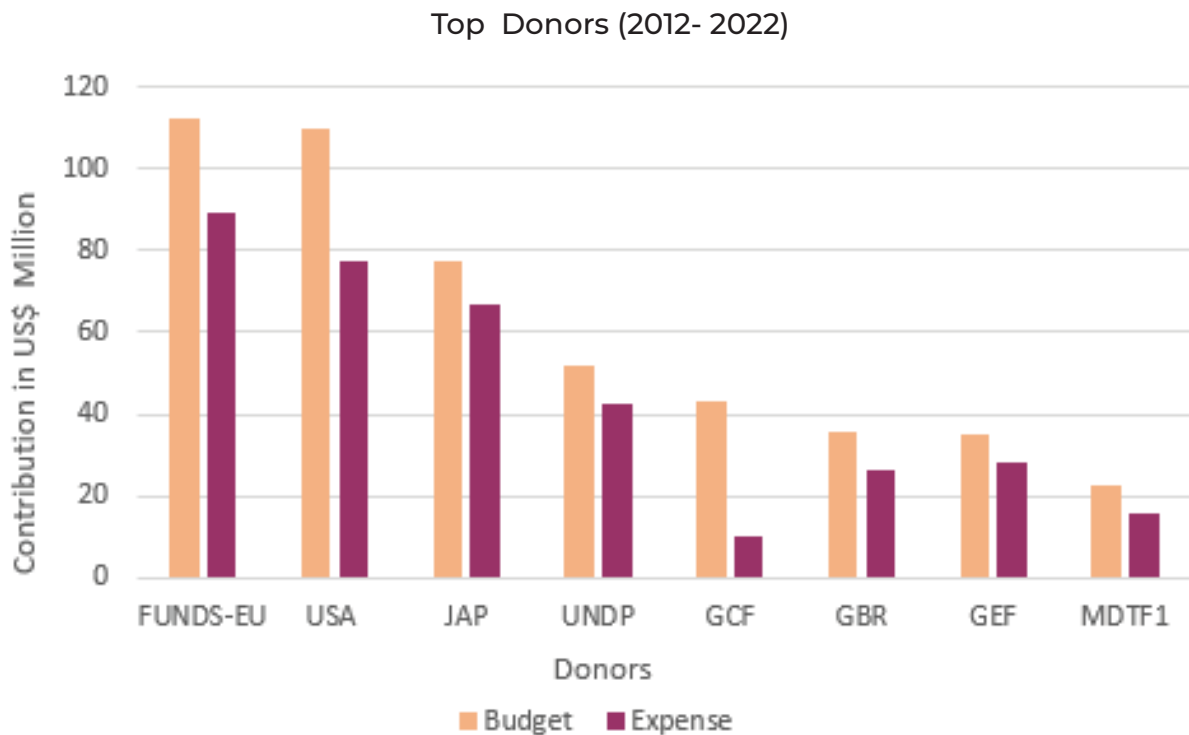
Figure 46: UNDP Budget & Expense



(Source: Authors calculation; using UNDP Transparency Portal)

Donors Contributions:

Figure 47: UNDP's Top Donors



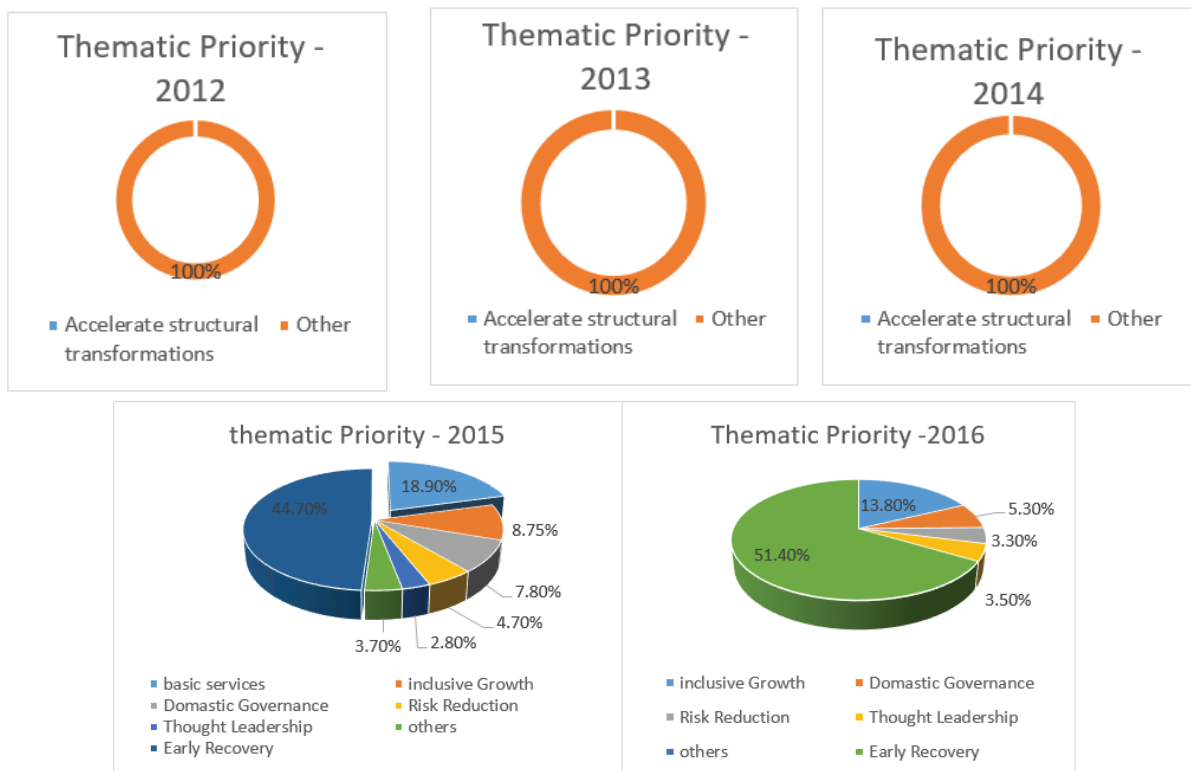
(Source: Authors calculation; using UNDP Transparency Portal)

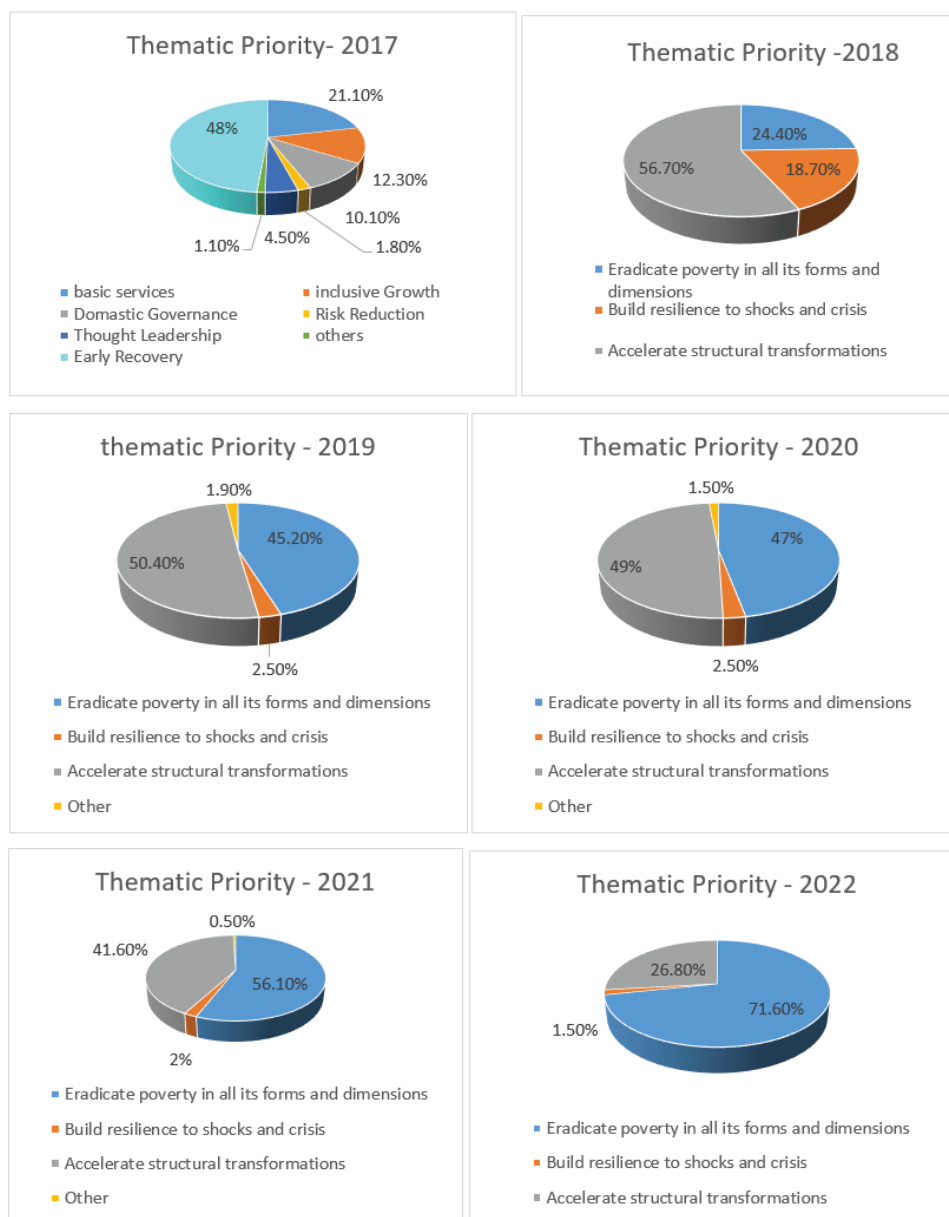
The above graph depicts the top donor's contribution to UNDP's budget and expenses between 2012-2022. The data reveals that the European Union has devoted the most among donors. In fact, the EU has contributed USD 112.6 million in the UNDP budget since 2012 and has contribution of around \$89 million in expenses. The second largest donor both to UNDP's budget and expense is the US followed by the Government of Japan which has contribution of \$77.7 million in budget and \$66.6 million in expense. Other funds include Green Climate Fund (GCF), GBR, GEF and Multi-Donor trust fund (MDTF1) respectively.

Thematic Priority:

The given below pie charts indicates the thematic priority of UNDP for each year since 2012, based on the budget allocation. The thematic priorities of the entity include acceleration of structural transformation, eradication of poverty in all its form and dimension, build resilience to shocks and risk, domestic governance, inclusive growth, thought leadership and others.

■ Figure 48: UNDP's Thematic Priority 2012-22 ■





United Nation Office for Coordination of Humanitarian Affairs (OCHA).

OCHA's involvement in Pakistan began in 1987 when an office was set up in Peshawar to support the organization's Afghanistan operations. This office was moved to Afghanistan in 2003. In 2005, an office was officially established in Pakistan to respond to the devastating earthquake in the north. OCHA's presence was scaled back in the ensuing years, but the organization re-established an office in 2009 to assist over 3 million people displaced by insecurity in the north-west.

Presence:

OCHA's Country Office is in Islamabad, and field offices are located in Peshawar, Khyber Pakhtunkhwa (KP); Lahore, Punjab; and Karachi, Sindh.

Current Focus:

OCHA brings together humanitarian actors to ensure a coherent response to emergencies in Pakistan and to establish a framework within which all the stakeholders can contribute.

The main functions of OCHA include operational coordination, humanitarian funding and information management in the affected areas.

OCHA Humanitarian Response Plane (HRP);

The HRP's (Humanitarian Response Plans) are the outcome of OCHA's coordination with humanitarian partners worldwide. The primary function of the HRP's is,

- To identify prominent humanitarian needs.
- To plan the responses
- To determine the budget needed to address these needs.

According to Pakistan's humanitarian Response Plan 2021, the HRP for Pakistan is designed to address the following three major areas.

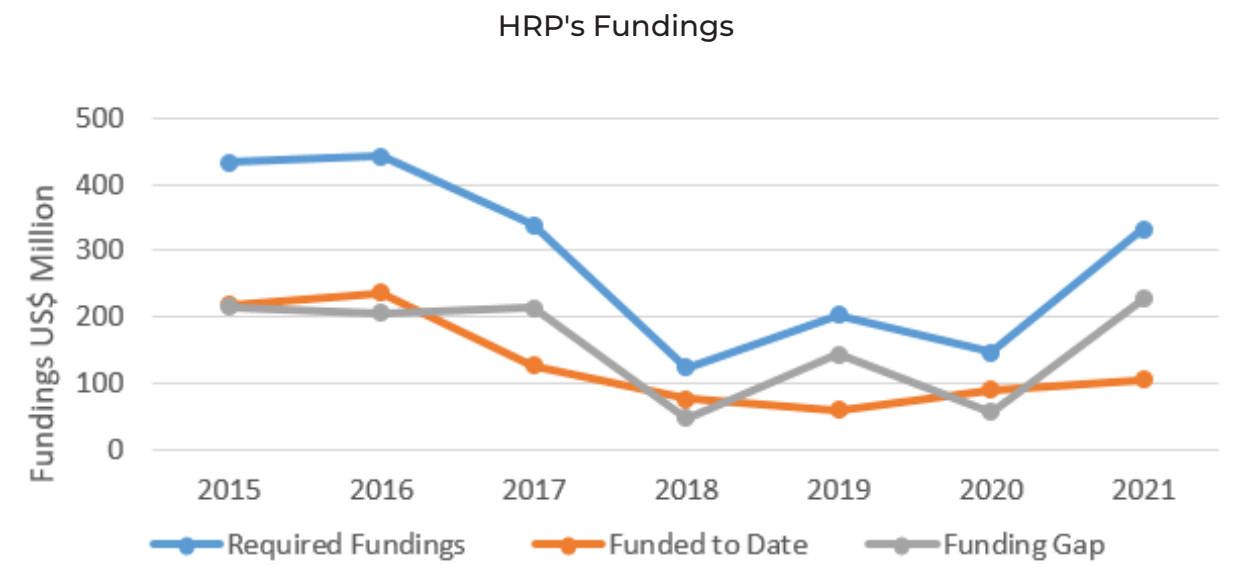
1. To assist Afghan refugees, 1.4 million registered and 0.6 million unregistered with the assistance, basic needs and protection.
2. To response/help Pakistan during natural hazards.
3. To assist Government of Pakistan's efforts in responding to the needs of vulnerable in effective and efficient ways.

HRP's Funding Updates:

The figure below shows the trend of HRP's (Humanitarian Response Plans) funds for the years between 2015-2021. The data reveals that the required level is never

met and remains far above the funded funds. The required funds between 2015-16 were around \$450 million and the funded to date around \$220 million with a gap of around \$215million. However, by 2018 both the required and funded funds reduced to \$123million and \$76million, respectively. Moreover, the data reveals the required HRP's increased in 2019. This may be explained by the pandemic Covid-19 crisis.

Figure 49: Humanitarian Response Plans Funds



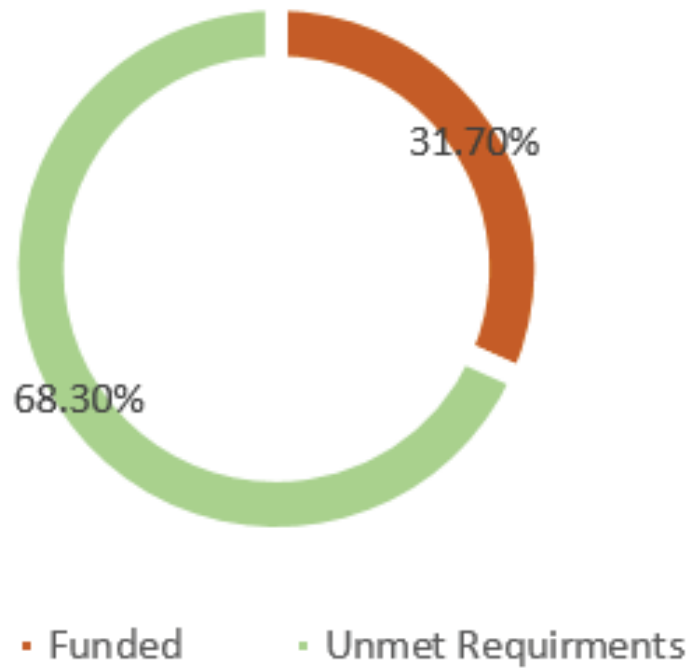
(Source; Author's calculations using OCHA Data)

Funded and Unmet Funds 2021:

The figure below shows the percentage of funded and unmet requirements of funds for the year 2021. As shown in the pie chart, around 32% of funds were met and 68% of the funds were unmet. This indicates a huge gap between the required and funded funds.

■ Figure 50: Funded and Unmet Requirements 2021 ■

Funded and Unmet Funds (2021)

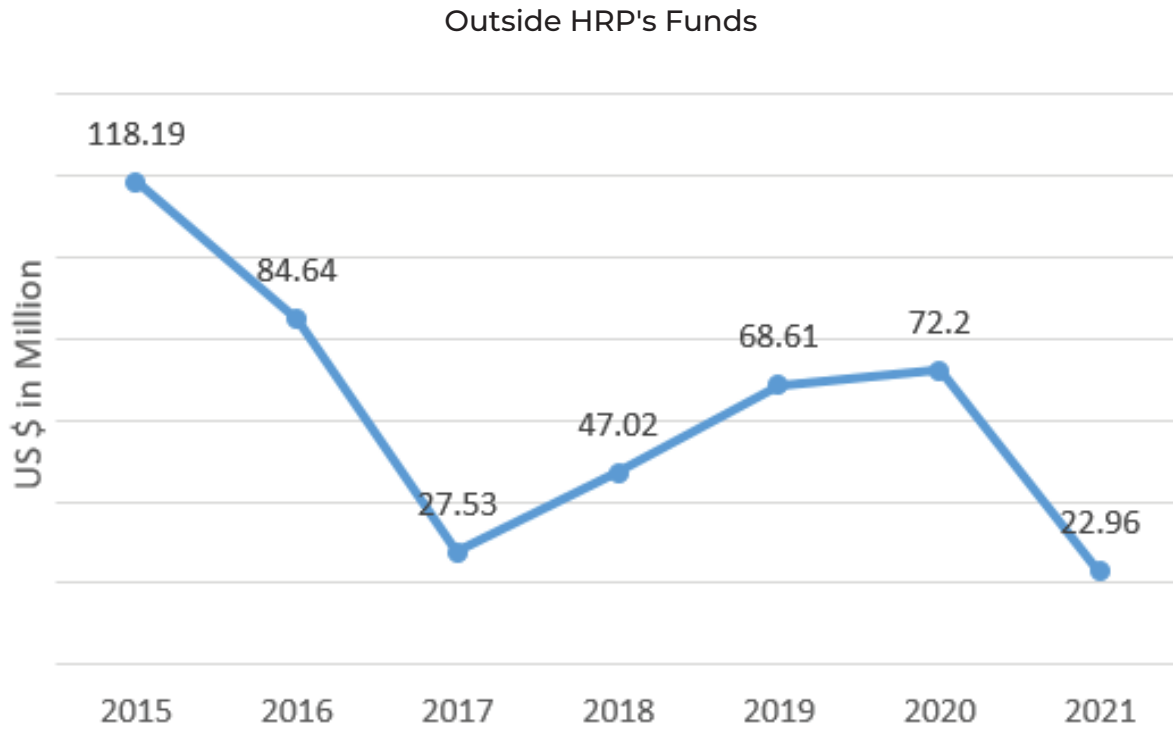


Funded and Unm(Source; OCHA-2021)et Funds (2021)

Funds Other Than HRP:

The trend of funds for projects other than HRP is shown in the figure below for the years between 2015-2021. As shown in the graph, the trend is declining and reached to its lowest level in 2021 (\$22.9 million) and the highest recorded in 2015 (118.2 million) based on the given data.

Figure 51: Funds Other Than HRP

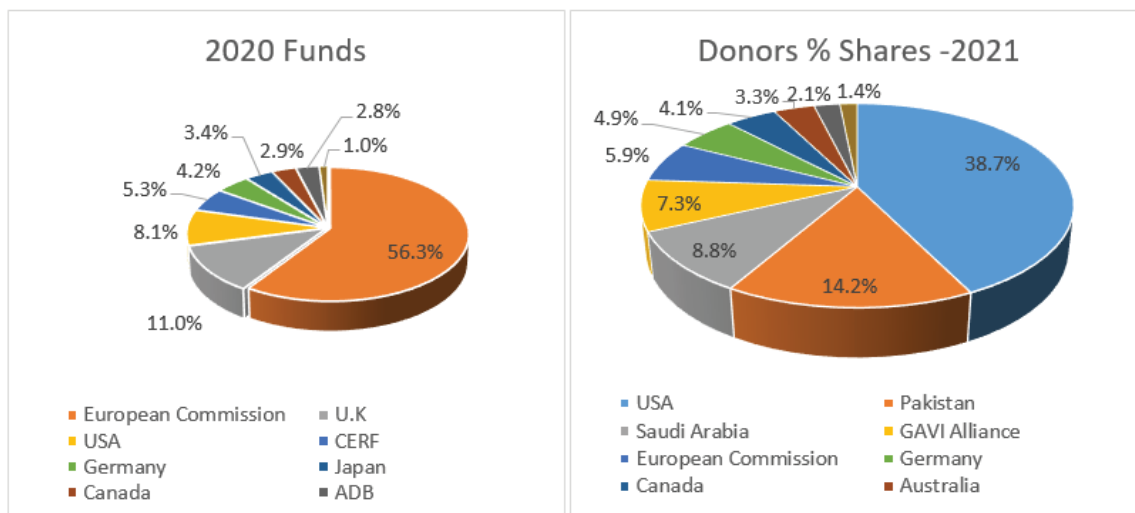


(Source; Author calculations based on OCHA data)

Donors/Partners Contributions

The key partners or donors of OCHA in Pakistan are USA, Saudi Arabia, European Commission, Canada, Pakistan, Germany, Australia, United Kingdom, GAVI Alliance, Central Emergency Response Funds and many others. The charts below show the donors' contributions for 2020 and 2021. In 2020 the major donor was the European Commission followed by the United Kingdom. And in 2021, the largest donor for 2021 was the US which contributed 38.7% followed by the Government of Pakistan 14.2%.

Figure 52: OCHA Fund Details



(Source; Author calculations based on OCHA data)

United Nations Population Fund (UNFPA)

The United Nations Population Fund (UNFPA) is the lead UN agency for delivering a world where every pregnancy is wanted, every childbirth is safe and every young person's potential is fulfilled. In fact, UNFPA focuses on advancing women's and young people's ability to exercise their sexual and reproductive health rights. Since 1970, UNFPA in Pakistan has supported:

1. Sexual and reproductive health information and services;
2. Adolescents and youth;
3. Women's empowerment and gender equality;
4. Population and development.

What does the UNFPA do in Pakistan?

Since 1970, the UNFPA works in Pakistan to

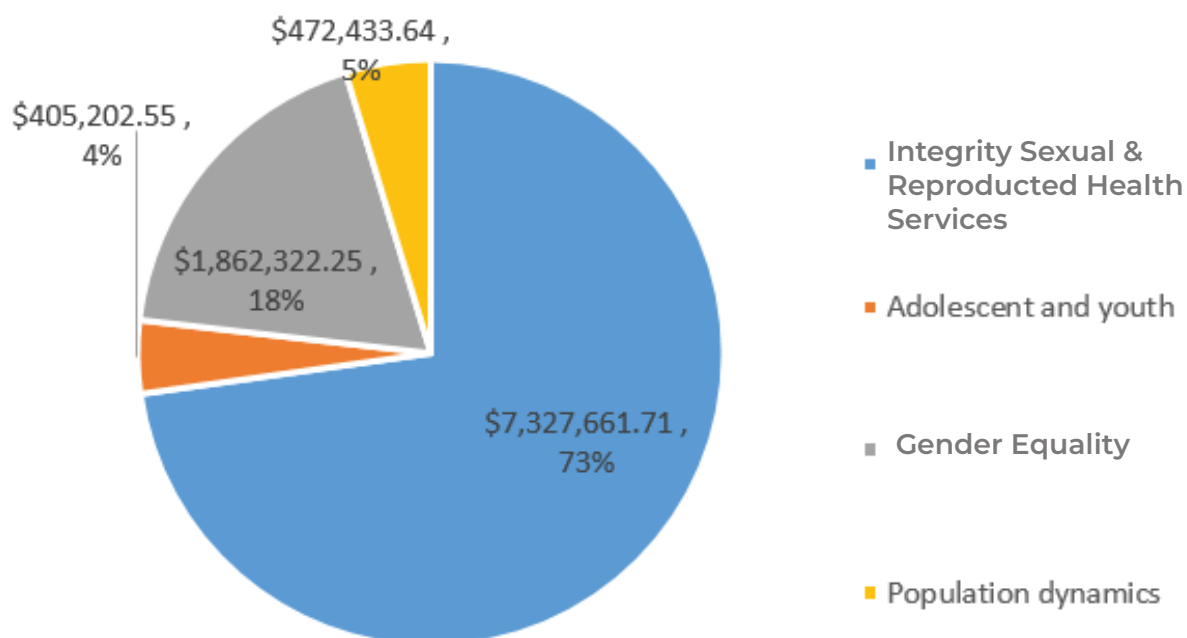
- Eliminate child marriages
- Reduce maternal mortality
- Reduce adolescent and unintended pregnancies

- Advocate gender equality
- Preventing and addressing gender-based violations
- Revitalize family planning services
- Advocating for universal access to sexual and reproductive health
- Promoting gender empowerment
- Enhancing youth skills
- Responding to humanitarian crisis
- Assisting in migration and urbanization
- Skill-based education
- Demographic dividends
- Conduct and assist in census

Program Activities of UNFPA in Pakistan:

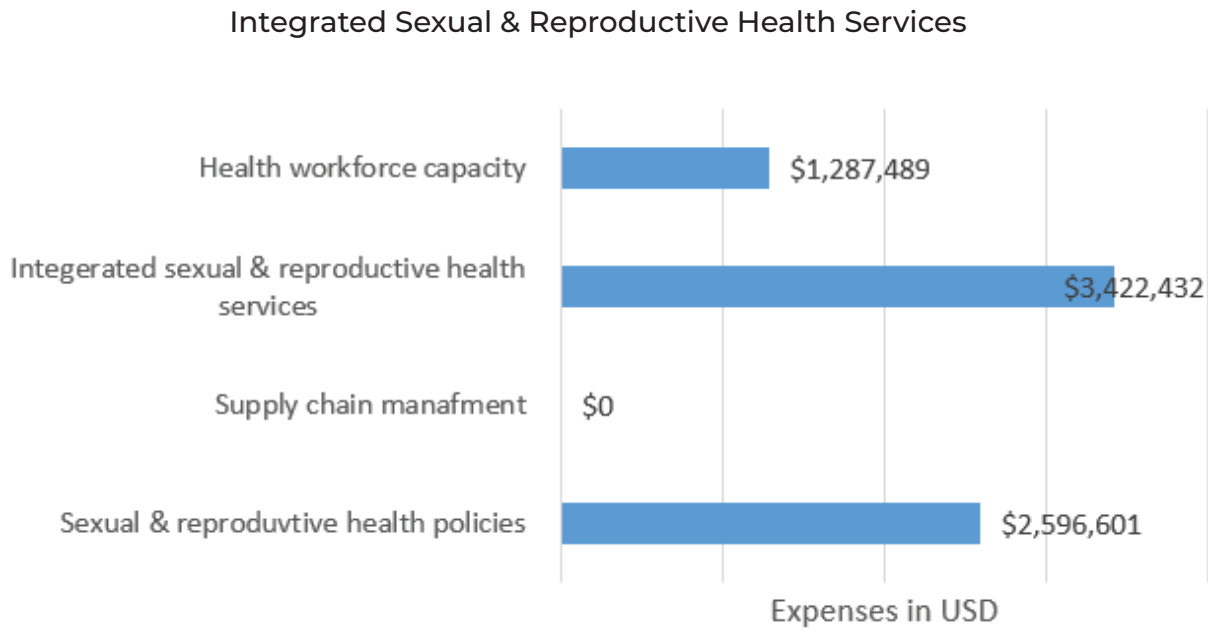
■ Figure 53: UNFPA Program Expenses (2020) ■

Pakistan 2020 Program Expenses

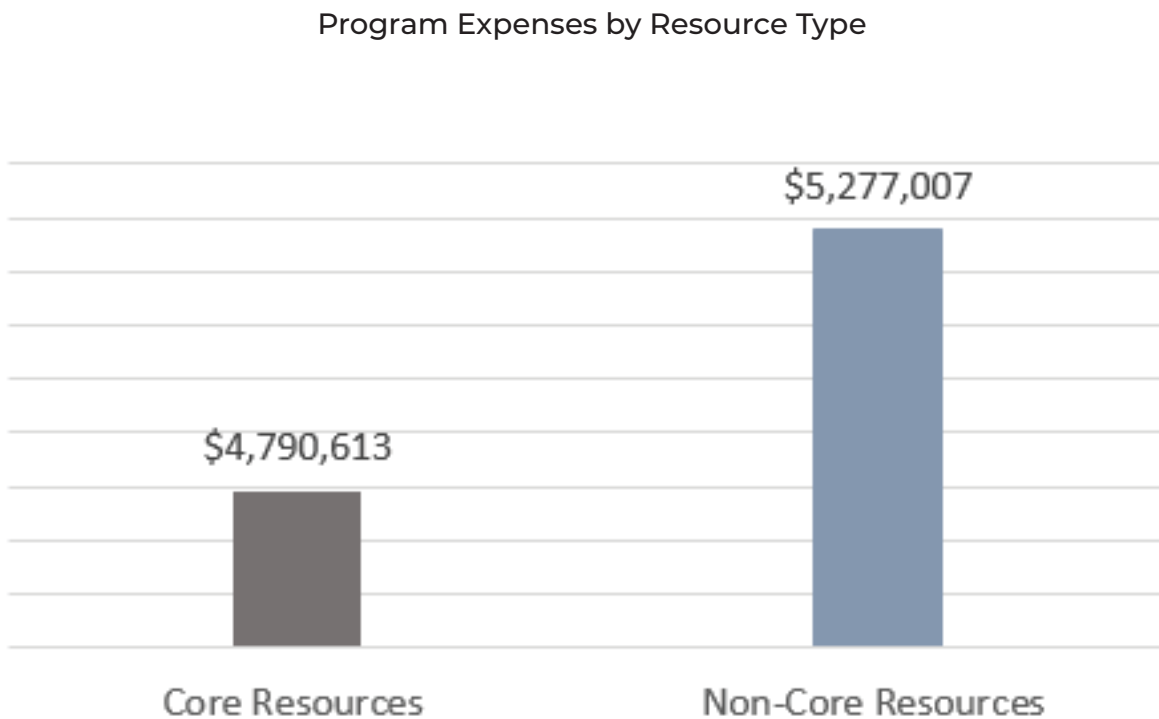


(Source: Transparency Protocol 2020) (<https://www.unfpa.org/data/transparency-portal/unfpa-Pakistan>)

■ Figure 54: Integrated Sexual & Reproductive Health Services ■

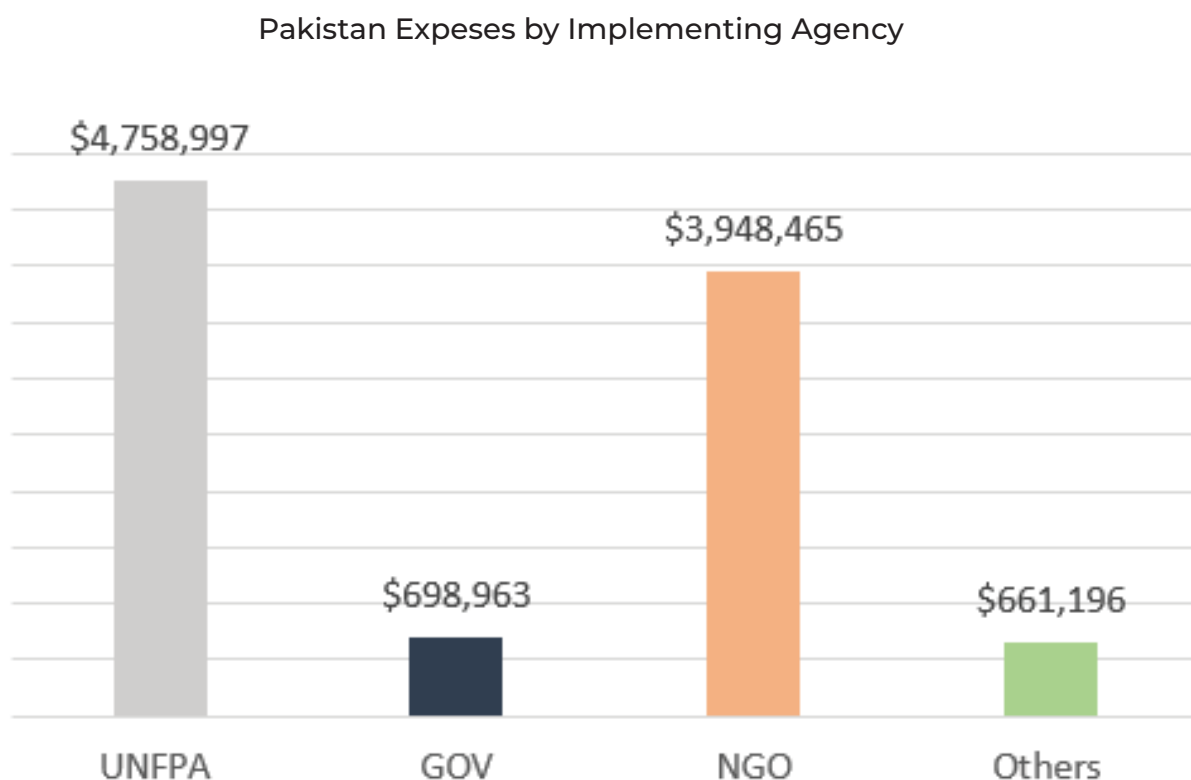


■ Figure 55: UNFPA Program Expenses by Resource Type ■



There are two type of resources of funds available to UNFPA. The core resources are the contributions of donors without restrictions. Whereas, non-core resources are the thematic funds such as UNFPA supplies, the maternal and newborn health thematic funds, humanitarian action thematic funds, population data thematic funds and others. In fact, according to transparency protocol 2020, the core resources for Pakistan are \$4,790613 and non-core resources are \$5,277007, as shown in the figure above.

Figure 56: Pakistan Expenses by Implementing Agency



Services Delivered, 2020

Mobil Clinic	Safe Spaces	EmOC	GBV Services	Dignity Kits
14	11	6	19	14000

(Source: Transparency Protocol 2020)

According to transparency protocol, UNFPA Pakistan has provided different services. In fact, the entity has provided 14 mobile clinics, 11 safe spaces, and 6 functional health facilities that provide Emergency Obstetric Care (EmOC), 19 health facilities that provide specialized GBV (gender-based violation) services (including clinical management of rap) and distributed 14000 dignity kits in Pakistan.

Donors and their Contributions:

According to UNFPA Data 2020, the top five donors are United Nations & International Transfers, United Kingdom of Great Britain & Ireland, Sweden, Norway and Canada. In fact, the prominent donor during 2020 was United Nations & International Transfer, donated around \$697.80 million. Other donors include Netherland, Denmark, Germany, European Commission, Australia, Japan, Finland, Switzerland, Republic of Korea, Belgium, the great Duchy of Luxembourg, Italy, France, New Zealand and others.

United Nations International Children's Emergency Fund (UNICEF)

■ Figure 57: UNICEF Priority Areas ■



The following are UNICEF's main areas of work in Pakistan as well as its rationale for working in these areas.

WASH: Water, sanitation and hygiene About 25 million people still lack access to clean drinking water, according to UNICEF estimates. Nearly 53,000 Pakistani children under the age of five pass away each year as a result of insufficient water and sanitation. Estimates also indicate that approximately 70% of families continue to drink polluted and bacterially contaminated water.

Education UNICEF is working to guarantee every child's right to an education as 22.8 million kids between the ages of 5 and 16 are believed to be out of school.

Nutrition In Pakistan, eight out of ten kids don't eat appropriate variety and amounts of food that could sustain their ideal physical development. A very large portion of children (estimates suggest almost half of them) are nutritionally deficient and stunted.

Early Childhood Development Early months matter for every child and 14% of children aged 24–59 months had at least one functional difficulty: 1.8% had difficulty in seeing, 2.2% in hearing, 3.5% in walking, 5.3% in remembering, 10.2% in self-care and 6.5% in communication.

Health Young lives can be saved if mother and babies had access to quality health services. In Pakistan, out of 1000 babies, 42 die right after birth and 62 as infants.

Polio Polio Eradication program started in Pakistan in 1994 and recent estimates show that Pakistan has improved a lot to eradicate polio disease with UNs help. There are only a few cases reported throughout the country now, which is a contrast to what Pakistan had a few decades ago when the program began

Child Protection The objective is to protect all children from exploitation, all forms of violence and neglect. For example, a significant percentage of children still work as child labor where there is substantial exploitation.

5.8 INTERNATIONAL MONETARY FUND (IMF)

The Mission Statement of the IMF states that it works to achieve prosperity and sustainable economic growth for its 190 member countries. The three overarching goals of the IMF are monetary cooperation, trade expansion, and economic development. The agency provides the international financial stability by offering:

- Policy Advice

To prevent crises by regular policy dialogue with the governments of member countries and also recommend the policies for sustainable economic growth

- Financial Assistance

Providing loan to protect the balance of payment problem

- Capacity Development

Technical assistance, training of government officials to help member countries

■ Figure 58: IMF's Assistance Areas ■



The IMF assesses possible risks as part of the monitoring process, which also occurs at the global and regional levels, and suggests necessary policy changes to maintain economic development and advance financial stability. Low-income nations (LICs) are given financial and other help by the IMF. The IMF's monitoring program continuously monitors the economic and financial policies of its member countries. Discussions with national authorities concentrate on how their economic policies affect stability and growth as well as the ideal course of action. LICs' ability to increase domestic income, manage public finances and monetary policy, control their financial system, and create statistics systems are often the main areas of attention in capacity building.

In Pakistan's case, it has had a very long presence, since 1958 when it first lent Pakistan its first loan. Since then, Pakistan has availed 23 IMF programs, mainly for Balance of Payment (BOP) support (for financing persistent Current Account deficits) that have plagued Pakistan's economy since its founding. But aside from lending loans, IMF publishes regular reports on member countries' economies and its issues. The IMF loans are not provided in one go; rather, these are provided in tranches. Before provision of every tranche, the IMF team visits the receiving country to take cognizance of whether the agreed upon points (during negotiations) have been implemented or not?

By December 2022, as the Table below illustrates, Pakistan owed about \$7.5 billion in loans to the IMF.⁹²

Table 16: Composition of External Public Debt

	Dec-20		Dec-21		Dec-22	
	PKR bn	US\$ mn	PKR bn	US\$ mn	PKR bn	US\$ mn
I+I						
I						
External Public Debt	13,151	82,406	15,985	90,556	19,605	86,565
Government External Debt (a+b)	11,958	74,928	14,796	83,824	17,880	78,949
a- Long term (>1 year)	11,812	74,012	14,571	82,547	17,724	78,261
- Paris Club	1,843	11,547	1,791	10,146	1,916	8,459
- Multilateral	5,293	33,165	6,114	34,634	8,238	36,376
- Other Bilateral	2,330	14,602	3,165	17,929	4,084	18,035
- Euro/Sukuk Global Bonds	846	5,300	1,377	7,800	1,766	7,800
- Commercial Loans	1,438	9,009	1,804	10,218	1,561	6,894
- Naya Pakistan Certificates	21	129	236	1,338	149	658
- Local Currency Sec (PIBs)	31	192	74	419	1	4
- NBP/BOC deposits/PBC	11	69	11	63	8	35
b- Short term (<1 year)	146	915	225	1,277	156	688

92. Source: State Bank of Pakistan (SBP)

Source: State Bank of Pakistan (SBP)

5.9 FOREIGN, COMMONWEALTH DEVELOPMENT OFFICE (FCDO)

Introduction and Overview

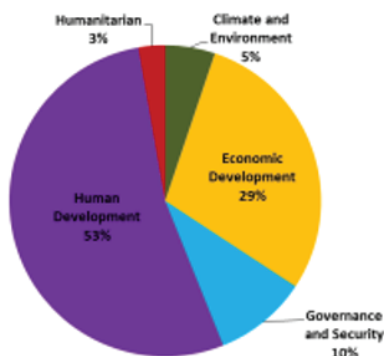
The United Kingdom's Foreign, Commonwealth Development Office – formerly known as the Department for International Development (DFID) – has been operating in Pakistan since 2003. As of 2019, its primary areas of focus are poverty eradication, economic development, and the building/strengthening of institutions.

The overarching philosophy of the FCDO is to facilitate development in a manner that is sustainable, fosters the creation of opportunities, and ensures that dependence on financial aid is ultimately eliminated. This is keeping in view Pakistan's current social sector weaknesses, which involve a lack of: scalable skills, access to education and healthcare, institutional resilience (to respond to natural disasters and execute governance responsibilities), and rule of law.

In terms of sectoral breakdowns, the most salient target in 2018-19 was based around human development – which constituted 53% of FCDO's activities in Pakistan. Economic development was the second most prominent, with approximately 30% of the share of projects, followed by 'Governance and Security' – which stood at 10%.

Figure 59: Sector Breakdown of FCDO's Assistance

Sector breakdown of 2018/19 bilateral spend



Top 3 spending programmes in 2018/19 (as at 9th May 2018)

Punjab Education Support Programme II	£67.2m
Pakistan Economic Corridors Programme	£56.3m
Khyber Pukhtunkhwa Education Sector Programme	£41m

As at March 2018, the FCDO has made significant inroads in delivering services to targeted populations. In total, 1.5 million children's access to education has been facilitated, 938 thousand people have been granted access to WASH (water, sanitation, and hygiene), and 486 thousand females have been instructed on modern methods of family planning.

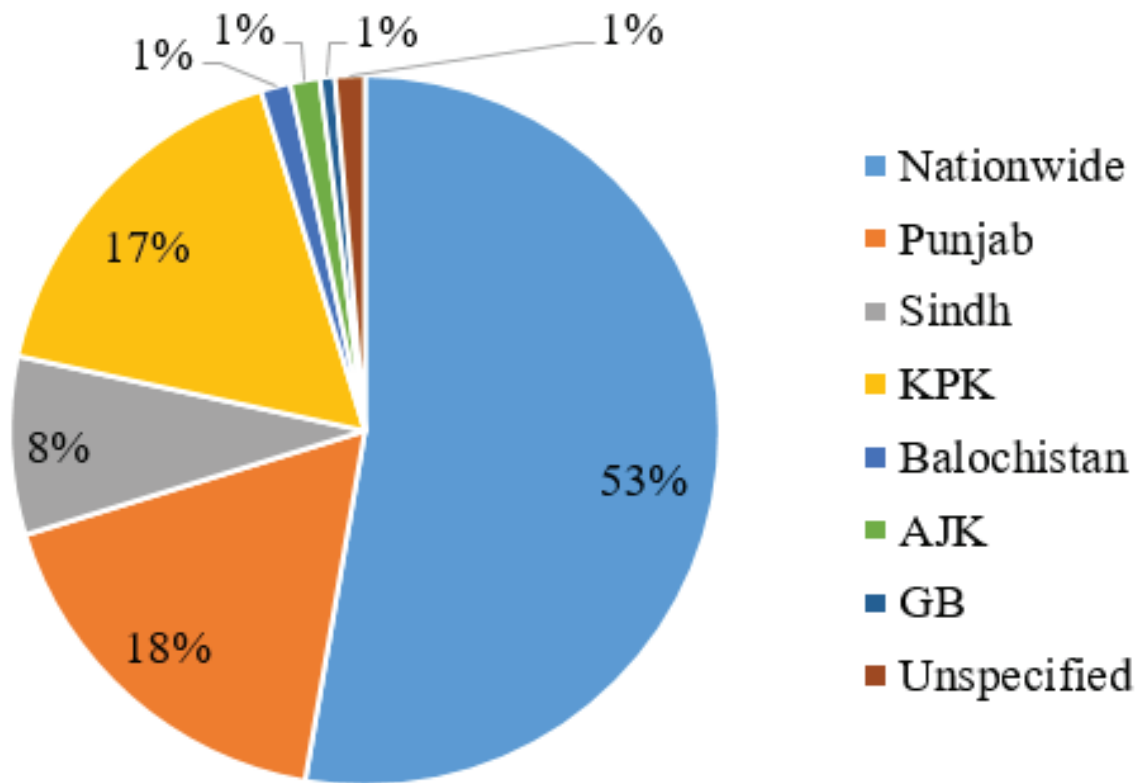
Budgetary allocations, aggregated across projects, for the year 2018-19 stood at 325m. For the subsequent year, planned expenditure was 302m. Detailed breakdowns of spending within various sectors is presented in the following pages.

The FCDO collaborates with 9 other departments in the UK government, as well as the British Council, to achieve its objectives and ensure proper implementation on the ground. This involves local government departments, non-government organizations, and various private consultancies. Detailed breakdowns for these is also presented in the following pages. On a broader level, work is also conducted in tandem with international financial institutions including the World Bank and Asian Development Bank, as well as the various UN agencies operating in Pakistan. Contracts with all affiliated organizations are subject to deliverables being met on a timely basis, the verification of which is the responsibility of monitoring and evaluation teams.

Geographic Focus

Out of a total of 127 programs listed on DFID's official development tracker page, approximately half covered several provinces (>/= 4) across the country – amounting to 53% of initiatives from 2003 onwards falling into the 'nationwide' category. The next most targeted regions were Punjab and Khyber Pakhtunkhwa, with 18% and 17% of programs targeted to various districts within those provinces. Sindh, on the other hand, received 8% of programs. Curiously, the regions of Balochistan, Gilgit-Baltistan, and Azad Jammu and Kashmir were the least frequented in terms of the number of programs conducted – tallying up to a combined 3% of total initiatives since 2003.

Figure 60: FCDO's Geographic Focus



This is worth exploring further, as notions of equity would suggest that if development projects are to be effective, the most impoverished regions ought to be the most highly targeted. A potential counterargument to this, however, could be that the regions that have reliable security, infrastructural capacity, and access to basic amenities are better placed to receive aid assistance – due to their ability to minimize inefficiencies in the form of administrative and bureaucratic expenditures.

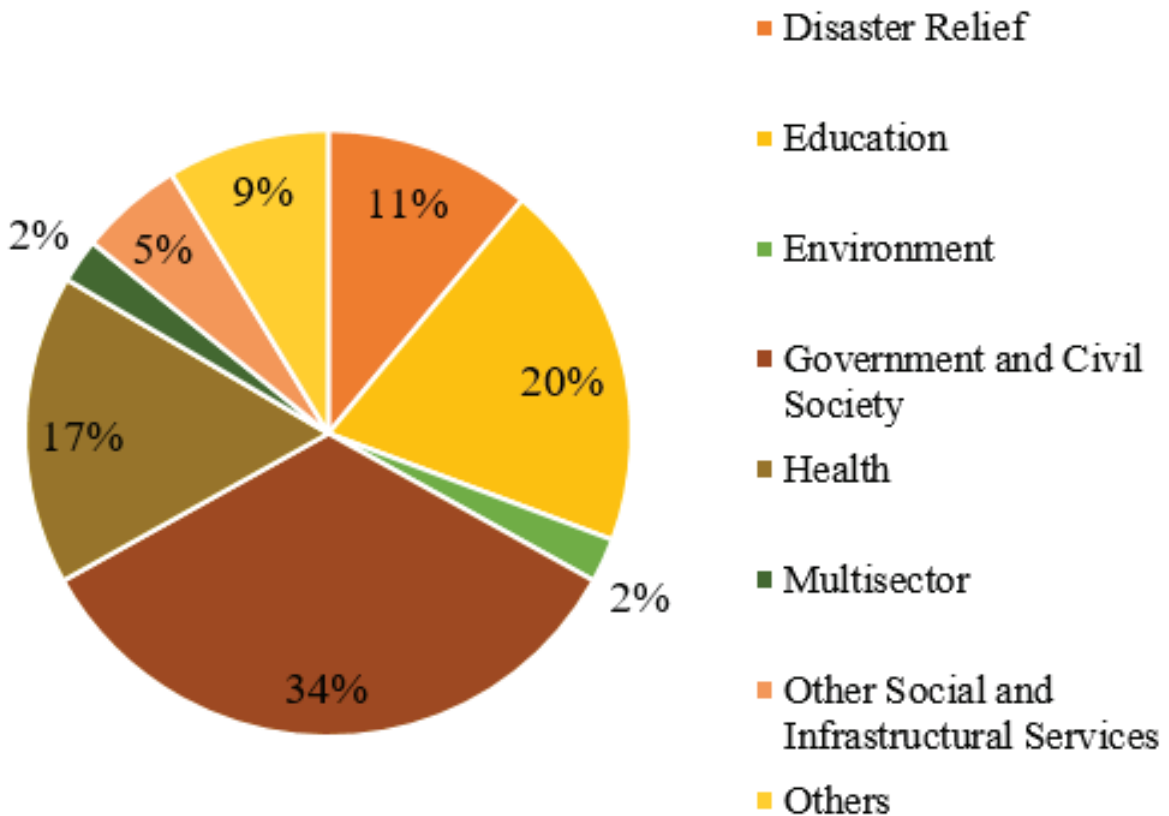
In any case, the process through which the selection of regions for development initiatives takes place ought to be laid bare. This will involve a careful study of Requests for Proposal (RFPs) and exploring their reasons for targeting the regions they do – along with whether any analysis of opportunity cost (in the form of development foregone in other regions) and counterfactuals (the cost of doing nothing) is a part of them. The question of why certain zones are prioritized over others must be answered and adequately justified – and this is even more necessary in cases like the present one, where the data indicates that those least in need (i.e. Punjab)

are targeted the most.

In Pakistan and the developing world more generally, however, patronage systems and elite capture are ubiquitous – and transparency standards are rarely ever met. Therefore, even in a province such as Punjab – where a conducive environment can be expected in relative terms – it is not self-evident that resources are being utilized in the most effective manner. In order to verify this, it is crucial to select certain programs from FCDO's list of activities at random and explore financial budgets to determine the distribution of resources that are able to reach end-consumers. This figure ought to then be compared with the proportion going to the upper management of organizations that have been selected as primary implementing partners.

Thematic Areas

Figure 61: Thematic Areas of FCDO's Assistance



In terms of thematic areas, the category titled 'government and civil society' was the most significant – with 34% of projects since 2003 dedicated to introducing interventions in areas of law, democracy, devolution, citizen engagement, etc.

Despite the focused attention to this area, however, no significant inroads seem to have been achieved in Pakistan at a broad level. For instance, Pakistan was ranked 130 out of 139 countries ranked by the World Justice Project's Rule of Law index for 2021 – and 5th in the South Asia region. Furthermore, the University of Wurzburg's Democracy Matrix of 2020 ranked Pakistan 123 out of 176 in its study: placing it in the category of 'Hybrid Regime'.

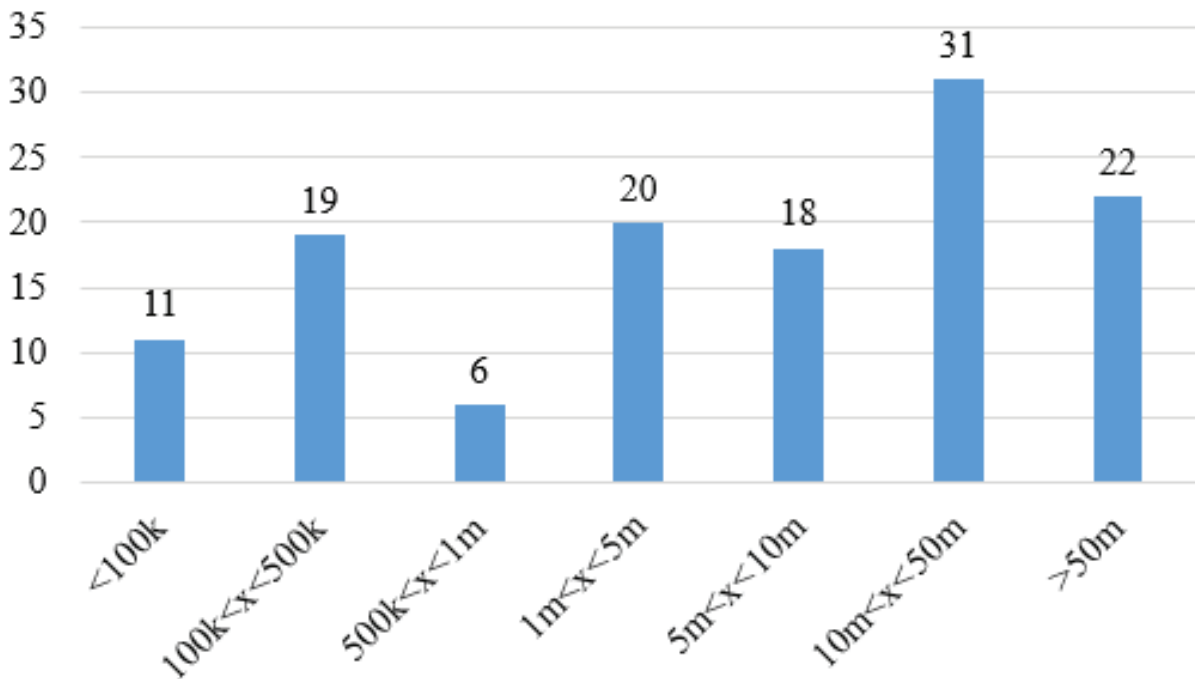
These indicate a lack of effectiveness of aid programs, as no sustainable results seem to be emerging as a result of them. On the other hand, however, these indices ought to be taken with a grain of salt: as the World Bank's 'Ease of Doing Business' index had indicated. This means that a holistic, objective, and home-grown barometer for democracy ought to be developed as a verification mechanism to existing ones.

The social sectors of education and healthcare followed suit, collectively amounting to 27% of the 127 programs under question. Disaster relief was another significant area, with approximately 1 in 10 of all programs since 2003 going into response to natural disasters such as floods and earthquakes.

Interestingly, programs geared towards environmental protection only constituted 2% of the total – which is curious, as Pakistan is currently the 7th most vulnerable nation to climate change as per the Intergovernmental Panel on Climate Change's (IPCC) sixth assessment report – released in August 2021. In terms of expenditure, a total of £10.2 million was funneled into programs dedicated to environmental protection – which amounts to a measly 0.2% of the aggregated budget of all FCDO initiatives in Pakistan since 2003.

Budgetary Allocations

Figure 62: FCDO's Budgetary Allocations



Out of 127 programs, 53 – or 41.7 percent of the total – were allocated 10 million or above, of which 22 exceeded 50 million. This suggests that initiatives of the FCDO, though small in number, are extremely large in their size/scale. This is worth exploring further – particularly whether planning procedures get increasingly rigorous/complex as budget sizes increase.

For aid to be effective, this question needs to necessarily be answered in the affirmative – with financial analyses, logistical proceedings, coordination mechanisms, communication strategies, etc. all having more depth in direct correlation with the size of their respective programs. This is both because of the probability of inefficiencies rising the more stakeholders and regions are involved, and elite capture – whereby there is a greater amount of resources available to be appropriated.

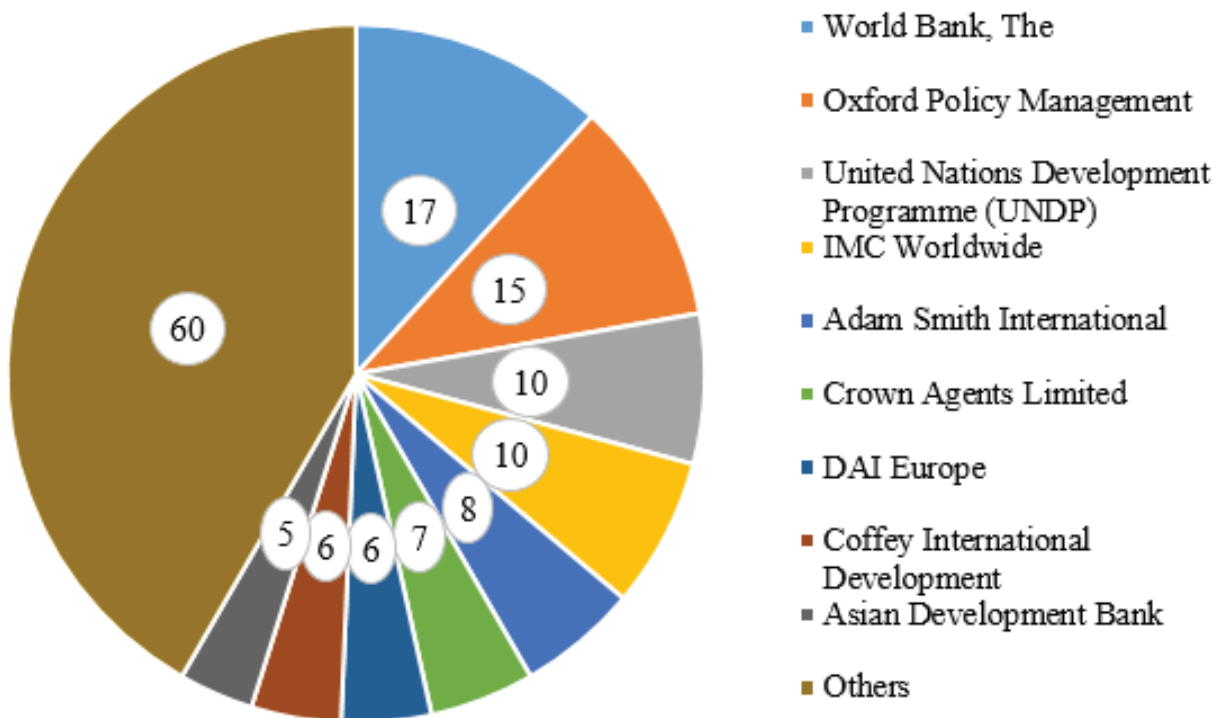
On the opposite end, 36 programs – or 28.3 percent of the total – were allocated 1m or less. 11 of these were extremely small-scale, with less than 100k being dedicated to them as budgetary allocations. It is worth considering the impact of these initiatives, particularly in terms of their sustainability – and whether they are able to reproduce results across time.

One hypothesis could be that these are pilot projects, designed to ascertain whether certain strategies and approaches to policy are feasible – in which case they would require rigorous analytical depth and the involvement of all relevant stakeholders. It is currently difficult to claim whether that is the case – therefore, verifiability ought to be instilled.

Finally, medium-scale programs – spanning 1-10m – were another sizable chunk of the total, comprising 38 out of 127: approximately 30 percent. The aforementioned factors, i.e. rigor of planning and scale of sustainability – applies to these programs just as much as their counterparts. Monitoring and evaluation mechanisms are likely to be the focus of attention for these – and it would be worth delving into the extent of consistency across programs that fall into this middle tier.

Implementing Partners

Figure 63: FCDO's Implementing Partners



In terms of implementing partners, the spread of FCDO's chosen candidates was large – with 60 out of the current 144 in place having 4 or less projects to their names, a proportion of approximately 40 percent.

The World Bank was its most important partner, handling 17 programs – followed by the Oxford Policy Management, which held 15. Collectively, these two organizations have 22.2 percent of FCDO's initiatives to their names.

On the other end, the Asian Development Bank, Coffey International Development, DAI Europe, Crown Agents Limited, and Adam Smith International all held projects the number of which spans from 5 to 8 – collectively overseeing exactly the same number that the top tier partnership group (World Bank and Oxford Policy Management) did.

In the middle stood IMC Worldwide and the United Nations Development Program, each of which held 10 programs – comprising approximately 14 percent of the total.

Some questions worth exploring here are the reasons for the absence of local bodies and organizations in the roles of primary implementing partners – whether that is due to a lack of capacity, political factors, weak presence on the ground, or social capital accruing as a result of repeated partnerships with certain organizations such as Oxford Policy Management.

In other words, the question of fairness – which depends on the extent to which candidates applying for these projects are able to receive a fair and impartial hearing – ought to be addressed. Whether there are any other factors at play, such as patronage, nepotism, favoritism, etc. must necessarily be answered. Rather than networks and social leverage, therefore, the process for selecting implementing partners ideally should be based purely and exclusively on merit. This naturally raises the subsequent question of why RFPs are not assessed through a double-blind system, which function to anonymize the process and bring the content/substance of proposals to the forefront and introduce an element of equity to the development process in Pakistan.

5.10 INTERNATIONAL LABOUR ORGANIZATION (ILO)

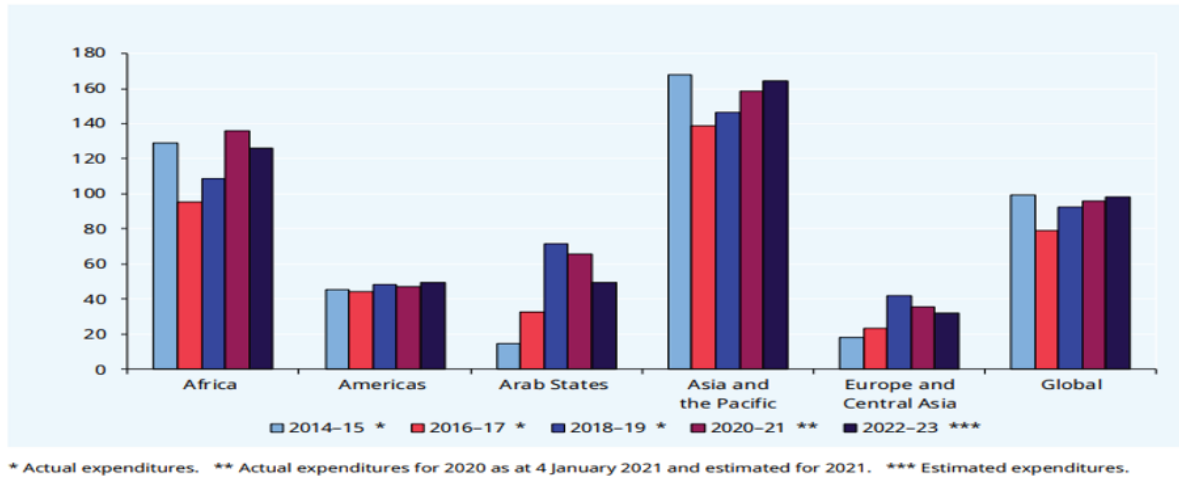
The organization was formed in 1919 and brings together the government, employers and workers of 187 member countries. Its ambit covers almost all areas related to labor work, including labor productivity and social protection for labor. The basic working of ILO is outlined in its 'Result Based Program Cycle', depicted in the following flow chart-

Figure 64: ILO's Result-Based Program Cycle



A reflection of its global presence can be found in its total budget bifurcated by regions, as in the following figure- The region wise budget expenditures are presented in following figure.

Figure 65: ILO's Budgeted Expenditures in US\$ million



5.11 WORLD HEALTH ORGANIZATION (WHO)

WHO was founded in 1948 to promote health for the vulnerable group of people. Its objective is to involve people and partners and to give everyone, everywhere, an equal chance at a safe and healthy life. Its mission and its goals are reflected in the figure below-

Figure 66: WHO's Mission and Goals



At present, the agency is focusing on 13 objectives under SDGs, specifically Goal 3 (good health and wellbeing) and aligning its program with it. The Thirteen General Program (GPW-13) is what WHO called it. Each billion individuals will receive protection, benefits, and access to top-notch medical facilities under this program.

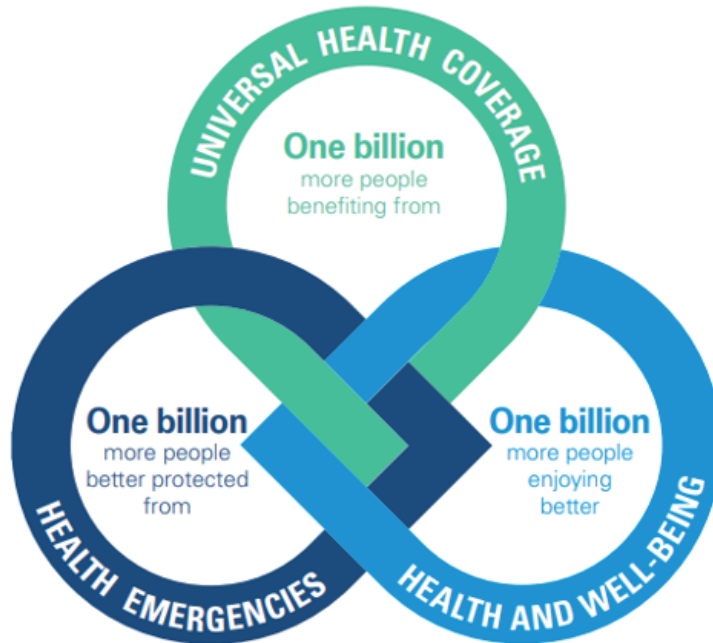


Figure 67: WHO's Focus Areas

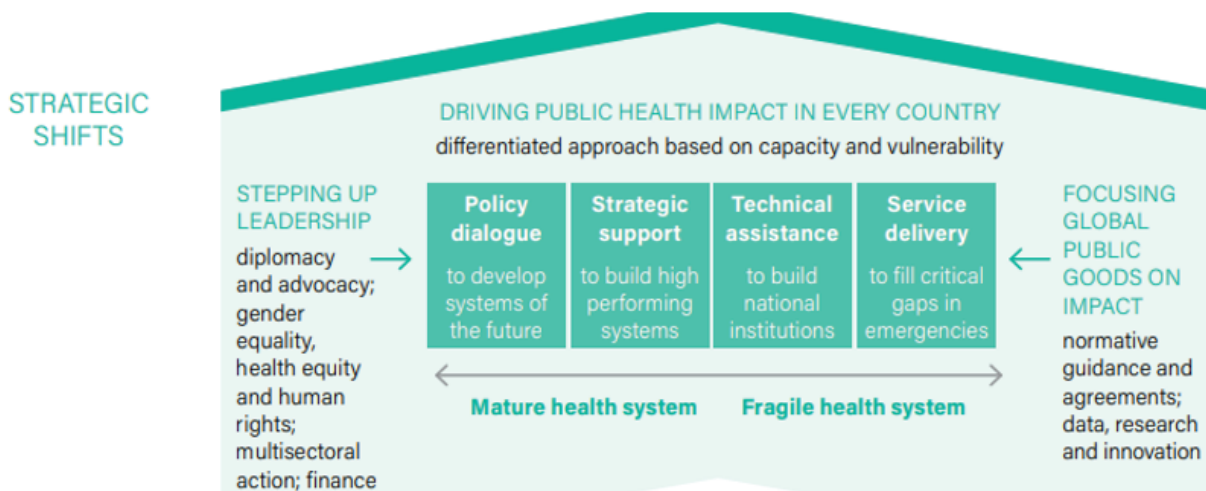


Figure 68: WHO's Program Budget 2022-23, financing—projections & utilization (\$million)

Segment	Approved Programme budget 2022–2023 (US\$ million)	Approved revised Programme budget 2022–2023 (US\$ million)	Financing (US\$ million)	Financing as % of approved revised budget	Financing including projections (US\$ million)	Financing including projections as % of approved revised budget	Utilization (US\$ million)	Utilization as % of approved revised budget	Utilization as % of available financing
Base programmes	4 364.0	4 968.4	4 091.1	82%	4 308.0	87%	1 879.1	38%	46%
Polio eradication	558.3	558.3	1 014.4	182%	1 033.5	185%	509.9	91%	50%
Special programmes	199.3	199.3	222.7	112%	223.9	112%	65.3	33%	29%
Emergency operations and appeals	1 000.0	1 000.0	2 639.1	264%	2 771.0	277%	1 357.8	136%	51%
Total	6 121.7	6 726.1	7 967.4	118%	8 336.3	124%	3 812.2	57%	48%

5.12 THE ASIA FOUNDATION

A nonprofit organization dedicated to worldwide development, works to better people's lives and increase opportunities throughout Asia and the Pacific. Their work throughout the area is concentrated on good governance, gender equality and women's empowerment, inclusive economic growth, environment and climate action, and regional and international relations. It is informed by decades of experience and deep local expertise.

The Asia Foundation operates through a network of 18 national offices throughout Asia and the Pacific, with its headquarters located in San Francisco and an office in Washington, DC. The Foundation gets funding from a wide range of bilateral and multilateral development agencies, foundations, corporations, and people in collaboration with public and private partners. In 2022, the foundation supplied textbooks and other educational resources in addition to providing \$86.7 million in direct program funding to improve the following areas.

Figure 69: Asia Foundation's Focus Areas



The Asia Foundation works to better citizen-state relations, access to justice, human rights, and government and non-governmental institutions in Pakistan. It also encourages programming that is inclusive of all genders. With programs that improve access to technology, future skills, and financing, the foundation supports Pakistan's civil society organizations and is a vital partner in advancing the rule of law, sustainable development, and STEM sectors.

According to the 2023 snapshot of Pakistan the Asia Foundation:

- Established digital libraries in 20 public schools
- Established cost-effective women's protection centers across 32 districts in Punjab
- Reducing gender-based violence with Pakistan justice system.

6. DONOR AUDITS- WHAT DO THEY TELL?

As stated above at the start of donor profile section, since the main aim of this research effort centers around the efficacy of foreign aid rather than profiling the donors in detail. That is why a brief profile/overview was provided above. Similarly, donor audits are a topic that would be time-consuming and requiring a separate effort given the paucity of information (only few donors have audit reports that are public). Therefore, a brief overview of audits of a few leading donors is provided as a sample, with the aim of informing the reader.

Simply put, in terms of audit transparency over projects and expenses, USAID seems to have the most transparent mechanism in the form of internal and external audit, and detailed hearings before the Congress that reveal substantial amounts of information hitherto unknown or non-public. Other donors like WB or ADB also carry out audits regularly, especially in terms of how the projects in their country portfolio performed. However, they do not reach the levels of transparency observed in terms of USAID. For example, for the projects that this research tracked as failures on most counts, donors like WB and ADB try to cover it up by labelling those 'less than satisfactory'.

The following lines provide brief overview of audit of USAID and ADB, two major donors.

6.1 USAID

Given the very vast canvass of areas involving USAID and its activities, and the quantum of US' financial assistance to Pakistan, it is perhaps not surprising that issues regarding its effectiveness and transparency arose from time to time. These issues have been highlighted and debated widely, both in Pakistan and in the US, specifically during Congressional hearings.

Table-1 presents a list of chosen projects that were initiated with USAID financial assistance in the last two decades, and their outcomes.

Table 17: Projects by USAID in Pakistan & its outcomes

Selected list of projects financed by USAID in Pakistan and its outcomes						
Title	Area/Sector	Audit Report No.	Year	Firm/Organization	Amount (\$ million)	Conclusion/Finding
Education Sector Reform Assistance (ESRA)	Education	5-391-08-004-P	2002	Research Triangle Institute (RTI)	100	Main objective of the program was to develop high quality education in Pakistan through trainings, Public Private Partnerships (PPP), teacher training, school infrastructure improvement, etc. The implementing agency claimed that 10 out of 13 major objectives had been achieved. However, USAID auditors doubted the claims since there was no independent mechanism to gauge outcomes and the M&E mechanism employed by implementing agency was found lacking
Pakistan Economic Growth Evaluation and Design (PEGED)			2003	MSI	72	A 5 year Economic Growth Program was initiated to support Govt. of Pakistan's overall reform efforts. Out of the 8 projects earmarked by USAID under this project, only 2 were completed by end 2007, with the project intended to be run up till 2008. The program evaluating agency found fault with USAID too, finding that it was in a hurry to implement this initiative without proper groundwork.
Competitiveness Support Fund (CSF)	Economic Growth		2006	Ministry of Finance	36.8	The evaluation of the project by a private firm, MSI, claimed 'significant qualitative achievement' (Executive Summary, p. vi), but the claims are centered on dubious measurement criteria! For e.g. it claims adding 'competitiveness to Pakistan's Poverty Reduction Strategy', which leaves the reader unsure about the real improvement (if any) brought forth by the project. Other claimed milestones, like 'prepared an investment strategy for Board of Investment' do not inform the reader about what quality enhancement to Pakistan's economy was achieved?
Pakistan Transition Initiative Program	Governance, Migration		2007	KP Government		Initiated in 2007, the program was evaluated in 2019 after running for a decade at least. The total expense stood at \$238 million out of \$331 million. It was basically aimed at enhancing the legitimacy and writ of the government in KP and erstwhile FATA, build greater trust b/w communities and government, and increase quality of governance. The evaluation claimed that the program made good improvements in terms of wanted outcomes. However, the outcomes themselves were heavily dependent upon continuation of donor and government aid, failing which leads to reversal of gains
	Business Environment, Economic Development, Job generation, Exports	G-391-12-001-P	2011	Chemonics	89.8	A 4 year project was awarded for improving overall competitiveness of small and medium enterprises that could lead to more employment and exports. More than a year into the project, USAID added two complementary areas (like Business Enabling Environment). Audit of first 2 years found no improvement (if at all) in terms of enunciated goals
	Agriculture/Agribusiness	G-391-13-004-P	2013	Agribusiness Support Fund(ASF)	89.4	The implementer lacked in terms of implementing the 5 year project, information and data gathering system were weak, leading to non-gathering of the required data. The eligibility of the recipients was also suspect.

	Governance		2008	DAI	45	Project was aimed at improving governance in FATA as well the capacity of public sector institutions dealing with FATA affairs. Failed to achieve majority of its goals
Pakistan Outreach & Communications Activity (POCA)	Communication / Media		2015	M&C Saatchi World Services	45	Launched in 2015, the project was mainly aimed at USAID's PR, to inform wider Pakistani citizenry of various USAID's projects. Apparently failed to achieve much as anti-US sentiments remain stronger than ever in Pakistan
FATA TDP Education Relief	Education		2016	UNDP	10.25	Launched to provide education related facilities to displaced families from FATA, it aimed not only at educating children but also buying furniture and training teachers for teaching in erstwhile FATA. Although a complete audit is not available, on-ground realities/numbers suggest that education outcomes in FATA have yet to show any considerable improvement

Aside from the above, which reflects unsatisfactory work in terms of projects utilizing USAID, there have been instances whereby projects have been awarded without competitive bidding. Aside from the non-competitive bidding issue, there were question marks around the way the winning firm sub-let the contract to another firm. In 2003, a \$72 million project was initiated, revolving around reforms and economic growth (Pakistan Economic Growth Evaluation and Design or PEGED). A later evaluation found that of the 10 proposed projects, 7 were awarded without any competitive bidding⁹³.

The \$89.4 million Agribusiness project, awarded in 2011 to Agribusiness Support Fund (ASF) without competition, who later sub-leased \$5.3 million to Citizens Network for Foreign Affairs (CNFA), a US based international organization⁹⁴. The Audit report acknowledged that the ASF

93. <https://www.globalwaters.org/sites/default/files/Pakistan%20Economic%20Growth%20Program%20Evaluation%20Summary%20Report.pdf>, p.2

94. https://oig.usaid.gov/sites/default/files/2018-06/g-391-13-004-p_rev.pdf

had no experience managing such a project⁹⁵, yet it was awarded this contract worth significant amount.

Similarly, in 2009, an \$89.7 project (titled FIRMS) was awarded to subcontractors by both the USAID and the major Pakistani contractor. Chemonics, the major Pakistani contractor, subcontracted the project to include Cogilent Solutions, Fincon, Innovative Development Strategies, and Semiotics. The U.S based subcontractors were Development Infostructure, Dexis, The Kaizen Company, Making Cents International, and O'Brien & Associates International⁹⁶.

As discussed above, the effectiveness of this aid and its utilization has been discussed many a times in the US Congress during various hearings. Table-2 provided below reflects the concerns of US Congressmen and their officials in terms of auditing and utilization of USAID money.

Table 18: Instances of discussion of USAID initiatives (and effectiveness of USAID in general) in US Congress

Selected instances of discussion of various USAID initiatives (and effectiveness of USAID in general) in US Congress		
Hearing Date	Title	Observation
2010	"Afghanistan and Pakistan: Accountability community oversight of a new interagency strategy"	Between 2002-2009, some \$6.7 billion given to Pakistan as Coalition Support Fund (CSF), but there were serious shortcomings in terms of its structure and accountability mechanism. Aid coming through USAID around \$2.8 billion in Pakistan from 2002-2009 (p.60). Office of the Inspector General of USAID conducted 5 performance audits in Pakistan from 2002-2009, with several ongoing, identifying \$6 million in questionable costs, of which \$3.5 million were sustained, along with 12 major performance improvement recommendations (p.65).
Dec 2007	"Hearing before sub-committee on international development and foreign assistance, economic affair and international environmental protection"	Decision taken to channel aid directly through projects and contracts by USAID rather than through Pakistan federal government budget. This step was taken to ensure that <i>'...we know exactly how the money is being spent and exactly who it is going to...'</i> (p.6) Congressman- What impact had US funding on Pakistan's internal security and strengthening democracy? US Government Official- Not much (p.38). 'Our current aid to Pakistan has been characterized by a lack of accountability, transparency, coordination, and shortsightedness' (p.45) 'It is also important to note that because of a lack of transparency, the exact amount of total aid to Pakistan is unknown. This lack of transparency is an enormous impediment in understanding not only our aid's ultimate destination but also its effectiveness' (p.46)
Dec 2007	"Hearing before sub-committee on international development and foreign assistance, economic affair and international environmental protection"	Dr. Robert Hathaway, Asia Program Director, Woodrow Wilson Institute- "...this \$10 billion figure that is customarily mentioned represents only part of the story. The size of classified transfers from Washington to Islamabad can only be guessed at.... covert payments may have exceeded \$10 billion, raising the total U.S assistance package to Pakistan over the past 6 years (2001-2007) to something approaching \$20 billion" (p.54)
16 th March 2010	Hearing before Committee on oversight and government reform, House of Representatives	Talks about transition in assistance modalities! Rather than relying on big international contractors, reliance to be placed on domestic firms and contractors/implementing partners. One primary reason being that almost 35 percent of grants to international organizations were spent on their office operations (p.14). Attention turned to using Planning Commission's PC-Is to insert projects and reconcile priority areas in terms of development goals b/w US and Pakistani government (p.15)

6.2 ADB

The ADB rates his own projects after post-completion deliberations on projects and programs in detail. Generally, these projects or programs are evaluated on the basis of three broad indicators i.e. efficiency, effectiveness and sustainability. In the case of Pakistan, 01% of projects are regarded as highly successful, 34% projects are successful, 01% project is partially successful, 32% projects are less than successful, and 32% projects are categorized unsuccessful, according to the ADB project rating (2000-2020). If we fuse highly successful, successful and partially successful into 'Successful' category and less than successful and unsuccessful into 'Unsuccessful' category, we would then have a clear picture of whats going on with the ratings overall. So according to their approach, the success rate of project 36.47% is the success rate and 63.52% goes into unsuccessful category. Further, in sectoral segregation, Agriculture, Natural Resources and Rural Development has 55% success rate. and Education shows success rate under 29%. Energy has a much better success rate standing at 71.42%. Similarly, Finance, Health, Transport, Water and Other Urban Infrastructure and Services have success rates of 18.18%, 28.57%, 58.33%, 0.14% success rates, respectively. It is pertinent to note that Industry and Trade and Public Sector Management have zero success rates.

Figure 70: ADB's Project Ratings



If we analyse the contractors/suppliers and consultants engaged in ADB-funded projects and programmes, the Bank publishes list of top 05 contractors. The most recent list covers the time period from 2015-2020. Though, the provided list of contractors/suppliers account for only 6.2 percent of the total funding, whereas 93.8 percent of the funding goes to others - whose identities are not in public domain. Likewise, in the list of consultants, the information about 52.28 percent is in the public domain. The remaining portion, which amounts to 47.71 per cent does not provide any specific information. It only states that 20.61 percent of the total funding goes to individual consultants and another 27.10 per cent goes to others.

Table 19: Contractions and Consultants in ADB-Funded Projects

Contractor/Supplier (2015-2020)	Amount (\$ million)	Percentage %	Consultants (2015-2020)	Amount (\$ million)	Percentage %
Ghulam Rasool & Co. Pvt. Ltd	106.02	6.2	MM Pakistan Pvt. Ltd.	18.10	52.28
Zahir Khan and Brothers	70.73		National Engineering Services Pakistan Pvt. Ltd.	13.74	
Maqbool Associates Pvt. Ltd. & Zarghoon Enterprises Pvt. Ltd. (JV)	68.82		Umar Munshi Associates	10.46	
Khattak Allied Construction Co.	63.59		Associated Consulting Engineer (ACE) Ltd.	8.08	
Siemens (Pakistan) Engineering Co. Ltd.	52.49		National Development Consultants Pvt. Ltd.	7.00	
Others	5,488.60	93.8	Individual Consultants	22.62	20.61
			Others	29.74	27.10
Total	5850.25	100	Total	109.74	100

7. CONCLUSION: THE 'PSYCHIC DISUTILITY', LOSS OF 'AGENCY' AND 'THOUGHT INDUSTRY'

Back in 1969, Professor Anis Ur Rehman, using welfare maximization functions of the Chenery-MacEwan study, raised a critical but very important query- what if the donors are able to manipulate demand for foreign aid in a manner that it becomes a burden, in the sense that there is no reverse flow of real resources from recipients to donors? For him, this was the most important question to look into.⁹⁷ He felt that there existed a natural 'psychic disutility' within the recipient countries of aid, who do not welcome foreign aid beyond a certain point. At that point, as per his understanding, the aims of donor become aligned with that of recipient, in that the donor cannot provide beyond a certain limit, and would like the recipient to say 'no' to further aid themselves on back of increased savings and resource availability due to earlier foreign aid.

In Pakistan's case, it seems that on both the donor and the recipient side, that 'psychic disutility' does not exist! As this research documents, donors seem eager to dish out aid and Pakistan's policymakers don't have any prescribed limit or 'psychic disutility' when it comes to saying no to foreign aid!

Over the course of receiving substantial amounts of donor money under various heads, Pakistan has become addicted to aid rather than charting a course for itself leading to end of reliance of external assistance. In this, Pakistan mirrors many other cases around the globe. Branko Milanovich, noted economist, recently shared his thoughts on four decades of donor aid and advice in Russia over in the following words:

'Perhaps the most costly example of total disconnect between the comparador intelligentsia and domestic knowledge-generation is Russia. For almost 40y, the West, through govt organizations, semi-government organizations and non-government organizations tried to impose its intellectual agenda. The result was, as can be seen, nil. The vague theories of Euro-Asianism and the like won the day. Millions of dollars spent generated nice life for researchers, many articles in the New York Times and similar publications, and that was all. And when you speak of 40 (forty!) years of think-tanks, conferences, grants, researchers, travel, money for spouses, nice holidays, top journal articles...and the result: nothing'.⁹⁸

In the above quote, Russia could easily be replaced by Pakistan, as the experience is more or less similar. Such a state of affairs has several adverse repercussions, as documented above. In the recently concluded 37th Pakistan Society of Economic

Development (PSDE), William Easterly's lecture on loss of 'agency' (free-will or identity) brought to light the dilemma of aid inflows to countries like Pakistan.⁹⁹ This continued his earlier observation back in 2001, that despite Pakistan receiving high levels of foreign aid inflows, its human development indicators remained poor.¹⁰⁰ Several decades ago, when the need and effectiveness of foreign aid to developing countries was being avidly debated in academia and politics, Millikan and Rostow opined that 'a program adopted for the wrong reasons may well be worse than useless'. In light of findings of this research, both these conclusions stand largely validated!

What this research effort suggests is that when it comes to economic management and economic policymaking in Pakistan, its own intellectuals and intelligentsia (especially economists) have little say in policies (design and implementation), with the show being run by donors and civil servants (bureaucracy and military). But as argued above, both of them have little (if any) 'skin in the game'. Decades of running projects and programs with donor money have yielded little in aggregate; while there have been some success stories, as in the case of polio eradication and vaccination throughout the country, the positive spillovers on aggregate economic activity appears to be quiet questionable. In fact, as pointed out above, there has been a 'net resource transfer' from Pakistan to the external creditor countries in the 21st century, a happenstance that violates a basic tenet and *raison d'être* of foreign aid provision, as outlined by debates in 1950s, i.e., foreign assistance should act as net resource transfer from developed to developing countries. The story of the shortcomings of donor approach is well-known by now around the globe but seems to have made little impression in Pakistan where the dependency upon donor advice and finances remains as strong as ever.¹⁰¹

In conclusion, whatever the report documents, it is not aimed to malign the donors or foreign aid. It is meant to generate debate around the effectiveness of foreign aid and its implications for the country and its economy. In all this, Pakistan needs to find its own 'agency', its own voice and strategy to put foreign assistance to good use.

95. Ibid, p.1

96. https://pdf.usaid.gov/pdf_docs/PA00K7WT.pdf, p.3

97. 'The welfare economics of foreign aid' (1967), Anis Ur Rehman, Pakistan Development Review

98. Tweet by Branko Milanovich (@BrankoMilan) on 10th September 2023

99. 'Who protects our thought industry?' (2020), Nadeem Haque, PIDE

100. 'The political economy of growth without development: A case study of Pakistan' (2001), William Easterly

101. Aside from the above stated references on donors and their work, see 'It's the politics! Can donors rise to the challenge?', by Sue Unsworth

BIBLIOGRAPHY

Abdul, Wahab Siddiqui and Vaqar, Ahmed (2010) Nexus between aid and security: the case of Pakistan Planning Commission of Pakistan

Ali, Karamat and Khan, Naheed (1994) Foreign Aid and human resource development: The case of Pakistan (1960 to 1988) Pakistan Social and Economic Review (Winter 1994)

Brecher, Irving and Baqai, Moin (1969) Foreign aid requirements: A critique of aid projections with special reference to Pakistan Pakistan Development Review (Winter 1969)

Haq, Nadeem Ul and Aziz, Jahangir (1998). The quality of governance: 'second-generation' civil service reform in Africa

Khan, Faheem Jehangir (2017) The aid policy network in Pakistan Journal of Economic Literature

Khan, Faheem Jehangir (2017) Opening the black box: Managing the aid policy process in Pakistan PIDE W.P No. 149

Malik, Nadeem and Rana, Ahsan (2020) Civil society in Pakistan: an exclusive discourse of projectization Dialectical Anthropology 44, 41-56 (2020)

Mehmood, Khalid, Zubair, M and Satti, Ahsan Ul Haq (2023) Reforming the Public Sector Development Program, PIDE Working Paper

Mehmood, Azhar (1997) The role of foreign aid in economic development of Pakistan Pakistan Social and Economic Review, Summer 1997

Malik, Rabea (2007) Aid Effectiveness and the Role of Donor Intervention in the Education Sector in Pakistan – a Review of Issues and Literature

Mumtaz, Anwar (2006) The Political Economy of International Financial Institutions' Lending to Pakistan HWWA Discussion Paper 338

Rodriguez, Susana Morrissey, Oliver and McGillivrey, Mark (1998) Aid and the Public Sector in Pakistan: Evidence with Endogenous Aid

Rehman, Anis Ur (1967) The welfare economics of foreign aid Pakistan Development Review

Tahir, Nadia (2015) Does aid cause conflict in Pakistan Bahria University

Taleb, Nasim Nicholas (2018) Skin in the Game Random House

Tariq, Ramlah (2019) Aid, Governance and Development LUISS School of government

Villanger, Esper (2004) Powerful donors and foreign policy: The role of multilateral financial institutions

Young, Andrew and Sheehan, Kathleen (2014) Foreign aid, institutional quality and growth

Zaidi, S. Akbar (2011) Who benefits from USAID DAWN, 30th September 2011

 PIDEpk

 PIDE official

 pide Islamabad

 pide Islamabad

 PIDEpk