

# Extraction, thy name is development | The Express Tribune

*Abbas Moosvi January 10, 2022*

Pakistan has failed to make any substantive inroads in terms of societal progress

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A cursory glance across the graveyard of foreign-led ‘development’ projects over the past few decades paints a gloomy picture. With billions of dollars spent on education, healthcare, sanitation, democratisation, trade facilitation, effective governance, disaster relief, rule of law, and more, all indicators seem to suggest little to no success on these fronts. Where did the money go?

Pakistan ranked 123<sup>rd</sup> among 176 countries on the University of Wurzburg’s Democracy Matrix for 2020 — falling in the category of ‘hybrid regime’. It ranks 130<sup>th</sup> out of 139 on the World Justice Project’s ‘access to justice’ index of 2021. On the Social Progress Index of 2021 — a holistic measure of basic human needs, foundations of wellbeing, and access to opportunity — the country ranks 143<sup>rd</sup> out of 168.

With all this in view, and considering the billions of dollars received from international financial institutions and multilateral donor agencies over the years, the question of why Pakistan has failed to make any substantive inroads in terms of societal progress presents itself as the elephant in the room. In order to understand why foreign-led efforts to ‘facilitate’ prosperity have proven unsuccessful, an analysis of the political economy of foreign aid is in order.

At a basic level, the organisations that emerge victorious in bids for development projects i.e. ‘implementing partners’, come from the private sector — meaning their primary objective is to generate income for top management. This indicates that they will do just enough to ensure funds continue to come in rather than push for sustainable solutions — which would naturally render their services redundant.

Since most development projects need to undergo approval from government agencies — which are also preferred by donors to be among primary partners due the general security and special permissions they offer — the bureaucrats in question are presented with a great opportunity to enhance their personal incomes by booking a place on the payrolls of individual projects, taking on ceremonial roles.

What’s more, a fair number of ‘foreign’ assistance programmes are partially funded through domestic taxpayer money via provincial and federal governments — a

certain proportion of which naturally goes to implementing partners, revealing a pathological cycle of elite capture.

Apolitical aid is a myth. This can be verified in a loose manner with the example of USAID, which funneled an annual average of \$242 million into Pakistan during the decade of the 1970s — a figure that shot up to \$363 million in the following decade, expanding by a factor of 1.5 during the battle against the Soviets in Afghanistan, in which Pakistan was a crucial peg. Economic assistance via USAID dropped again during the decade of the 1990s to an annual average of just \$15 million, and shot up to \$633 million from 2002-2010 as the War on Terror took off. Coincidence? Unlikely.

Following the Washington Consensus, international development took on a new form: revolving largely around promoting the free market through privatisation, deregulation, and elimination/minimisation of tax burdens on corporate activities. This meant that government capacity shrunk as the debt to its name rose — triggering a cycle of ‘defensive lending’ which sought to ensure original loans could be repaid, all the while expanding the total. It turns out structural adjustment programmes did not actually achieve what they were meant to.

One of the salient ‘winners’ in all this are multinational corporations that find it easier to set up shop in the developing world and substantially lower their operating expenses through access to extremely cheap labour with little to no rights. The majority of profits are directed back to headquarters, based in the West.

Keeping in view all the aforementioned factors, the Pakistan Institute of Development Economics has initiated a new research division, the ‘Foreign Aid Effectiveness Unit’. It is hoped that a holistic, detailed assessment of the dynamics of foreign aid may prove useful in reevaluating Pakistan’s relationship with donors, serving to facilitate more context-specific approaches that are geared around long-term, structural reform over opportunistic, cosmetic interventions.

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