



Webinar

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Pakistan Institute of Development Economics

FINANCIAL AID

Policy & Research in Pakistan



Omar Ayub Khan

Federal Minister for Economic Affairs



Aid, Policy & Research in Pakistan

PIDE Series on Foreign Aid to Pakistan

Aug 25th, 2021 - 10 AM PST

TOPICS

- Is Pakistan an aid-dependent country?
- What is the contribution of aid to development in Pakistan?
- Who makes our policies?
- Why do our policies not deliver expected results?
- Is donors' research relevant and valuable for policymaking?
- What is the role of academia & research community in informing policy?



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Over the last four decades, governance and foreign aid have been discussed widely by economists. Both variables play a crucial role in defining the economic prosperity in low-income countries. Pakistan is receiving assistance in the form of aid and has become a victim of bad quality of governance. There is an abrupt need to look for all those hidden variables that are the root causes of failure to get our desired sustainable development goal through the quality of governance and foreign aid. This webinar explores the aid dependency effect on government in our country. Foreign aid is also an income key source in Pakistan, like other developing countries. International leading financial institutions, notably the World Bank, the International Monetary Fund (IMF), etc., emphasize corruption issues and mainly on governance in low-income or developing countries.

Dr. Nadeem ul Haque

The evaluation of foreign aid outcomes dominates the aid debate and does not focus on the practical working of the aid policy processes. Aid delivery systems have transformed considerably as today there are many development partners and actors in aid delivery systems. According to OECD data, 153 international donors provided official development assistance to 146 countries in 2017. In 2018-19 there were 34 bilateral donors, 33 multilateral donors, which are managing more than 2,000 project activities in Pakistan. A loan management process involves 6 phases and around 25 steps, whereas the grant management process involves 5 phases and about 13-16 steps. Negotiation, signing, recording, disbursement, repayment, and closing are significant phases in the loan management process, while essential phases in the grant management process involve negotiation, signing, recording, disbursement, and closing.

Core Questions

This webinar enlightens us to realize

What can be done to reach the growth level by using financial aid?

What are the major mistakes made in the last decades of adjustment programs by the government and policymakers?

What is our aid policy?

How are we benefiting from aid?

Is Pakistan an aid-dependent country?

What is the contribution of aid?

Who makes our policies?

Why do our policies not deliver expected results?

How we outsourced our policy?

Who makes some policies, and do these policies deliver when the donors unbundle?

What's the thinking of the government regarding these unbundled policies?

Is donors' research relevant and valuable for policymaking?

What is the role of the academic and research community in informing policy?

Omer Ayub Khan, Federal Minister of Economic Affairs

Omar Ayub Khan said that when the PTI (Pakistan Tehreek e Insaaf) government came into power, they were shocked after knowing that country had two weeks of reserves. We take our informal economy that comes to approximately the same size as our formal economy. Overall, our economy is almost a 550-to-600-billion-dollar economy together, so that gives us some pushing over there. Aid dependency and stabilization were a matter of necessity because our import bill was approximately seven to eight billion dollars just for petroleum products, food staffing boards, and other imports. So, these are the inputs that are intricately linked to the value of the dollar. We have a large current account deficit. Institutions telling us that we have to increase the tax revenues. We have also realized that the increase in the tariff has come about because of large capacity payments which did not discover but the previous governments doing the projects that came up which were front-loaded so, the increase in the payments made it imperative in a way that those talent increase had to come and we turned around to them. If we increase the tariffs beyond a certain point, the distribution companies and others will breed even more because people will be pushed to the wall in making energy.

The utility payments are taking out the budget for their schools, their children's schooling, their food bill, etc. He further said that the loan we are taking is not free lunch money. We have to pay for it, at the end of the day people of Pakistan have to pay for it. All the money's that are led to the government of Pakistan borrows for the development project if we see the chart that showed the current world bank portfolio is approximately 14 billion dollars, Asian development bank is about 12 billion dollars then the various other bilateral comes to roughly 20 percent of the total portfolio. So, where does this money go? Do the projects drive it? Or is the demand coming from quote-unquote the final beneficiaries. The demand should be completed from the local sort of beneficiaries. Two weeks ago, the government of Pakistan (cabinet) had passed instructions and all projects which will be done. All the projects have essential variables, as projects should be on time, and they will be done within the budget. If each of these variables deviates, then you have overruns projects, and also that creates problems.

The growth strategy of the World Bank includes girls' education, but I am pushing my team to build road infrastructure from rural to urban areas. When we set up schools, colleges for girls and boys in rural and urban areas but if the road network does not exist and the students who may have a good infrastructure set up there for education but the teacher are not going to go there for obvious reasons which are related to the road infrastructure. Further, we talk about the health facilities like child mortality and health indicators. We have also provided strategies regarding water supply schemes, garbage disposal, and sewerage system treatment.

Mr. Omar Ayub said that nobody forces the government. In the current account deficit meeting, we analyze the variables and prepare ourselves for fighting. If one variable of import increases and we have to go for local programs or import substitutions, we have to do it on an analytical basis. The government requires an efficient team from prestigious institutions like the Pakistan Institute of Development Economics (PIDE). We also try to analyze the import of luxury goods. If necessary, we will continue importing these luxury goods; otherwise, reduce the quantity to maintain the current account balance. Another critical factor is the quote and unquote money that comes in various bilateral. If we look at the hourly billing rate, they are not winning on the local Pakistani rate; they are just billing at their rates so, these rates are much higher.

Dr. Nadeem UI Haque (VC, PIDE)

Donors are very relevant to policymaking, and these are the people who make our policies, and we have to accept them. Donors are the people who have access to government academia. Moreover, we have had a system in place since 1947, whether donors control our policies, but they have the advantage, money, and can put forward glossy reports to the government. The government gives them access. Their embassies back them. Dr. Haque said that those people (donors) who are making policies for us are setting a growth strategy or education policies, etc. They must refuse to listen to Pakistan intellectuals. When we call them and ask them to come and talk about presenting their work to us, they feel shy and refuse to join us. They take our work and never feel the necessity of citing the local intellectual apart from paying them less.

Omar Ayub Khan said that we got our homegrown solution, our human resources in Pakistan, to do equally better and good jobs. We have taken the NGOs policy, and that pertains to the NGO funding flows. Pakistan has the visioning aerospace industry. We produce vital aircraft in Pakistan. So, a combination of the military, academia, and the engineering university side in my constituency. Now we have an institute called the partial survey. In this technical training portal, robotics artificial intelligence systems are being taught so. These are the feats in which a tremendous amount of research should be funded in our food security that's neglected area. We have to beat a population of more than 210 million.

Furthermore, Omar Ayub said that we had got a light engineering sector so that competition could export some of these products. We have to get out of just woven or gray fabrics. We have to get out towards automobile engineering the polymer engineering so, these are the places where we have to create centers of excellence.

Concluding Remarks

Federal Minister Omar Ayub Khan said that we have agriculture, industrial, and service sector. Ministry of finance, PIDE, and State bank are mutually analyzing all the import things necessary for the country and reducing the number of luxurious goods. Moreover, we need to invest more in exports, value-added products like engineering, technical skills, etc. He also said that we have efficient and skilled labor in our country, but we need to enhance technical skills with considerable investment.

Dr. Nadeem ul Haque said that foreign currency is a requirement, so aid is good but not utilizing due to unclear public policy process. He also said that Pakistan should enable the capacity of people, organizations, or institutions to absorb that aid, deliver it and get economic returns instead of financial returns. Donor agencies influence Government policies while presenting their research and the government didn't involve local think tanks in the process and vast amounts of aid go back to their country. Finally, Pakistan needs to think about a model of external financing very carefully. We need to take ownership of aid business and development assistance bills, whether from the west or any other country.



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