

## South Asia Partnership Canada

### STRENGTHENING AID EFFECTIVENESS IN PAKISTAN

*On March 24, 2003, South Asia Partnership Canada hosted in Ottawa, Canada a discussion with Mr. Douglas Williams, Director of the Afghanistan & Pakistan Division of CIDA, on the direction of the agency's programming in Pakistan and Afghanistan. Attending were government officials and representatives of Canadian civil society organizations and for profit organizations working in Pakistan and Afghanistan. Mr. Williams had accompanied CIDA President Len Good on January 2003 visit to Pakistan to assess CIDA's Pakistan program. Mr. Williams discussed CIDA's activities and challenges in the current environment as well as the findings and recommendations of a recent multi-donor meeting on Afghanistan's reconstruction and rehabilitation program.*

#### **Background**

After the United Nations Millennium Declaration committed the international community to this more holistic approach to development cooperation, both a series of international meetings related to trade and aid, and the agendas of the superpower and its G-8 allies concentrating international attention on several particular crises, have engaged donor countries to expand the size of their aid packages. The aid, moreover, should be utilized to eradicating extreme poverty, promoting gender equality, investing in health and education and achieving environmental sustainability.

The Canadian International Development Agency (CIDA), too, recently undertook a reevaluation of its approach to providing assistance to the developing world, recasting it in a model that addresses the political, economic, social and institutional dimensions of development. In June 2001, it drafted a discussion paper, entitled *Strengthening Aid Effectiveness*, obtaining feedback from over 1,000 individuals and organizations across Canada, including South Asia Partnership Canada as a member of the consortium, the Canadian Council for International Cooperation. Since then, CIDA has adopted a new approach to strengthening the effectiveness of its work, as determined by a consultative process involving both government and civil society, both in Canada and beneficiary countries.

Organizations like SAP Canada and its Canadian partners have been working since the release of the report to understand how to work with this new policy. The implementation of the new approach is a work in progress for CIDA as well. The recent trip by the President of CIDA to study the situation in the Indian subcontinent and its implications for the agency's new policies, and the visit to Canada of SAP Pakistan's Program Manager, provided a unique opportunity for a discussion among SAP Canada, its Canadian partners and other Canadian organizations working in Pakistan on the challenges they face in "Strengthening Aid Effectiveness in Pakistan".

#### **Presentation**

Mr. Doug Williams was recently appointed Director of the Afghanistan/Pakistan Program. He said that the three focus areas for CIDA in Pakistan are:

- debt conversion,
- health and
- gender development.

The CIDA delegation received diverging feedback from the country partners involved in delivering the Pakistan program, suggesting two different assessments of its effectiveness. According to national Ministers in Islamabad, the macroeconomic outlook for the country was good. However, private business leaders in Karachi, were concerned about the instability of the investment climate in the country. The government's strategy for reviving growth and reducing poverty had been instituted two years earlier. However, the business community said that the full use of physical and human capital, which is enabled by policies and institutions that reduce the risks and ensure returns on private investment, has yet to be realized in Pakistan. In spite of these two perspectives, the CIDA officials felt reasonably comfortable by the end of their stay that their new programming approach, including its focus on the factors that influence investment (especially stability and openness, good governance and institutions and updated infrastructure) is the most effective way to continue the agency's cooperation in Pakistan.

The Pakistan program needs to achieve several milestones in order to allow for an evaluation its progress:

First, CIDA will be waiting to see whether the terms and conditions for channeling the development assistance debt owed to Canada by Pakistan into the social sector, rather than to repayment, will be met. Pakistan has 43 outstanding loans with CIDA, totaling \$447 million, incurred before the 1986 policy change to an all-grants aid program. These loans entailed payments of \$16 million per year. At Pakistan's request, CIDA has agreed to allow these obligations to be applied to development needs. When President Musharraf offered his country's unconditional support to the American war on terrorism in the wake of the 11th September incidents, Canada through CIDA, said it will work with Pakistan to ensure that the debt swap will focus on improving social programs (rather than being squandered on military expenditures).

It is interesting to compare CIDA's approach with that of some of Pakistan's other bilateral creditors, who have asked for rescheduling rather than cancellation of official debt. Civil society organisations in Pakistan have argued that such measures, combined with the lack of debt relief from multilateral creditors (who will instead provide more loans) will result in no real exit from the cycle of debt and dependency. New loans will keep the government bankrupt and unable to provide sufficient resources to maintain stability in the country, with catastrophic effects for the rest of the region, let alone for the deterrence of terrorist threats to the West. In contrast, the conditions of CIDA's debt conversion program reflect the wishes of NGOs in the country, such as the *Freedom from Debt Campaign* in Pakistan, which has called for tough conditions for debt relief, based on the need for open, democratic and accountable government and direct poverty reduction.

Second, the success of the program-based approach in supporting locally owned programs of development would be measured by how Pakistan's Poverty Reduction Strategy Paper (PRSP) is implemented. PRSPs detail a country's macroeconomic, structural and social policies and programs to promote economic growth but at the same time minimize the impact on the poor and delivery of social services. This elaboration enables changes in public policies to benefit the poor and results in budgetary allocations that take their needs into consideration. PRSPs are basically national poverty reduction plans prepared by developing country governments through a (purportedly) participatory process involving civil society and international development partners, including the World Bank and the International Monetary Fund. CIDA maintains programming in a large number of countries which are now involved in the PRSP process and increasingly aligns its programming along the priorities identified by the governments in their PRSPs.

Third, a forum planned for next year for the Government of Pakistan and donor countries will afford an opportunity for highlighting needs and distilling the best strategies for responding to them.

Progress toward these milestones faces many challenges including keeping an eye on the evolving national political process and the equally volatile relationship of Pakistan to its neighbours, India and Afghanistan.

## **Afghanistan**

Afghanistan, the other area of Mr. Williams' mandate, has in recent months received the greater part of the agency's attention, becoming the single biggest recipient of country program funding from CIDA. At the recent multi-donor meeting in Brussels, which he attended with Minister Susan Whelan, \$250 million was pledged by the Canadian government for Afghanistan, making it the single largest country program at CIDA. Even though the major world donors are pouring money into Afghanistan, Mr. Williams observed that it is the government of Afghanistan, particularly a few committed personalities within it, such as the Minister of Finance, who are asserting and driving the direction of that aid, structuring the needs and responses sought and engaging with the donors. Afghanistan is not a passive beneficiary of aid. Significant commitments are in the pipeline to help with the emergence of a new Constitution, to support the evolution of the electoral process and to address the ongoing security problems constraining the activities of humanitarian organizations. Canada will pay the latter item particular attention.

## **Question and Answer Period**

Some of those very organizations were in the room and had questions for Mr. Williams following

The Social Action Program, launched by Pakistan in 1993-94 was heavily funded by the Pakistani government, international bodies like the World Bank, the Asian Development Bank, the government of the Netherlands and the United Kingdom. It aimed to address a number of basic needs in particular, health care, population welfare, rural water supply and sanitation and primary education.

There are mixed reviews of the real success of the Social Action Program in Pakistan. Through this program, the government claimed that the primary school participation rate improved for both boys and girls. Donor assessments, on the other hand, note that the increase in social indicators as claimed by the Pakistani government is insignificant when they are compared to the huge levels of additional expenditures. Moreover, the Pakistan Integrated Household Survey showed that net primary school enrolments actually decreased among males and females, as well as in urban and rural areas between 1991 and 1995, meaning that there was no significant increase in learning achievement as a result of the Program. Political interference, corruption and a lack of emphasis on educational quality were some of the reasons given. However, the biggest problem was the absence of community ownership in the Social Action Program's projects and the nominal role NGOs played in their implementation. Community was ignored in supervising, hiring and training of teachers, and left out of developing a curriculum that addressed the needs of parents and children. The program was cancelled in 2000.

his presentation. The representative from Oxfam asked how Mr. Williams saw links developing with civil society in both Pakistan and Afghanistan, in light of CIDA's new focus on government linkages. Mr. Williams responded that these relationships would continue to evolve. He said there has been concern in some quarters (particularly NGOs doing field projects) regarding the emphasis on devolution of power to local levels of government, especially in areas in Pakistan where it is not always clear who is really in control. However, donors are likely to continue pushing for local management, given the bad experience they had with the Social Action Program in Pakistan.

The ties with Afghan civil society are also in the development stage. The organizations with which CIDA has had contact run the gamut of neighbourhood associations to professional NGOs. Mr. Williams said the agency doesn't quite have a clear picture yet as to with whom it is dealing. For this reason, the agency is placing a strong emphasis on channeling funds through the central government, at least until it begins to see a fully functioning government outside of Kabul.

Such uncertainty carries inherent risks. The representative of the Aga Khan Foundation Canada asked Mr. Williams how CIDA was responding to the dangers arising from events like the war in Iraq. He replied that CIDA did not have detailed responses to specific situations. What the agency sees as a key step and has heavily invested in is the creation of a significant field and analytical presence in Pakistan, made up mostly of local staff.

The response to a threat is often dictated by the nature of the threat. The representative from the Canadian Bureau of International Education asked how the agency defines "security". Mr. Williams replied that CIDA's definition does not quite take the government's traditional approach to human security; his department's view looks at broader issues of administration of justice, policing, constitutional reform and electoral processes, and mine action, among others.

Security risks are just one factor threatening the effectiveness of CIDA's new aid policy in Pakistan. Debt conversion in Pakistan has been delayed because of the reluctance of other donors stemming from the failed Social Action Program. CIDA was not aware of any discussions regarding the monitoring of how the converted funds are spent, i.e. whether they really will go to social development or instead be diverted to military spending. The Program Manager for SAP Pakistan mentioned that the World Bank was considering the idea of having a civil society process for screening the expenditures.

The representative of Rights and Democracy referred to numerous Security Council resolutions and foreign government pledges which have been made to support the participation of women in government in Afghanistan, asking, how could CIDA ensure that such participation was indeed happening? Mr. Williams noted that CIDA had good relations with the Afghanistan's Minister of Social Reconstruction and Development, who has an NGO background. In addition, four Afghan-Canadians are working in that ministry as liaison project monitors and advisors, supported by CIDA.

A suggestion was made by the Oxfam representative to monitor use of funding at the government level by linking to grassroots and academic levels and linking government to government. Recognizing that the risk of misuse of funds is high in some countries, CIDA is investing in research and analysis for some countries rather than establishing a desk.

The representative of CARE Canada said that one long-standing criticism of the effectiveness of CIDA's work until now has been the fact that it has a reputation as being the most highly dispersed of all the major donors. This criticism has been the impetus for some major changes in CIDA policy, including targeting nine priority countries eligible for major CIDA funding, of which Afghanistan was not one. Mr. Williams acknowledged that the process of focusing CIDA's aid on a smaller number of countries does involve very difficult exclusions. He said that reducing the number of countries receiving Canadian aid had been tried before and met considerable resistance. The new approach involves investing new money into fewer countries so over time a focused expenditure will emerge. Current programs in countries that are not among the priority countries are not likely to face cuts in order to finance the priority countries. Canada's commitment to Afghanistan's reconstruction and special security needs are the main reasons for the large assistance package.

A question was raised as to how CIDA was going about identifying new projects in Afghanistan and Pakistan. Mr. Williams outlined new initiatives in the education and health sector reform. CIDA is experimenting with different approaches to projects, such as design delivery models, situation specific to Pakistan, where the partners are highly skilled and articulate, and where there is a sizeable pool of Canadians who have field experience. Whatever the method of implementation selected, though, the goal of shifting to more programmatic forms of support for development is to ensure that projects are better integrated into comprehensive strategies. For example, investments within a given sector, such as health, to help finance delivery of services, will also include policy support and capacity building to strengthen entire health systems.

One consultant noted that experience has shown, in countries with poor governance records, that investment in health and education reform has often been more successful when implemented by the non-governmental sector. Is CIDA going to engage with the non-profit and for-profit actors in this area? Mr. Williams made the distinction between support for government-directed reform process and delivery through government. While CIDA is interested in the capacity of the public sector, it is not always necessarily delivering assistance through the government. The next three to four months are critical in assessing how the Pakistani government performs. Pakistan's PRSP is an interim one and will become final in May. Consultations with Pakistani civil society are critical to the process and a Pakistan Development Forum is slated to take place between late May/June. CIDA's review process will ensue after this resulting in a mid-term update of the country program in consultation with Canadian civil society (similar to the last one). For the education program, the agency is committed to delivering aid through a Pakistani organization; which one remains to be identified.

Thus, while the directions the new CIDA policy intends to take are clear, much work remains to be done in finding the right methods and partners to implement it. These choices are dictated by the unique complexities in Afghanistan and Pakistan, which the Executive Director of SAP Canada noted would also mean personal and professional challenges for Mr. Williams. Another briefing by Mr. Williams in order to examine where CIDA was in its review process could be arranged by SAP Canada in a few months. On behalf of the gathering, he wished Mr. Williams success in his new and difficult role, and thanked him for his presentation.