Foreign Assistance Policy Framework 2010

The future of aid effectiveness in Pakistan

Pakistan Development Forum 2010

Minister of State for Economic Affairs
Monday, November 15, 2010
The Context of Aid Effectiveness in Pakistan

1. The responsibility for Pakistan’s development lies with the people and Government of Pakistan.

2. Pakistan’s friends and partners have a valid and important stake in Pakistan’s development.

3. Aid effectiveness is about enhancing the prospects for development in Pakistan.

4. Starting point? Paris Declaration for Aid Effectiveness.
The Paris Declaration

The Paris Declaration measures progress on aid effectiveness against twelve indicators, based on five pillars

It also defines the roles and responsibilities of the government and donors partner
Government of Pakistan is fully determined and committed to ensure transparency and accountability in use of foreign assistance across the board.
Paris Declaration 2005

DONORS OBLIGATIONS

OWNERSHIP
- Respect partner country leadership and help strengthen their capacity to exercise it

ALIGNMENT
- Donors base their overall support on partner countries’ national development strategies, institutions and procedures

HARMONIZATION
- Donors’ actions are more harmonized, transparent and collectively effective

MANAGING FOR RESULTS
- Managing resources and improving decision-making for results

MUTUAL ACCOUNTABILITY
- Provide timely, transparent and comprehensive information on aid flows so as to enable partner authorities to present comprehensive budget reports to their legislatures and citizens.

Donors commitment to give maximum ownership to National Government with focus on delivery of results
The Paris Declaration

So, how are we doing?
Ownership: Grant Disbursements

FY 2005/06 - 2009/10: US$ 4.2Bn

Source: Development Assistance Database
Alignment: Aid Predictability

Source: Development Assistance Database
## Harmonization: Aid Proliferation

**FY 2009-10**

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>Disbursed (US $ Million)</th>
<th>No. of Sectors</th>
<th>No. of Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>67</td>
<td>12</td>
<td>73</td>
</tr>
<tr>
<td>Germany</td>
<td>99</td>
<td>13</td>
<td>45</td>
</tr>
<tr>
<td>USA</td>
<td>1,272</td>
<td>20</td>
<td>115</td>
</tr>
<tr>
<td>Switzerland</td>
<td>3</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Netherlands</td>
<td>38</td>
<td>7</td>
<td>30</td>
</tr>
<tr>
<td>UK</td>
<td>234</td>
<td>13</td>
<td>46</td>
</tr>
<tr>
<td>Australia</td>
<td>36</td>
<td>7</td>
<td>17</td>
</tr>
</tbody>
</table>

**Proliferation Index,**

- Large number of sectors a donor is active in
- Large number of projects with small financial size

*Source: Development Assistance Database*
Harmonization: Aid Fragmentation

**FY 2009-10**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Disbursed (US $ Million)</th>
<th>No of Donors</th>
<th>No of Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment and Natural Resources</td>
<td>16</td>
<td>11</td>
<td>43</td>
</tr>
<tr>
<td>Health and Nutrition</td>
<td>371</td>
<td>21</td>
<td>117</td>
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<tr>
<td>Agriculture and Livestock</td>
<td>70</td>
<td>14</td>
<td>55</td>
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<td>Governance</td>
<td>92</td>
<td>11</td>
<td>58</td>
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<td>Education</td>
<td>864</td>
<td>21</td>
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<td>Energy Generation</td>
<td>402</td>
<td>12</td>
<td>41</td>
</tr>
<tr>
<td>Social Welfare</td>
<td>226</td>
<td>14</td>
<td>20</td>
</tr>
<tr>
<td>Rural Development</td>
<td>345</td>
<td>11</td>
<td>26</td>
</tr>
</tbody>
</table>

A sector is highly fragmented which has large number of donors with a large number of projects of comparably small financial size.

Source: Development Assistance Database
Mutual Accountability: Donor compliance

• Since we started the DAD, it has been difficult to get donors to input data.

• One measure of compliance is donors’ responsiveness to GOP’s invitation to comment on the draft Foreign Assistance Policy Framework (FAPF).

• Responses to the first draft of the Foreign Assistance Policy Framework:
  • 81% (52/64) government divisions & ministries
  • 40% (28/69) development partners or donors
So, How are We Doing?

• Its clear...
  1. Donors are not providing aid to government, or into government systems.
  2. International aid is highly unpredictable.
  3. There is a severe aid fragmentation in a number of sectors, i.e. many donors are working on many sectors.
  4. There is very heavy proliferation, i.e. many donors are working on many projects of very small amount.
  5. Donors do not contribute to the DAD regularly.

• Its also clear...
  1. Government of Pakistan needs to show leadership and articulate its priorities better.
  2. The systems required to engender donor confidence are not adequate, and require reform.
What is the GoP Doing?

• The New Development Strategy will lay out the medium term vision, goals and objectives and results framework for Pakistan’s development.

• New intensive rounds of discussions with donors to set clear priorities.

• There are a number of reforms in PFM designed to enable adoption of Pakistani system, such as PIFRA and the AGP reforms.

• New models that innovatively address poverty, like the BISP and the Citizens Damage Compensation Scheme are also being rolled out.

• Finally, and most pertinently, there is the Foreign Assistance Policy Framework 2010.
What is The Foreign Assistance Policy Framework?

- Government-led policy response to the core challenges of improving the effectiveness of aid

- Aligned with the Paris Declaration and informed by the Accra Agenda for Action

- Annual Action plans will be used to manage implementation with individual commitments from government and development partners

- First progress report will be ready ahead of the Fourth High Level Forum on Aid Effectiveness in Korea, November 2011
Why The Foreign Assistance Policy Framework?

• Aid effectiveness reform must keep focused on the big prize – delivering better results for the people of Pakistan.

• Previous reform efforts, like the One UN programme have had good intentions—but poor execution.

• The adoption of FAPF needs to be a fundamentally transformative event in aid effectiveness in Pakistan.

• It is based on two key motivations:
  • Pakistan’s abiding commitment to the Paris Declaration
  • The need to ensure success through mutually reinforcing commitment to the policy.
Once The FAPF is Operational...

- Want to invest in visible projects according to your preferences?
  - *Invest in our projects. They are listed in the annual PSDP.*

- Want a more effective Pakistani state?
  - *Invest in general or sectoral budget support.*

- Want to support non-state actors?
  - *Excellent. Help strengthen civil society in Pakistan. But it must be through agreements with the GoP and in sectors agreed on by the Pakistani parliament.*
What’s Next?

• Pakistan’s friends and partners must respond to the FAPF, and give us feedback.

• We commit to work with you to arrive at an agreeable framework.

• You must commit to working within the framework, once it has been agreed.