Routledge Studies in South Asian Politics

THE POLITICS OF US AID TO PAKISTAN

AID ALLOCATION AND DELIVERY FROM TRUMAN TO TRUMP

Murad Ali

The Politics of US Aid to Pakistan

This book aims at uncovering the politics behind the provision of US foreign aid to Pakistan during three distinctive periods: the Cold War, the post-Cold War and the "war on terror".

Focusing on a comprehensive analysis of aid allocation and delivery mechanisms, this book uncovers the primary factors behind historical as well as contemporary US aid to Pakistan so far not thoroughly and empirically studied, especially in the post-2001 period of the "war on terror". Furthermore, based on findings that have emerged from interviews with over 200 respondents, including government officials, representatives of donor aid agencies, the private sector, civil society organizations and primary beneficiaries of US-funded projects, this book offers significant insights to researchers, policy-makers and practitioners interested in the discipline of aid and development effectiveness.

Making use of both quantitative and qualitative data and based on extensive fieldwork and primary data, this book fills a significant gap in the empirical analysis of US aid to Pakistan. As such, it will be of great interest to students and scholars of Asian and US politics, as well as to those who have teaching and research interests in disciplines such as international relations, history, strategic studies, international political economy and development studies.

Murad Ali obtained his PhD from Massey University (NZ) and is Assistant Professor at the University of Malakand, Pakistan. In 2016, he became the first Pakistani to win Germany's highly competitive Alexander von Humboldt Postdoctoral Fellowship in Social Sciences.

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Aid Allocation and Delivery from Truman to Trump

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Dedicated to all victims of terrorism in Afghanistan, Pakistan, the US and elsewhere around the world

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Abbreviations

ADB	Asian Development Bank
AEU	Aid Effectiveness Unit
AI	Amnesty International
CPI	Corruption Perception Index
DAC	Development Assistance Committee
DCC	Donor Coordination Cell
DFID	Department for International Development
EAD	Economic Affairs Division
ERRA	Earthquake Reconstruction and Rehabilitation Authority
EU	European Union
FATA	Federally Administered Tribal Areas
FDE	Federal Directorate of Education
FDI	foreign direct investment
FR	Frontier Region
GDP	gross domestic product
GNP	gross national product
GoP	Government of Pakistan
IMF	International Monetary Fund
KLB	Kerry–Lugar Bill
KP	Khyber Pakhtunkhwa
MEO	monitoring and evaluation officer
MoF	Ministry of Finance
MoFA	Ministry of Foreign Affairs
MoH	Ministry of Health
NATO	North Atlantic Treaty Organization
NGO	non-governmental organization
NWFP	North West Frontier Province
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
PERRA	Provincial Earthquake Reconstruction and Rehabilitation Agency
SEATO	Southeast Asia Treaty Organization
UK	United Kingdom
UN	United Nations

UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
USAID	United States Agency for International Development
USSR	Union of Soviet Socialist Republics
WB	World Bank
WHO	World Health Organization

1 Introduction

Why a book on US–Pakistan aid relationship?

It was a hot and humid morning at Government Higher Secondary School Jamrud, Khyber Agency in the Federally Administered Tribal Areas (FATA) of northwest Pakistan in September 2009. The students were waiting in queues to receive new school bags distributed by the Ed-Links project staff. According to its mission statement, Ed-Links was a US$90 million country-wide education project of the United States Agency for International Development (USAID), aimed at "bringing about significant and sustainable improvements in student learning and learning environments; teacher education and professional development; and public sector capacity to sustain quality education" (Ed-Links, 2009). Quite surprisingly, I found little enthusiasm among the boys or school staff for this goodwill gesture from USAID. The sceptical school principal, bearded, in his late fifties and wearing a traditional white cap, informed me that the students already had bags and did not need new ones. He explained that it was a waste of money and resources that could have been utilized on essential items that were required but were unavailable due to lack of financial resources. The principal showed me that the school had no proper electricity, no water tanks, few toilets, most doors and windows were broken and a majority of fans were old and out of order. He was unimpressed at Ed-Links distributing these expensive but useless bags among the students. The principal, teachers and students had a long list of far more pressing priorities.

This anecdote from one USAID project in Pakistan points to some of the wider problems of the United States (US) official aid delivery to the country and the way it is utilized. After the deadly attacks of September 11, 2001, in the US, and the subsequent US-led "war against terrorism" to dismantle al Qaeda and the Taliban regime in Afghanistan, Pakistan's alliance with the US has led to the resumption of US bilateral aid.[1] USAID, the government agency responsible for the delivery of development aid and humanitarian assistance to developing countries, returned to Pakistan in 2002 with an overall mission:

> To tangibly improve the well-being of Pakistanis and to support the Government of Pakistan in fulfilling its vision of a moderate, democratic, and prosperous country … to address needs in economic growth, education, health,

> good governance, earthquake reconstruction assistance, as well as humanitarian assistance.
>
> (USAID/Pakistan, 2010)

Since then, the country has been receiving substantial US official aid due to its role as a frontline US ally in the so-called "war on terror". On September 24, 2009, while I was in Pakistan carrying out my first fieldwork to collect data for my PhD dissertation, which is the foundation of this book, the US Senate's Foreign Relations Committee passed the Enhanced Partnership with Pakistan Act, known as the Kerry–Lugar Bill (KLB), and on October 15, 2010, President Obama signed the bill into law. The bipartisan bill, tripling non-military aid to the country, authorizes the provision of US$1.5 billion to Pakistan annually for five years (2010–2014). Against this backdrop, during her fifth visit to Pakistan in October 2009 and her first as the US Secretary of State, Hillary Clinton stated at a press conference in Islamabad along with her Pakistani counterpart that she was there to "turn a new page" in the US–Pakistan relationship (Baabar, 2009). She told reporters that terrorism remained a very high priority but the US also recognized that it was imperative to broaden their engagement with Pakistan and help the country in terms of economic challenges: to help in the creation of jobs, improvement of infrastructure, education, healthcare and energy sectors.

However, keeping in mind the school bags distribution activity of the Ed-Links project in Khyber Agency, the question arises here how this massive aid programme was delivered and whether it addressed the actual needs of Pakistanis. In this context, this book is an attempt to unearth how USAID operates on the ground and to what extent it addresses the real socio-economic issues with which the country is faced. Judging by the response of the disgruntled school principal as well as teachers and students in Jamrud in FATA, it seems US aid delivery policies and practices remain disconnected from actual Pakistani needs.

What is development aid?

Development aid, or as it is formally termed, official development assistance (ODA) in its current form, is almost seven decades old. The most comprehensive definition of foreign assistance is that of the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) (1985), which is used in this book.[2] According to this, aid includes grants or loans to developing countries which: (1) are undertaken by the official sector of the donor country, (2) aim at promotion of economic development and welfare in the recipient country as the main objective, and (3) are at concessional financial terms having a grant element of at least 25 per cent. In addition to these financial flows, technical cooperation is included in ODA, while grants, loans and credits for military purposes are excluded, regardless of their concessionality.

The OECD definition implies that the stated objective of foreign aid is to promote development in countries receiving aid and that it is used for the

well-being and betterment of the masses. Though aid delivery modalities and mechanisms have evolved considerably over time, its avowed objectives are the same today as in the past. Whatever its form – project, programme or budgetary support – the avowed intentions are to help fulfil the needs of recipient countries or governments, and enhance their capacity in the provision of basic necessities to their citizens. For example, aid may be used in improving social infrastructure such as health and education sectors or physical infrastructure like roads, dams, bridges and telecommunication. Apparently it may be so, but this book also illustrates that the practice of aid-giving is inherently a political process driven by political motives either alongside or without developmental objectives.

Origin and evolution of international aid

As explained later in the context of US aid to Pakistan, the very idea of foreign aid is quite political in nature: the US utilized aid to make alliances with friendly countries, such as Pakistan, that could work as a stalwart opponent of communism in the Cold War era, and more recently against extremism in the "war against global terrorism". Valentine (1950, p. 60) predicted about seventy years ago that aid "shall be part of American foreign policy – a policy which is and must be primarily political". What Valentine said decades ago, former USAID administrator Natsios (2006) reiterated in the twenty-first century: the history of foreign aid clearly illustrates that "politics is part and parcel of aid delivery in all donor countries, in Europe as well as in America" (Natsios, 2006, p. 137). Hence, in the context of Pakistan as well as globally, the origin of aid was politically motivated, aimed at containing the expansion of communism.

Alongside political motives, the origin of ODA is also linked to other coincidental processes: the reconstruction of Europe and decolonization. In the immediate post-World War II landscape, the US Secretary of State General George Marshall elaborated a long and detailed programme for the reconstruction of war-ravaged Europe (Browne, 1999). Under Marshall's eponymous plan, the US provided US$13 billion assistance (approximately US$150 billion in 2017 dollars) to its European allies to rebuild their war-battered economies. According to Raffer and Singer (1996, p. 59), "after approval by Congress in 1948 the US spent 2–3 percent (excluding military aid) of its [gross national product] under this initiative during the six years 1948–53, almost entirely on a grant basis."

The Marshall Plan played a significant role in the restoration of the war-ravaged European economy. By most accounts, the Marshall Plan was a successful initiative, as by the end of 1951, industrial production for participating countries had increased by 64 per cent and gross national product had risen by 25 per cent (Friedman & Shapiro, 2017). It was the triumph of the Marshall Plan that led to US President Truman's "Point Four Programme", which he outlined in his historic inaugural address in 1949. Rist (2002) points out that President Truman had the unprecedented triumph of the Marshall Plan in mind, which made him optimistic about the success of the Point Four Programme. In the context of a wide-ranging socio-economic vision for the US, President Truman

(1949) stated, "fourth, we must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas" (Truman, 1949). In the same tone, President Truman mentioned that more than half of the world population was suffering from hunger, disease and poverty and that other industrial nations should cooperate with the US to help these underdeveloped people. In a nutshell, it was the Marshall Plan and Truman's Point Four Programme that led to the beginning of foreign assistance. This does not mean that there was no aid prior to World War II, particularly between colonizers and their colonies, but aid in its current form has its origins in the post-WWII era, and since then it has become an important constituent in bilateral relations between developed and underdeveloped or developing countries.

Besides rebuilding European countries under the Marshall Plan, this period also saw the beginning of the process of decolonization taking place in other parts of the world, leading to the emergence of new states, including Pakistan. During the period between 1945 and 1970, about 60 countries achieved independence throughout Africa, Asia, the Pacific and the Near East. As a result of rapid decolonization, according to McMichael (2008, p. 40), "from 1945 to 1981, 105 new states joined the United Nations (UN) … swelling UN ranks from 51 to 156." The onset of the Cold War between the US and the Union of Soviet Socialist Republics (USSR) and the success of the Marshall Plan persuaded the US to employ a similar mechanism of the injection of capital and technological assistance to bring development to underdeveloped countries. This was intellectually supported by a set of development ideas in the form of modernization theory, the major proponent of which was Rostow (1960), who argued that all countries needed to follow the same road to development, passing through different sequential stages of growth. Foreign assistance was considered essential to fill the gaps in the macro-economy of developing countries and provide the much needed surplus capital for economic progress (Chenery & Strout, 1966; Rosentein-Rodan, 1961). Lewis (1954, 1955) and Rostow (1956) proposed that developing countries needed capital, investment and savings to maximize their economic growth and propel their economies towards "take-off" and attain self-sustainable growth. Hence, the rationale for foreign aid was on the one hand to enable newly independent countries to achieve economic growth, and on the other hand to keep them from joining the communist bloc.

Not only was the origin of aid spurred by political intents but later the entire foreign aid regime was driven primarily by foreign policy pursuits of bilateral aid donors during and after the Cold War period. There is vast literature that draws attention to different motivations of bilateral donors, such as geo-strategic, political, security, trade and economic interests, which they pursue through the provision of development aid. Some of the earlier works focusing on donors' motives and self-interest for giving aid are Griffin and Enos (1970), McKinlay (1978) and McKinlay and Little (1977, 1978a, 1978b, 1979), showing that during the Cold War period foreign aid was largely used as a foreign policy tool by developed countries. Most bilateral aid donors continued to do so in the

post-Cold War years. In recent times, numerous studies have highlighted how some bilateral donors typically prioritize self-interest and largely ignore the needs of developing countries and their levels of poverty (Browne, 1999, 2006; Lumsdaine, 1993; Maizels & Nissanke, 1984; McGillivray, 1989, 2003; McGillivray, Leavy, & White, 2002; McGillivray & Oczkowski, 1992; Meernik, Krueger, & Poe, 1998; Morrissey, 1990; Mosley, 1987).

By citing the adage that "there is no such thing as a free lunch" (p. 1), Riddel (2007) acknowledges that nothing is free and that the policy and practice of aid-giving has undoubtedly been motivated and sustained largely by donors' own interests. According to Lumsdaine (1993, p. 5), a programme of such massive magnitude involving "half a trillion dollars, a score of donor countries, many international agencies and 120 recipient countries over half a century" will certainly be guided by donors' selfish pursuits, either with or without having primary concern for the developmental needs of aid recipients. The motives and interests of the developed countries vary broadly but largely relate to trade, political, strategic and security concerns. Different bilateral donors prioritize different sets of interests at different times, and factors such as past colonial links, culture, language and traditional ties are also taken into account. To what extent the US has taken into account these factors and to what extent it has provided aid in response to the developmental needs of Pakistan constitutes the main theme of this book.

After the end of the Cold War, strategic and security interests of major bilateral donors changed for a while as there was no longer any threat of communism, hence donors and aid organizations shifted focus to a new set of issues. These included democratization, good governance, human rights, control of corruption, misuse of power and authority, the rule of law, and a renewed focus on poverty alleviation (Crawford, 2001; Dollar & Levin, 2006; Neumayer, 2003; Raffer, 1999). Recent scholarship indicates that the priority agenda of most bilateral donors and aid agencies in the decade of the 1990s was democratization and good governance (Burnell, 1994; Carapico, 2002; Carothers, 1997; Chakravarti, 2005; Neumayer, 2003). It is interesting to recall that during most of the Cold War period, all these issues were conveniently ignored by a majority of Western capitalist donors. For example, the regimes of Marcos (1965–1986) in the Philippines, General Zia (1977–1988) in Pakistan, Suharto (1967–1998) in Indonesia and the Samozas in Nicaragua were marred by massive corruption, political repression and human rights abuses. However, as mentioned earlier, because of the Cold War compulsions, major bilateral donors generally overlooked these issues in the disbursement of foreign aid and pursued their own ideological and geo-strategic goals.

At the same time, and regardless of what may have been the form of aid delivery or motives for its allocation, the issue of its effectiveness became increasingly contested. Because of this, there were calls for the reformation of the international aid system as early as the 1960s. It was argued that for aid effectiveness, it is essential to let aid-recipient governments play a central and vital role in how and where they want the aid money spent (Pearson, 1969).

Rather than donors deciding what is good or bad for aid recipients, "the formation and execution of development policies must ultimately be the responsibility of the recipient alone" (Pearson, 1969, p. 127). This implies that four decades ago, there was recognition on the part of the international aid community that to make aid more effective, governments in developing countries must take the initiative and donors need to support them in accomplishing their development objectives.

Despite these recommendations, however, the role of recipient countries in aid and development policies was not as active as it should have been. With the passage of time, particularly in the 1990s and the first decade of the current millennium, a number of initiatives were taken by the international aid community under the aegis of the OECD to reform the donor–recipient relationship (see Appendix I for a detailed chronology of major developments related to the policy and practice of foreign aid). Among these, two major initiatives that have crystallized the calls for greater aid effectiveness are the 2003 Rome Declaration on Harmonisation and the 2005 Paris Declaration on Aid Effectiveness. At the High-Level Forum on Aid Effectiveness held in Paris in 2005, pledges made in the 2003 Rome Declaration on Harmonisation were renewed and redefined in the form of Partnership Commitments to enhance and improve levels of coordination and harmonization for greater aid effectiveness. Signed by 61 donors including the US, and 56 recipient countries including Pakistan, with 14 civil society organizations acting as observers, the Paris Declaration (PD) is recognized as a landmark in the history of development assistance. Under the declaration the donor community has committed to a practical plan to provide aid in more streamlined ways and let the recipient countries play a more central role in development efforts. Therefore, it is argued that the declaration conveys a plain but essential message: "aid will be more effective if the actions and behavioural changes listed as commitments under the five headings are undertaken, and less if they are not" (Booth & Evans, 2006, p. 4).

Within the PD framework, signatories have pledged to improve the way development assistance is currently delivered in certain broad areas: recipient-country ownership of the development agenda; donor alignment with the objectives and goals set by partner countries; and increased reliance on national administrative systems and more coordinated, streamlined and harmonized procedures among multiple donors. Because of these principles, governments in aid-receiving countries have re-emerged as important actors in aid and development policies. Riddel (2007, p. 40) has appropriately remarked that "twenty years earlier, the state had been seen as a core part of the problem; now it was heralded as central to the solution." The PD commitments have put a strong emphasis on genuine country leadership and partnership. It means countries in the developing world need to formulate their own policies, strategies and plans identifying concrete targets, and donors need to assist them in attaining those outcomes.

The allocation and delivery of US aid to Pakistan and the rationale and significance of this book

Since its independence in 1947, while Pakistan's relations with the US have been cordial at times, they have also been fraught with difficulties and troubles. Because of varying US geo-strategic and security intentions in the region, the overall bilateral ties between the two countries can best be described as tortuous or love–hate: oscillating between engagement and estrangement (Sattar, 2011). Located in the north-western zone of the Indian sub-continent, Pakistan occupies a strategic position at the meeting point of three regions: South Asia, Central Asia and the Middle East. It is this important geo-strategic location that has won Pakistan a prominent role in world politics and events of global significance such as the Cold War and the US-led "war on terror". Pakistan is also significant because of its large size and population and is the only Muslim country that possesses nuclear capabilities.

Pakistan's unique geo-strategic location has always attracted the US. In the initial years after the country's birth, policy-makers in the US were aware that because of its distinctive location of geographical proximity to the Soviet Union as well as China – two Cold War US adversaries – Pakistan could play an extremely important role in stopping the spread of communism (Lavoy, 2005; Spain, 1954; Stephens, 1967). This resulted in the Mutual Defence Assistance Agreement, which was signed between the two countries in May 1954 (McMahon, 1988; Spain, 1954; Stephens, 1967). Elsewhere, particularly in Eastern Europe, the expansion of Soviet influence rang alarm bells throughout Western Europe, resulting in the formation of North Atlantic Treaty Organization (NATO) as a bulwark against possible Soviet aggression. To this end, in 1954, the US also established the Southeast Asia Treaty Organization (SEATO), comprising Pakistan, Thailand, and the Philippines, with the military umbrella extended to Cambodia, Laos, and South Vietnam to prevent the swell of communism in the region (Emmerson, 1984; Glassman, 2005). In 1955, the US-sponsored Baghdad Pact (in 1958 its name was changed to CENTO) was signed between Iran, Iraq, Turkey, Pakistan and Britain to contain rising Soviet influence in the adjoining regions and beyond.

Following these developments, as shown by the USAID (2018) data in Appendix II, the US started providing significant military aid to Pakistan along with economic assistance. According to Alavi and Khusro (1970), nearly four-fifths of all the foreign aid Pakistan received during the years 1951–1960 came from the US. It is evident from the USAID data (Appendix II containing both US economic and military aid in constant 2008 US$ value) that from 1948 to 2017, there are certain intervals when Pakistan was among the largest recipients of US economic assistance. The data also illustrates that there are inconsistent trends of US aid flows. At times, when bilateral relations between the two countries remained quite tense and at a low ebb, the US allocated meagre or no aid to Pakistan. This book explores the causes and consequences of these issues that have affected US aid flows to Pakistan over different time periods, covering the

Cold War period, the post-Cold War decade of the 1990s and the "war on terror" era since 9/11.

Although studies have dealt with US–Pakistan relations during the Cold War period and post-Cold War period (Farooq, 2016; Kux, 2001; Malik, 1990; Paul, 1992; Thornton, 1982; Wriggins, 1984) and also in the post-9/11 years (Cohen & Chollet, 2007; Haqqani, 2013; Huacuja, 2005; Markey, 2013; Riedel, 2012; Tellis, 2005), they have not exclusively focused on the "aid" aspect of the relationship. The US–Pakistan relationship has been researched in a piecemeal fashion, addressing sporadic events and issues in the context of US aid. At the same time, previous scholarship in the field has not focused on the "allocation" and "delivery" mechanisms of US aid. Thus, to have a comprehensive analysis of the historical as well as contemporary US aid policies towards Pakistan, there are various gaps that need to be addressed and various questions that need to be answered. There is a need, first, to explore the comparative record of US official aid allocations to its closest allies over time. In addition, the overarching motivating factors in formulating and sustaining US aid policies and programmes need to be explored. As such, the book investigates whether US aid is purely motivated by geo-strategic, security and political interests or whether there are also considerations about poverty needs of aid recipients. Second, and importantly, there is a need to examine whether US foreign aid disbursement policies vary with specific objectives and interests in the context of particular aid recipients or whether the same standards and conditions apply in all situations. Although studies have narrowly addressed these questions for specific periods and for certain countries, in the context of Pakistan, there is a significant dearth of systematic empirical analysis of US aid to the country.

The contribution of this study to the literature on aid allocation is, thus, distinctive for two reasons. First, it aims at exploring US official aid allocation to Pakistan through a holistic, systematic and in-depth empirical analysis covering three distinct periods: the Cold War, the post-Cold War and the era of the so-called "war on terror". The second distinctive feature of this book is to bridge the gap between the quantitative and qualitative scholarship on aid allocation. The aid allocation literature has mainly focused on cross-national trends and observations at the expense of specific country contexts and complexities in detail. On the other hand, qualitative studies often rely solely on specific country situations and lack empirical analysis. To have a comprehensive analysis of the US aid disbursement to Pakistan, the book draws upon both the universally comparable quantitative data and specific country-focused qualitative scholarship.

Regarding the second aspect of the US–Pakistan aid relationship – delivery and utilization of US aid in Pakistan – the contribution of this book is to pull together the insights of both the partners in relation to the way development aid is actually provided and the way it needs to be delivered in line with the Paris Declaration principles. The post-9/11 period, characterized by renewed geo-strategic goals of the US on the one hand, and the principles of the PD on the other, makes a compelling case for exploring on-the-ground USAID practices in the light of these contrasting objectives and principles. The PD insists on greater

recipient-country ownership of aid, but ironically "the current literature on aid effectiveness is dominated by scholars from donor countries" (Fengler & Kharas, 2010, p. 2). Given my background, as the phrase goes "son of the soil" and native to the research location, I was in an advantaged position to draw together the experiences, opinions and perceptions of both donors and recipients about how aid is delivered and utilized in recipient countries and how it needs to be delivered and managed to work better. In this way, the significance of this research is to explore whether there is a gap between policy promise and practice, particularly in the context of US bilateral aid allocation and USAID development interventions in Pakistan in the post-PD period. Thus, this study is among the very few studies which has attempted to identify and fill a significant gap in our understanding of how the aid-effectiveness principles espoused in the PD are implemented in the actual course of development, and the key factors that constrain the application of these commitments at the country level. While the US–Pakistan aid relationship forms the case study, this book also has broader implications for donor–recipient relations in the post-PD landscape elsewhere. To unpack the complex and multidimensional nature of the aid landscape, the book addresses two principal research questions: one deals with the motivations behind the allocation of US aid to Pakistan, and the other relates to the delivery and utilization of US aid on the ground.

Research questions

The two main research questions are:

1 What have been the predominant determinants of US aid to Pakistan over time? Has the US–Pakistan aid relationship shifted away from narrow geo-strategic concerns so dominant during the Cold War, or is the current US–Pakistan alliance in the "war on terror" a continuation of the past?
2 While delivering aid and implementing development interventions, to what extent have both countries followed globally recognized principles and commitments aimed at increasing the effectiveness of development cooperation?

The first question, based largely on secondary data, is more descriptive in nature. It explores factors that led to make Pakistan one of the largest recipients of US aid as well as issues that resulted in its abandonment and alienation by the US. In order to have a comprehensive, in-depth and balanced analysis of the primary motivations behind US economic aid disbursement to Pakistan, the study quantifies US geostrategic and security interests using US military aid and US arms' sales to Pakistan as key variables. To study and compare causal linkages between US civilian aid to Pakistan on the one hand and US security assistance and military sales on the other hand, the book illustrates how US foreign aid policies are driven by US geo-strategic ambitions. In contrast to this, widely espoused international principles such as poverty reduction and sustainable development as well as promotion of democracy and respect for human rights have remained

low priority areas in US aid allocations to Pakistan. Thus, the overall aim is to investigate to what extent the US has adhered to the above principles by allocating aid to Pakistan on the basis of its poverty levels and needs, and to what extent the US has given aid motivated by its own geo-strategic and security orientations.

While the first research question focuses on "why" the US provides generous aid to Pakistan, the second research question deals with "how" the US gives and utilizes aid in Pakistan. The second research question, based mainly on primary data collected in Pakistan, is more analytical and addresses the book's central aim of evaluating the processes and ways US development cooperation has been utilized in Pakistan as well as analysing the role of main institutions and organizations involved. Here, the book certainly fills a significant gap in the literature concerning "how" US aid has been disbursed and utilized in the country, what it has achieved, what it has failed to accomplish, and what factors are responsible for its lack of effectiveness. The roles of both the Pakistani government as well as US organizations responsible for the allocation and delivery of development aid are thoroughly scrutinized. To this end, this study uses analytical and conceptual frameworks and aid-effectiveness principles championed by the OECD, most clearly spelled out in the 2005 High Level Forum (HLF) on Aid Effectiveness and other subsequent HLFs in Accra and Busan in 2008 and 2011 respectively. Here, this book examines the role of Pakistani institutions and ministries and the role of USAID within the 2005 PD framework to investigate to what extent the PD commitments have been translated into actual practice.

To answer the research questions, the following objectives are pursued:

- to investigate and compare US foreign aid allocation policies with reference to perceived US geo-strategic orientations and poverty needs of Pakistan as well as issues such as lack of democracy and human rights
- to examine the respective roles of the Government of Pakistan (GoP) and its institutions/departments and that of USAID in US-funded development interventions in the light of the partnership commitments enshrined in the PD.

To achieve the first objective, quantitative and qualitative data is analysed and overriding motivations behind US aid allocations are investigated. To attain the second objective, primary and secondary data collected during fieldwork in Pakistan in 2009 and 2014 is analysed to examine to what extent the discourse on aid delivery and utilization, as agreed upon under the 2005 PD, has actually been translated into practice. The aim is to explore whether a gap exists between policy and practice and between rhetoric and reality, and to identify the main factors behind the non-implementation of the PD commitments.

Research methodology and fieldwork in Pakistan

The selection and appropriateness of a particular methodology depends on the type of research problem addressed by the researcher. This book deals with two

principal research issues: first, it examines the primary determinants of US aid allocations to Pakistan covering three relative large periods of recent history comprising the Cold War period, the post-Cold War years and the "war on terror" era. Second, the study focuses on the delivery and utilization of US aid in Pakistan, exploring the respective roles of GoP institutions and USAID in US-funded development projects within the 2005 Paris Declaration framework. To address the first question, analysis of quantitative and qualitative data is done. In so doing, Chapter 2 provides a comprehensive assessment of USAID and World Bank data to examine whether US foreign aid policy towards Pakistan is driven more by US foreign policy goals or Pakistan's developmental considerations. Key events affecting the flow and volume of US economic and military assistance to Pakistan are also thoroughly examined here, underscoring the assumption that US aid to its key South Asian ally is motivated by multifaceted US foreign policy objectives in the region. To answer the second research question concerning US aid delivery and USAID projects in Pakistan, the case study design is utilized. The rationale for case study design, its appropriateness for this study and interview as a data collection technique constitute the latter part of the discussion.

Research that makes use of both quantitative and qualitative techniques, approaches, methods and data is termed mixed methods research (Bryman, 2008). Mixed methods research enables researchers to address more complex research questions and collect a richer and stronger set of evidence than can be achieved by a single method alone (Yin, 2009). By making use of mixed methods, the strengths of one method counter the weaknesses of the other to produce more reliable and valid research findings (Krathwohl, 2009). In the context of this study, quantitative data alone cannot fully explain the ebb and flow of US aid to Pakistan; this can be done only after taking into account certain critical regional events by adding qualitative data to flesh out the significance of quantitative data. Hence, I have utilized both quantitative and qualitative data.

Qualitative data: case study approach and USAID in Pakistan

For addressing the second research question concerning the delivery and utilization of US aid within the PD parameters, qualitative data is employed. By analysing qualitative data, the focus is to explore the respective roles of USAID and different ministries of the GoP in the formulation and execution of US-funded projects. Qualitative data offers several advantages over quantitative data. Qualitative methods evoke analytical richness and bring out "more detail and nuance from a case" (Barkin, 2008, p. 11). Data through qualitative research is collected in natural settings, rather than artificial locales such as laboratories (Brockington & Sullivan, 2003). Hence, such data attracts special attention to specific contextual issues (Devine, 1995). Thus, in the context of this study, qualitative research design such as the case study approach is employed and primary data is garnered through in-depth interviews.

The case study design is used when the researcher addresses questions of "how" and "why" some social phenomenon works in a real-life context (Yin, 2009). The author adds that this kind of research design is employed to investigate a contemporary issue in a comprehensive and in-depth manner. In a laboratory, field setting or "social experiment" (Yin, 2009, p. 12), researchers may have some control over specific variables or events, but in the case study method, the researcher or investigator has limited or no control on the variables or behavioural events under investigation. In other words, in the case study design a phenomenon is studied in a real-life context as it is. Another attribute of the case study is its ability to make use of different sub-methods and techniques such as documents, participant observations, archival records and interviews (Hague & Harrop, 2004; Yin, 2009).

As mentioned above, the second research question of this study focuses on the USAID and GoP modus operandi and the way the two interact with each other within the PD framework. Thus, it examines a contemporary phenomenon: USAID projects in a real-life context. Hence, the case study approach allows for a comprehensive and in-depth understanding and analysis of USAID and GoP policies and practices. In this way, the actual behaviours and approaches of various actors comprising officials of USAID and its different project staff and officials of the GoP are explored. The roles of these actors cannot be explored through straightforward surveys or questionnaires. To investigate the actual implementation of the PD partnership commitments in USAID projects in a real-life context, the case study approach is, therefore, utilized.

Along with primary data, I also collected secondary data such as government reports and policy documents pertaining to the priority areas identified by the GoP. To this end, GoP plans including the Poverty Reduction Strategy Papers (PRSPs), Medium Term Development Framework (MTDF) and Vision 2030 were obtained and critically examined. This material also helped me in the identification of key government officials and policy-makers who were actively involved in the formation of these policy documents. Thus, this data also helped locate and select relevant informants for obtaining primary data through interviews. For example, after getting policy documents such as the country PRSP, I was in a better position to contact the relevant GoP officials who were involved in the formulation of this document. Consequently, I interviewed several officials in the Ministry of Finance (MoF) to get their in-depth and informed opinions and observations regarding the role of the GoP in USAID interventions. The selection of the interviewees also depended on their role and association with a particular US-funded intervention, either as government officials or officials of USAID and NGOs.

The most flexible form of personal interviewing is semi-structured open-ended interview, where interviewees are allowed and encouraged to narrate "their own experiences, to describe whatever events seem significant to them … to reveal their opinions and attitudes as they see fit" (Frankfort-Nachmias & Nachmias, 1996, p. 235). By using qualitative methods, particularly extended interviews, researchers look into the mind of the interviewees and get their

insights in their own words (Ezzy, 2002). During the course of this study, I employed semi-structured open-ended interviews to get detailed accounts on the role of interviewees in their capacity and how they viewed the role of USAID and its counterpart line ministries and departments in the identification, selection, design and execution of development interventions. I conducted interviews during my fieldwork in Pakistan in 2009 and 2014. Interviewees were selected on the basis of their association with US-funded projects, either as officials of the GoP, employees of USAID or primary beneficiaries of USAID interventions. Such interviews provided personal experiences, accounts and individual insights of each informant. One-to-one in-depth interviews also encouraged the interviewees, both government officials as well as those of USAID, to express their candid opinions without the interruption of a third party.

By these means I explored to what extent USAID has given a leading role to the GoP, to which both partners have committed under the PD, so that Pakistani institutions have a central role in the formulation of development policies and strategies based on their own needs. To this end, I conducted in-depth interviews with officials in different government ministries in Islamabad, the federal capital of the country. These included officials in the Economic Affairs Division (EAD), Ministry of Finance, the central ministry dealing with bilateral donors and multilateral organizations, relevant officials in the Ministry of Foreign Affairs (MoFA), Ministry of Health (MoH) and Federal Directorate of Education (FDE). The focus was to investigate the respective roles of these federal departments in USAID-funded projects and programmes. Similarly, interviews were also conducted with officials in different line departments in Peshawar, the provincial capital of Khyber Pakhtunkhwa (KP). Here, interviews were conducted with senior officials in FATA Secretariat and its line departments, FATA Development Authority (FDA) and Provincial Secretariat. To enrich this study by collecting diverse arrays of evidence, independent intellectuals, analysts, researchers, academics and policy experts in think tanks were also interviewed to get their informed opinions regarding US aid policies towards Pakistan and the overall role of USAID in the socio-economic and institutional development of the country. In order to get a more detailed and in-depth perspective of USAID interventions on the ground, I also conducted semi-structured interviews with the intended primary beneficiaries of some projects. These included primary beneficiaries of FATA Livelihood Development Programme (LDP) in Frontier Region (FR) Peshawar, Ed-Links in Khyber Agency FATA, and locals who benefitted from the USAID-funded Improving Livelihoods and Enterprise Development (I-LED) project in Mansehra, KP, one of the districts affected by the 2005 earthquake in Pakistan.

Structure of the book

Chapter 1 has provided the rationale that guides the book. This chapter briefly explores the origin and evolution of foreign aid at the global stage and introduces the broad context within which this research is positioned. The chapter

also outlines the principal research questions and the aims and objectives of the book as well as the significance of research on US aid to Pakistan. The chapter also provides a brief reflection on the method/ology and data collection tools and their significance for this research.

Addressing the first research question, Chapter 2 comprehensively examines the allocation of US economic and military assistance to Pakistan, also elaborating on the causal relationship between both kinds of aid and arms' sales to the country. While Pakistan has received a total of over US$42 billion in economic aid and more than US$14 billion in security assistance, there are various ups and downs in the overall allocation of aid, caused largely by shifting US geostrategic priorities. The chapter argues that in view of its real or perceived existential threat vis-à-vis arch rival India, Pakistan has looked for alliances with external powers as a result of which the country joined US-backed treaties during the early period of the Cold War. After joining the US-carved South East Asia Treaty Organization (SEATO) in 1954 and the Baghdad Pact in 1955, Pakistan became the largest recipient of US aid. However, some regional events (Pakistan–India wars) and developments (Pakistan's quest for nuclear technology) seriously affected the US–Pakistan relationship and the provision of aid. Thus, this chapter comprehensively examines various events that have affected the course of US economic and military aid to Pakistan, from the early years of the Cold War until President Trump's tweet. Hence, Pakistan, which was a pariah state for the US during the 1990s, became a paladin (champion) in the US-led global war against terrorism and once again emerged as one of the largest recipients of US aid – not because it became needier or more eligible overnight, but because it agreed to become a key US ally in the campaign against terrorism. Alongside US economic and military aid and arms' sales to Pakistan since 9/11, the chapter also highlights other kinds of assistance, such as the Coalition Support Funds (CSF), to the country. Major incidents in the US–Pakistan alliance during the "war on terror" period are also appraised. Issues such as the Raymond Davis case and the killing of Osama bin Laden and their implications on the US–Pakistan bilateral ties are unpacked, which illustrate that despite clear pledges and commitments for a long-term strategic engagement, the US–Pakistan alliance has mostly remained fraught with suspicion and mutual distrust.

The second research question, which deals with the way US aid is delivered and utilized in Pakistan, is addressed in Chapters 3 and 4. Thus, the focus is shifted from "why" the US provides development cooperation to Pakistan to "how" well it is delivered to address the county's actual developmental priorities. Chapter 3 gives the background and emergence of the new aid paradigm and the 2005 Paris Declaration (PD) on Aid Effectiveness. The five key dimensions assessing the quality and effectiveness of development aid are critiqued. In one way or another, all of these principles have been part and parcel of aid effectiveness discourse spearheaded by the OECD/DAC. The PD partnership commitments are unpacked and their importance for aid effectiveness is also deliberated. Within the PD framework, where aid-receiving countries are required to come up with holistic and comprehensive national development

strategies, this chapter analyses and critiques key initiatives and long-term development policies that Pakistan has formulated to improve the effectiveness of aid and achieve its development targets. The aim is to explore synergies and trade-offs between the new aid paradigm and development policies prepared by the Pakistani government.

Who decides where and how US economic aid needs to be delivered and utilized? Has US aid been (in)effective in achieving the intended development outcomes? What are the factors that have led to some of the successes and what are the reasons that aid has failed to achieve its aims? These questions are answered in Chapter 4. Here, a detailed account of various US-funded initiatives is given in the light of the PD commitments. While the US is not a progressive aid donor as per the aid-effectiveness principles, this chapter also refutes the widely held popular perceptions in Pakistan (and elsewhere) that most US aid has been ineffective and that it has not delivered any development results. Contrary to popular perceptions about the insignificance of US aid or its ineffectiveness in achieving tangible development outcomes, this chapter illustrates that the developmental role of US aid in Pakistan has rarely been explored. Based mostly on primary findings and also complemented by secondary data, this chapter posits that although the US is not a popular donor in Pakistan because of its political role, the reality is that it is the largest aid-provider to the country and has carried out numerous projects in various sectors including health, education, energy, agriculture, economic growth, and post-conflict and post-disaster reconstruction. Contrary to overall public perception – instead of China, Japan, Saudi Arabia, or any other donor – the US was the largest aid-provider to Pakistan during three devastating natural and man-made disasters in recent times. These include the 2005 Kashmir earthquake that killed 74,000 people, the 2009 militants' insurgency and humanitarian crisis in Malakand Division in which over 3 million people were displaced, and the unprecedented 2010 floods that affected 20 million people across the country. On these three occasions, the US played an active role in the rescue, relief, rehabilitation, and reconstruction efforts and was the largest aid-provider. Hence, numerous US-financed initiatives in various sectors in Pakistan are highlighted and how US aid has played a critical role in enabling the victims to stand on their own feet is also assessed.

Chapter 5 concludes with the main themes of the study concerning US aid allocation (Chapter 2) and delivery (Chapters 3 and 4). In addition, issues such as democracy and human rights and their linkages with US foreign aid allocation are also appraised in this chapter. The repercussions of the US–Pakistan alliance during the Cold War, particularly during the first Afghan War of the 1980s, and implications of the recent alliance in the "war on terror" also form part of the discussion to reach valid conclusions regarding who has gained more from the alliances. Analysing the developmental significance of US aid vis-à-vis its overall foreign policy, it is clear that the former has been mostly overshadowed by thorny bilateral issues related to the "war on terror", such as drone attacks inside Pakistani territory and the overt manipulation of foreign aid as a political tool to pressure Pakistan. It also reviews the contribution that the book makes to

the body of knowledge regarding these two aspects of US aid. The chapter identifies future research areas and acknowledges the limitations of this study. In light of the research findings and key lessons drawn from the analysis and discussion, the research concludes by offering some recommendations towards making development cooperation more effective in implementing the 2030 Agenda and accomplishing the 17 Sustainable Development Goals (SDGs).

Notes

1 After the end of the Cold War and with the withdrawal of Soviet forces from Afghanistan in 1989, US official aid to Pakistan declined sharply and remained negligible throughout the 1990s as Pakistan was under US sanctions because of its nuclear programme. The US imposed further sanctions on Pakistan after the 1998 nuclear tests and 1999 military coup of General Musharraf. After the 9/11 terrorist attacks in the US and Pakistan's alliance with the US in the "war on terror", the latter lifted all sanctions and restarted a generous aid programme to its old ally.
2 Expressions such US ODA, US aid, US economic assistance, US civilian aid or US development aid are interchangeably used in this book. It does not include US military aid. When reference is made to US military or security assistance, it relates specifically to aid given for military and security use. While the definition and concept of ODA has evolved over time, its key elements and stated objectives have mostly remained the same.

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2 An analysis of US foreign aid policies towards Pakistan, from Truman to Trump

Pakistan: a geographic and socio-economic profile

The main aim of this section is to explore the geographical and socio-economic standing of Pakistan. It argues that while Pakistan's geo-strategic position has been an asset which attracted the US during the Cold War era and now again in the "war on terror" period, its domestic socio-economic fragility and external challenges, particularly unending rivalry with India, has time and again forced Pakistan to play a proxy role for the US in return for US economic and military assistance as well as US arms. Thus, if the US needs Pakistan to pursue its geo-strategic and security goals in the region, Pakistan needs US assistance to offset its internal and external challenges.

Pakistan became an independent state on August 14, 1947 after the partition of British India. Originally, it was the most populous Muslim country on the planet, consisting of two wings: West Pakistan and East Pakistan. The east wing, with the Bengalis in majority, separated from the west wing in 1971 and became the present-day Bangladesh. West Pakistan, or the present-day Pakistan, is situated in the north-western zone of the Indian sub-continent and occupies an important strategic position in the world map. It is placed at the meeting point of three regions: South Asia, Central Asia and the Middle East. In the south lies the Arabian Sea, India is in the east, Afghanistan and Iran are in the west, and China is in the north. Its geo-strategic position has earned Pakistan a distinctive role in world politics and events of international significance such as the Cold War and the so-called US-led "war on terror".

Besides its strategic location, Pakistan is also significant because of its large size and population, and it is the only Muslim country having nuclear capability, along with a strong conventional army, which is considered "the seventh largest military force in the world" (Murphy & Tamana, 2010, p. 50). Pakistan's total physical area is 796,096 square kilometres, which makes it the thirty-sixth largest country in the world in terms of geographical size (The World Factbook, 2018). Its current total population is over 207 million (Government of Pakistan, 2018b), and it is the sixth largest population in the world and second largest in the Muslim world after Indonesia. Overall, characteristics such as its geo-strategic position, a vibrant, resilient and "strong society"

(Lodhi, 2011b, p. 1), and the outstanding achievements of its educated citizens and diasporas in politics, arts, sports and academia have earned it a role in the area stretching away from its northern and western borders into the Muslim world and beyond (Malik, 2011).

Administratively, Pakistan is broadly divided into two categories: federal and provincial. The country has the federal form of government, with Islamabad as the national capital. There are four provinces: Khyber Pakhtunkhwa (KP), Punjab, Sindh and Baluchistan. Provinces have been divided into districts and districts have been further divided into small administrative units known as "tehsils". Until recently, the administrative portfolio of Federally Administered Tribal Areas (FATA) was different.[1] It was directly under the authority of the President of Pakistan, who was empowered under the constitution of the country to issue special regulations related to peace, governance and development of the tribal areas. All such issues were administered and overseen by the Governor of KP in his capacity as a representative of the Federal Government and President of Pakistan. Table 2.1 shows key demographic features of these administrative units separately as well as of the country as a whole.

The data in Table 2.1 illustrates that there are wide differences in population in different provinces as well as in literacy rates, both across different regions and across gender. With respect to literacy rate, the federal capital has the highest literacy rate of 87 per cent, followed by Punjab and Sindh with 62 and 55 per cent respectively. At the other extreme are FATA, Baluchistan and KP, with literacy rates of 33, 41 and 53 per cent respectively. In terms of the overall literacy rate at the national level, according to the latest data, cited in "Pakistan Economic Survey 2017–18", the current literacy rate is 58 per cent and data shows that literacy remains much higher in urban areas (74 per cent) than in rural areas (49 per cent), with male (81 per cent) and female (68 per cent) in urban areas (Government of Pakistan, 2018a). Province-wise, data suggest that Punjab and Sindh leads with 62 per cent and 55 per cent respectively, followed by Khyber Pakhtunkhwa with 53 per cent and Balochistan with 41 per cent. The

Table 2.1 Administrative units of Pakistan and their demographic features

Administrative unit	*Area (square kilometre)*	*Total population (million)*	*Literacy rate (%)*	*Literacy rate (male) (%)*	*Literacy rate (female) (%)*
Khyber Pakhtunkhwa	74,521	30.52	53	72	36
FATA	27,220	5.01	33	45	8
Punjab	205,345	110.01	62	60	54
Sindh	140,914	47.89	55	67	44
Baluchistan	347,190	12.34	41	56	24
Islamabad	906	2.00	87	92	80
Pakistan	**796,096**	**207.77**	**58**	**70**	**48**

Source: Government of Pakistan (2018b).

data also shows total area of the above-mentioned administrative units and their total population. Geographically, Baluchistan is the largest province, while in terms of population Punjab is the most populous province, constituting 53 per cent of the country's population. Like the urban–rural disparity in the literacy rate, there is also a substantial difference in poverty in urban and rural areas, as nearly 80 per cent of the total poor population lives in rural areas while only 20 per cent resides in urban areas (Ministry of Finance, 2010). Latest government figures assert that the country has witnessed a consistent decline in poverty levels over the last decade: population "living below the poverty line has declined from 50.4% in 2005–06 to 24.3% in 2015–16" (Government of Pakistan, 2018a, p. 245). However, the fact remains that there is considerable disparity between rural and urban areas, as the former have about 30.7 per cent living below the poverty line, while in urban areas about 12.5 per cent of the population is below the poverty line. The overall data shows that there are significant inter-regional, urban–rural and cross-gender disparities in terms of key demographic features.

In the beginning of the twenty-first century, because of its nuclear programme and a lack of democracy, Pakistan was under US sanctions and, as a result of a lack of foreign aid and investment as well as the remnants of the Cold War, political instability and bad governance, the economic environment was continuously deteriorating. The incidence of poverty increased from 26.1 per cent in 1990–1991 to 32.1 per cent in 2000–2001, reversing the declining poverty trend of the 1970s and 1980s (Ministry of Finance, 2003). Thus, the economy of the country was in a poor state at the turn of the millennium. However, after assuming the role of a frontline US ally in the "war on terror", because of Pakistan's enhanced geo-strategic and political significance, foreign aid and investment increased substantially with positive impacts on the overall economic health of the country. During the five years ending in 2006–2007, Pakistan maintained an impressive annual GDP growth rate averaging 7 per cent (Ministry of Finance, 2010). There was relative price stability, foreign exchange reserves were sufficient to provide import cover for about six months, the stock market was performing well, and foreign direct investment was about 6 per cent of GDP. Nonetheless, because of increasing political instability and worsening law and order situation due to the escalation of the "war on terror" on the domestic front, economic growth plummeted from a respectable 7.5 per cent to barely 5.8 per cent in fiscal years 2007–2008 (Ministry of Finance, 2010). Because of these factors, the economy grew a modest 1.2 per cent in 2008–2009 (Government of Pakistan, 2010). Despite all these challenges and global economic turmoil, Pakistan's economy showed some resilience in 2009–2010 and the growth rate was recorded as 4.1 per cent. However, because of the 2010 monsoon devastating floods, the growth rate once again lowered to 2.4 per cent in 2010–2011 (Government of Pakistan, 2011). As a whole, from 2007–2008 to 2012–2013, the economy grew on average by 3.2 per cent (Government of Pakistan, 2017a). Overall, the country has been severely affected by terrorist violence, which has resulted in the loss of thousands of lives. In terms of financial losses, the war has

cost Pakistan over US$126 billion since 2002 (Government of Pakistan, 2018a). Following the restoration of law and order since 2014, Pakistan also achieved a growth rate of 4.7 per cent between 2015 and 2016 and 5.3 per cent in 2016–2017, which was the highest in the past eight years (Government of Pakistan, 2017a).

Although Pakistan maintained satisfactory economic growth over the 1950–1999 period (Easterly, 2001), overall socio-economic indicators are not promising. In comparison with other countries having a similar level of income, Pakistan underperforms on most social and political indicators such as health, education, sanitation, fertility, gender equality, corruption, political instability and violence, and democracy (Easterly, 2001). Social indicators such as infant mortality and female primary and secondary enrolment are significantly low. In terms of the UNDP Human Development Index (HDI), measuring the level of education, health, income and living standards, Pakistan's HDI value for 2016 is 0.550, which put the country in the medium human development category, positioning it at 147 out of 188 countries and territories (UNDP, 2017). Between 1990 and 2015, Pakistan's HDI value increased from 0.404 to 0.550, an increase of 36.2 per cent. Thus, between 1990 and 2015, Pakistan's life expectancy at birth increased by 6.3 years, mean years of schooling increased by 2.8 years, and expected years of schooling increased by 3.5 years. Pakistan's GNI per capita increased by about 57.5 per cent between 1990 and 2015. However, despite some improvement, the country's 2015 HDI of 0.550 is still below the average of 0.631 for countries in the medium human development group and below the average of 0.621 for countries in South Asia. In the South Asian region, countries which are close to Pakistan in the 2015 HDI rank and to some extent in population size are Bangladesh and India, which have HDIs ranked at 139 and 131 respectively (UNDP, 2017). Hence, in comparison with countries in the same income group and in the same region, Pakistan has underperformed on various development indicators.

Similarly, other governance-related indicators are equally unenviable as the country has mostly performed poorly according to such parameters. For example, like many developing countries worldwide, in Pakistan a lack of effective and sound public financial management (PFM) institutions, and the prevalence of corruption and bad governance, have constrained not only the mobilization of sufficient domestic resources but also the inflow of foreign direct investment (FDI) and the overall process of development. The 2012 Public Expenditure and Financial Accountability (PEFA) report on assessment of PFM systems in the country stated that following the 2009 PEFA assessment, there have been improvements in certain areas, but overall indicators have not improved significantly (Government of Pakistan and Development Partners, 2012).[2] The report asserted that out of a total of 31 indicators, "the maximum number of indicators remained unchanged" and "there was a decline in 5 indicators and 11 indicators showed positive progress over the period between assessments" (Government of Pakistan and Development Partners, 2012, p. 3). The report states that despite the efforts of the government and its development partners, there are several

areas that need further strengthening in order to make the PFM systems work in a more effective way for better policy and development outcomes and improved public service delivery.

Regarding the incidence of corruption, as data in Table 2.2 shows, Pakistan's performance on the Corruption Perceptions Index (CPI) has been consistently very low and has only improved slightly after 2013. Like Pakistan, a majority of Asia Pacific countries are in the bottom half of the 2016 Corruption Perceptions Index. According to Transparency International (TI), 19 out of 30 countries in the region scored 40 or less out of 100 on CPI in 2016 (Transparency International, 2017). The report further states that countries in the region perform poorly because of factors including unaccountable governments, and lack of oversight and insecurity; both high-profile corruption scandals and everyday corruption issues continue to undermine public trust in governments. For example, in its "Country Study Report Pakistan 2003", TI estimated that widespread corruption in all public sectors costs over PKR200 billion annually to the country's economy, severely affecting overall economic progress (Transparency International, 2003).[3] In view of this, it is not surprising that respondents from Pakistan prioritized these issues in the UN-led global consultation process for the formulation of the 2030 Agenda.[4] In "A Million Voices: The World We

Table 2.2 Pakistan's ranking and score on the Corruption Perceptions Index[5]

Year	*Rank*	*Score*	*No. of countries ranked*
1995	39	2.2	41
1996	53	1	54
1997	48	2.5	52
1998	71	2.7	85
1999	87	2.2	99
2000	N/A	N/A	90
2001	79	2.3	91
2002	77	2.6	102
2003	92	2.5	133
2004	129	2.1	147
2005	144	2.1	159
2006	142	2.2	163
2007	138	2.4	179
2008	134	2.5	180
2009	139	2.4	180
2010	143	2.3	178
2011	134	2.5	183
2012	139	27	176
2013	127	28	177
2014	126	29	175
2015	117	30	168
2016	116	32	176

Source: Transparency International (Various Years).

Want", Pakistani participants stressed that "good governance underpinned by the principles of transparency, accountability and the rule of law is the second most pressing priority for the people of Pakistan", after peace and security (United Nations Development Group, 2013, p. 75). Thus, there is no doubt that the prevalence of corruption and the lack of an enabling environment are considered major hurdles in the path of economic development and prosperity.

As data in Table 2.2 illustrates, Pakistan's CPI score has improved five points over the last four years, and for the first time it has crossed the threshold of 30. The incidence of corruption is declining and the country is gradually moving in the right direction. However, Pakistan still lags in improving its transparency, the rule of law and good governance. It is not surprising that 35 per cent of respondents from Pakistan in the TI's 2016 Global Corruption Barometer still observed that corruption has increased in the past year, while 28 per cent believed that it has decreased (Transparency International, 2017). According to TI, a majority (60 per cent) of Pakistani respondents believe that government officials, including police (76 per cent), the judiciary (41 per cent) and other public sector employees, are highly corrupt (Transparency International, 2017). Owing to all these factors, the country is often regarded either a failed or a failing state. Foreign Policy, which monitors and ranks countries on the basis of different indicators such as human rights, uneven development, economic decline, public services and factionalized elites, graded Pakistan at the fifteenth position in the Fragile States Index 2015 (Foreign Policy, 2018).

Pakistan's internal and external challenges for development and the policy of looking outwards

Since its independence, Pakistan has been facing several challenges on internal as well as external fronts. On the domestic front, as discussed in the previous section in light of the reports by the UNDP, TI and other government documents, Pakistan has performed poorly in terms of socio-economic and institutional development, which has led to chronic poverty, low literacy rates for both males and females, high child and maternal mortality, gender disparity, corruption, political instability and low respect for human rights. For example, in terms of literacy rate, because of high population growth and incapacity of the state to provide education to all children, the total number of illiterate people has increased over the years. According to the government's own report, the illiterate population has increased from 20 million in 1951 to 48 million in 2005 (Government of NWFP, 2009). According to latest government data, although this number has decreased, it is still substantial. As per "Pakistan Education Statistics 2015–16", "there are currently 51.17 million children in Pakistan between the ages of 5 and 16. Among this group, only 28.53 million children attend an educational institution (government or private), leaving 22.4 million children out of school" (Government of Pakistan, 2017b, p. 21). Regarding schools' infrastructure and other basic amenities, the report reveals that 40 per cent of public sector primary schools were operating without electricity, 28 per cent did not

have toilets, 25 per cent were without boundary walls, and 29 per cent had no access to clean drinking water. The report further adds that 7 per cent of schools did not have any buildings and 43 per cent had unsatisfactory buildings (Government of Pakistan, 2017b). Even where the government has provided services such as education or health, people are hardly satisfied with the government efforts and performance. In recent years, several surveys have been conducted to gauge public opinion regarding public service delivery in the country. One nation-wide survey covering all districts of Pakistan revealed that in 2004 only slightly over half of the respondents were satisfied with government education services in their area (DTCE/CIET, 2005). Similarly, only 38 per cent of respondents were satisfied with roads, 27 per cent with health services, 26 per cent with gas supply, 20 per cent with sewerage services and merely 8 per cent with garbage disposal services in 2004. In another round of surveys conducted in 2009/10, the overall public satisfaction level had only marginally increased. For example, 58 per cent of respondents showed satisfaction with government education services, 40 per cent with the roads, 38 per cent with health services, and 12 per cent with garbage disposal (UNDP, 2010). These figures speak volumes of the internal socio-economic development issues with which the country is faced.

Coupled with these issues, the social fabric of the country has been damaged severely by ethnic, linguistic and sectarian divisions. In the words of the former Governor of the State Bank of Pakistan:

> Every conceivable cleavage or difference: Sindhi vs. Punjabi, Mohajirs vs. Pathans, Islam vs. Secularism, Shias vs. Sunnis, Deobandis vs. Barelvis, literates vs. illiterates, woman vs. man, urban vs. rural – has been exploited to magnify dissensions, giving rise to heinous blood baths, accentuated hatred, and intolerance.
>
> (Husain, 1999, p. 396)

Among all these domestic challenges, sectarianism and religious extremism have overwhelming impacts on the social harmony, law and order, and economy of the country. This is explored in Chapter 5 in the context of the implications of the US–Pakistan alliance during the Afghan War period, during which extremist ideologies were nurtured and pampered in the 1980s to create cadres of young fighters to fight against the Soviet troops in Afghanistan. Overall, if extremism is the product of the US–Pakistan alliance, Pakistan's low development expenditures and chronic poverty is largely due to its external challenges, particularly its unending rivalry with India, to which I turn now.

Owing to a stronger and more powerful opponent in the form of India and perceiving it an existential threat, Pakistan has consistently sacrificed and overlooked the development of social sectors to maintain a strong military that can safeguard the territorial frontiers of the country against possible Indian aggression. According to Nawaz (2011, p. 85), Pakistan "has an army of over 800,000, including over 550,000 regular army and the rest as paramilitary forces or reserves. It is larger than the regular army of the United States." To maintain

such a large military force, the government has been spending "3.3 percentage points of GDP more on defense than other countries of its income level" (Easterly, 2001, p. 10). It is also interesting to note that the overspending on defence is roughly equal to the sum of the underspending on health and education as a percentage of GDP. Real defence spending more than doubled from PKR68 billion to PKR150 billion during the period 1980–2000, while real development spending decreased in absolute terms from PKR116 billion to PKR95 billion over the same period (Government of Pakistan, 2001).[6] It is often argued that because of the dominant India-centric security paradigm and substantial defence expenditures, "the development needs of the country in education, health and other public services could not be adequately addressed" (Lodhi, 2011a, p. 51). For example, the budget allocated to education was 2.3 per cent of GDP in 2016 (PKR663.4 billion) and 2.2 per cent of GDP in 2017 (PKR699.2 billion), while the budget allocated to defence was 2.8 per cent of GDP in 2016 (PKR920 billion) and 2.6 per cent of GDP in 2017 (PKR1.1trillion) (Government of Pakistan, 2018a). Consequently, while the country is a nuclear power and possesses advanced military technology and missile systems, the overall socio-economic condition of the majority of the population has not improved much over the years. Pakistan's persistent domestic socio-economic issues and its external challenges, particularly rivalry with India and the subsequent arms' race, explain how Pakistan can afford to have nuclear weapons but not adequate food, shelter, clean drinking water, health and education facilities for its citizens. This contradiction has been fittingly depicted by Ali (2008, p. 3) who asserts that "the wooden plow coexists with the atomic pile" in Pakistan. Hence, substantial defence expenditures have become possible only at the expense of other state institutions and social sectors, which have led to increased poverty and dependence on external assistance in the form of loans and foreign aid.

Pakistan has fought several wars with India on the Kashmir issue. The Kashmir problem, which the British colonial power left unresolved at partition, has remained a bone of contention between the two neighbours ever since. This is one of the principal reasons for instability and the arms' race in the region. So far, Pakistan and India have fought four major wars, three of them on the Kashmir dispute. The first war was fought in 1948, just one year after the country's birth. Heavily armed with US-supplied weaponry, the two countries fought again in 1965, and then in 1971. The 1971 War with India culminated in the dismemberment of the east wing of Pakistan and the creation of Bangladesh. In 1999, the two neighbours, then nuclear powers, fought another war on the Kashmir issue. This time they were on the brink of a nuclear war, which was averted because of the timely intervention of international powers, notably the US. Overall, rivalry with India, which Racine (2004, p. 198) has termed the "India Syndrome", has been one of the most pronounced existential threats to Pakistan's sovereignty, particularly in the eyes of Pakistani policy-makers and military establishment.

It is these internal and external challenges, particularly the latter, which have persuaded Pakistan to look for the support of international powers such as the

US and China. That is why the country willingly entered into various pacts including the Mutual Defence Assistance Agreement with the US and US-carved South East Asia Treaty Organization (SEATO) and Central Treaty Organization (CENTO) during the Cold War. Hence, Pakistan was ready to play a proxy role for the US during the Cold War and in return receive economic and military aid as well as arms from the US.

US–Pakistan aid relationship in the framework of recipients' needs versus donors' interests

As discussed briefly in Chapter 1, to examine the rationale behind the allocation of official aid from bilateral donors, the most commonly employed model is to compare and appraise developmental needs of recipients as well as their geo-strategic, political, security and trade potential and significance vis-à-vis the volume of aid allocated to them by donors. By comparing the poverty levels and needs of developing countries on the one hand and their perceived significance to safeguard and promote donors' foreign policy interests on the other hand, it becomes clear which donors prioritize needs of recipients in the allocation of development aid and which give more importance to their own foreign policy goals while providing aid to certain countries. This is established by assessing two sets of variables: one deals with recipients' needs and the other relates to donors' interests.[7] This section focuses on US foreign aid from the perspective of Pakistan's socio-economic standing and development needs. Table 2.3, based on World Bank (2018) data, shows the developmental status of Pakistan in light of its average GDP per capita, life expectancy at birth and total population since 1960. While not an exhaustive set of indicators, and already explained in the preceding chapter, these variables have been chosen for two reasons. First, this set of data was available for a long period appropriate to this study that roughly covers three distinct periods: the Cold War, the post-Cold War, and the "war on terror". Second, and more importantly, as the first research question explores the role of geo-strategic factors versus development needs in US aid allocation to Pakistan, these are some of the principal variables employed in almost all the previous studies on aid allocations. GDP per capita is not only most commonly used in the aid literature to measure the need variable, it is also "highly correlated with other need variables such as life expectancy, infant mortality, or literacy" (Neumayer, 2003, p. 653). Similarly, Berthe'lemy (2006, p. 184) asserts that the "most straightforward indicator of beneficiary needs is income per capita … if aid is to be allocated based on recipient needs, the poorer countries should receive more, and the richer countries less".

A common principle in aid allocation is that if two countries are equally poor but one has more population than the other, the one with more population should get more aid (McGillivray, 1989; McGillivray & Oczkowski, 1992; McKinlay & Little, 1977). It implies that population size is an important factor to be examined in aid allocation, that is, ceteris paribus (keeping other factors unchanged), a country having more population is supposed to get more aid. Based on the

Table 2.3 Pakistan's GDP per capita, life expectancy and population growth over time

Year	*GDP per capita (2010 constant US$)*	*Life expectancy at birth*	*Population (millions)*	*Year*	*GDP per capita (2010 constant US$)*	*Life expectancy at birth*	*Population (millions)*
1960	304	45	44	1988	717	59	101
1961	315	46	45	1989	731	59	104
1962	321	47	47	1990	741	60	107
1963	340	47	48	1991	757	60	110
1964	357	48	49	1992	794	60	113
1965	384	49	50	1993	787	60	116
1966	396	50	52	1994	796	61	119
1967	407	50	53	1995	815	61	122
1968	424	51	55	1996	833	61	125
1969	436	52	56	1997	821	61	129
1970	473	52	58	1998	822	62	132
1971	462	53	59	1999	832	62	135
1972	453	53	61	2000	848	62	138
1973	472	54	63	2001	846	62	141
1974	475	54	64	2002	855	63	144
1975	481	55	66	2003	878	63	147
1976	491	55	68	2004	923	63	150
1977	495	56	70	2005	974	63	153
1978	518	56	73	2006	1,013	64	157
1979	521	56	75	2007	1,041	64	160
1980	556	57	78	2008	1,037	64	163
1981	580	57	80	2009	1,045	64	167
1982	598	57	83	2010	1,040	65	170
1983	617	57	86	2011	1,046	65	174
1984	627	58	89	2012	1,060	65	177
1985	653	58	92	2013	1,083	65	181
1986	667	58	95	2014	1,111	66	185
1987	688	59	98	2015	1,140	66	189

Source: World Bank (2018).

recipients' needs principle and model of aid allocation, ideally US economic aid to Pakistan should have a fairly consistent pattern over time. Contrary to this, as this chapter illustrates, the US has not based its foreign aid allocation simply on the recipients' needs model. Rather, the US has tended to provide more aid to Pakistan when the latter served US foreign policy goals. For instance, it is clearly visible in Figure 2.1, showing US economic aid as well as security assistance and arms' sales, that Pakistan was one of the largest recipients of US assistance in the 1950s, 1960s, 1980s and then in the 2000s. However, in some years in the 1970s and most of the 1990s, the country was a pariah state for the US and hence there was little aid. In the 2000s, Pakistan once again emerged as one of the largest recipients of US aid, not because it became needier or more eligible overnight, but because it became a frontline US ally in the global campaign against terrorism. In sum, the recipient need model does not provide a cogent explanation of US economic aid to Pakistan over time.

Political security and geo-strategic factors and the US aid allocation

As clearly illustrated in Figure 2.1, US foreign aid trends and policies towards Pakistan have not remained the same over time. There are marked ups and downs in all the three kinds of data, which indicate that there must have been some critical developments affecting the magnitude and volume of US economic and military aid and sales of arms to Pakistan. Appendix III lists those significant events which have influenced US economic and military assistance as well

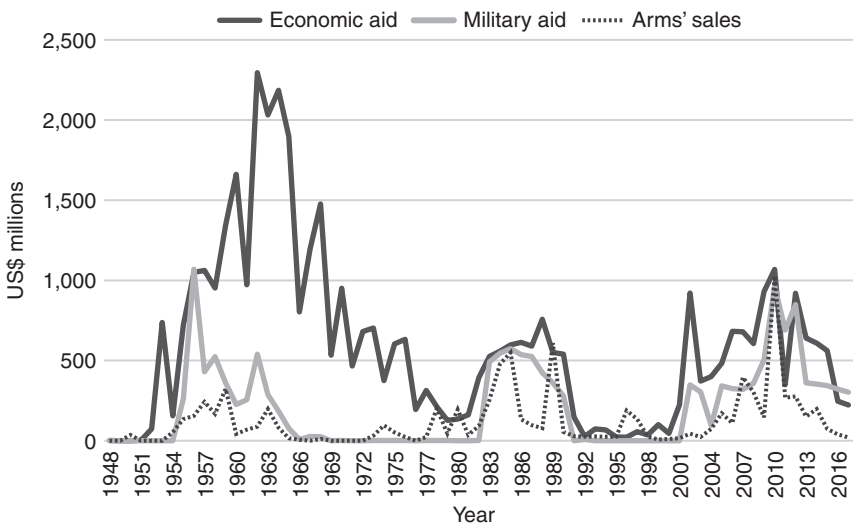

Figure 2.1 US economic and military aid and arms' sales to Pakistan, 1948–2016.

Source: author, based on data obtained from USAID (2018) and SIPRI (2018).

as arms' sales to Pakistan. The USAID data also illustrates that aid has remained consistently high in some years and less during other periods. This shows that irrespective of the poverty needs or socio-economic development in Pakistan, US development cooperation has remained unpredictable and inconsistent. The remainder of the chapter discusses all these fluctuations in US aid in the context of changing US geo-strategic priorities.

The early years of the Cold War and US aid to Pakistan

It is clear from Figure 2.1 that Pakistan received substantial economic as well as military aid from the US in the 1950s. It was because Truman's presidency was faced with the prospect of the Cold War and a key challenge was the containment of Soviet influence. To this end, the US was globally active to form alliances in various parts of the world to thwart the Soviet threat. Pakistan, wary of India's closeness towards the USSR, was eager to join the US bloc to safeguard its own sovereignty against its arch rival India and was ready to play a key role in the US policy of containment (Haqqani, 2013). The visit of Pakistan's first prime minister to the US in May 1950 was a preliminary step in this direction. In his maiden official trip, Prime Minister Liaquat Ali Khan expressed his keenness to align Pakistan with the US and also to secure the purchase of US arms (McMahon, 1988). Given "Pakistan's location at the crossroads of the Middle East and South Asia and its relative proximity to the Soviet Union", Pakistanis assumed that the US would take an interest in arming and financing the new country to persuade it from joining the Communist bloc (Haqqani, 2013, p. 2). American policy-makers also knew that on account of its distinctive geo-strategic position, Pakistan could be vital for the containment of communism in the region (Spain, 1954; Stephens, 1967). Still cautious in their approach not to alienate India, the Truman administration started some economic aid to Pakistan but did not commit to military aid. Although there was no formal alliance, the two countries were moving in a direction to lay the foundation of strong bilateral ties.

While Truman was more cautious in his approach, for Eisenhower the Soviet threat was more prevalent and looming on the horizon. To counter that, Eisenhower also looked towards South and South-East Asia, particularly after the Korean War, which had brought the Cold War to South Asia. Thus, unlike the Truman administration, the new Republican administration under Eisenhower was at ease showing its strength internationally and forming alliances with various countries across the globe. For example, the expansion of Soviet influence in Eastern Europe rang alarm bells throughout Western Europe, resulting in the formation of the North Atlantic Treaty Organization (NATO) as a bulwark against possible Soviet aggression. In the case of Pakistan, after much speculation, the Eisenhower administration signed the Mutual Defence Assistance Agreement (MDA) with Pakistan in May 1954 (Khan & Emmerson, 1954). In the same year, the US also established the Southeast Asia Treaty Organization (SEATO), comprising Pakistan, Thailand, and the Philippines, with the military

umbrella extended to Cambodia, Laos, and South Vietnam to foil the communist threat in the region (Glassman, 2005). In 1955, the US-sponsored Baghdad Pact (in 1958 its name was changed to CENTO) was signed between Iran, Iraq, Turkey, Pakistan and Britain to contain Soviet influence. Thus, Pakistan was the only country in South Asia which was a member of both SEATO and CENTO. Pakistan's geo-strategic significance for the US as well as its willingness to support the US in their cause made the country a logical ally in the Cold War era. Overall, by these initiatives the Republican administration under Eisenhower took practical steps to implement and accomplish George Kennan's theory of the containment of Soviet influence.

After signing the MDA and other subsequent agreements with Pakistan, the Eisenhower administration started to provide significant military aid to Pakistan in the form of military weaponry and hardware as well as technical assistance. However, it must be noted that under the terms of agreement, Pakistan had "agreed that the arms will not be used aggressively and has committed itself to cooperation with the United States" to contain Soviet influence (Spain, 1954, p. 747). It is relevant to quote the actual wording mentioned in the MDA; para 2 of Article I clearly states that:

> The Government of Pakistan will use this assistance exclusively to maintain its internal security, its legitimate self-defence, or to permit it to participate in the defence of the area, or in United Nations collective security arrangements and measures, and Pakistan will not undertake any act of aggression against any other nation. The Government of Pakistan will not, without the prior agreement of the Government of the United States, devote such assistance to purposes other than those for which it was furnished.
>
> (Khan & Emmerson, 1954, p. 96)

Thus it was made clear that Pakistan was provided security assistance and arms not to strengthen or show its military prowess vis-à-vis India, but rather to protect US interests in the region. While this was the intention and objective of US policy-makers to provide economic and security assistance to Pakistan to play a key role in protecting US strategic and security interests, Pakistan was mainly motivated to strengthen its position and ensure its sovereignty vis-à-vis India. Whatever the conditions of US security assistance, the Eisenhower administration began allocating considerable military assistance to Pakistan during these years (see Appendix II for detailed annual data as well as Figure 2.1 for US economic and military assistance and arms' sales respectively). Besides security aid, the Eisenhower administration provided substantial economic aid to Pakistan. It has been stated that of all foreign aid Pakistan received during the years 1951–1960, nearly four-fifths of it was channelled by the US (Alavi & Khusro, 1970). Also, over 70 per cent of US civilian aid was in the form of food aid comprising surplus agricultural commodities that a newly independent Pakistan desperately needed to address its food security. Thus, Pakistan was one of the largest US economic and military aid recipients during the Eisenhower

administration in the 1950s. Overall, during the Eisenhower administration, Pakistan received a total of US$7,921 million of economic aid and US$3,130 million of military aid; this period can be appropriately termed as the beginning of warm bilateral ties of two unequal allies. Data shows that the US had already started aid to Pakistan, but it increased substantially after these developments. For instance, with the inception of military aid in 1955, US economic aid also increased from US$154 million in 1954 to US$722 million in 1955, US$1,049 million in 1956, and US$1,062 million in 1957 (in constant 2008 US$). Similarly, these years also witnessed the supply and sales of considerable US arms to Pakistan. As the detailed annual and aggregate data shows in Appendix II, presented graphically in Figure 2.1, with the inception of arms' sales of US$53 million in 1954, the US provided arms to Pakistan worth over US$1 billion in this decade. Thus, alongside the provision of development aid to enable Pakistan to address its socio-economic challenges, the US allocated substantial security assistance as well as delivered considerable armaments to its key South Asian ally to strengthen its defence potential and play a more vigorous and vital role for protecting US interests vis-à-vis the Soviet Union.

Pakistan–India wars of 1965 and 1971: a dent in US–Pakistan ties

The US was allocating substantial economic and military assistance to Pakistan in this period, but certain events strained bilateral ties between the two countries and affected the allocation and volume of US aid to Pakistan. These include the US–India arms' deal after the China–India war in 1962, and the Pakistan–India Wars of 1965 and 1971, which disappointed Pakistan because it felt that the US did not help its close ally and let them down in both wars against India, its powerful opponent (Khalilzad, 1979–1980; McMahon, 1994; Wriggins, 1984). Despite the fact that, unlike Pakistan, which had eagerly joined the US-sponsored alliances, India had consistently maintained its neutral and non-aligned stance and had repeatedly declined to join any of the US-backed security alliances, the response of both the Kennedy and Johnson administrations during and after the 1962 Sino-Indian War was visibly in favour of India. This tilt towards India perturbed Pakistan in precisely the same way that India had expressed its apprehensions over President Eisenhower's policy towards Pakistan. The main problem with both Pakistan and India was that these two South Asian rivals looked at the US policy from their regional perspectives: each one wanted to maintain the regional balance of power in its own favour. However, irrespective of these concerns, the US was more anxious about the global balance of power involving the USSR and China. Hence, the US wanted to keep both India and Pakistan at bay from the opposite bloc and provided economic and military aid to both countries. Pakistan was anxious over the supply of arms and military aid to India, even once the 1962 Sino-Indian War was over. Pakistan felt that a clear pro-Indian stance of the US was disturbing the regional balance of power hugely in favour of India.

Besides the US support for India in the Sino-Indian war, US–Pakistan ties further deteriorated after the 1965 Pakistan–India War. The US response in the conflict was a huge disappointment to the expectations Pakistan had from its powerful ally. Although the US offered assistance neither to India nor to Pakistan, the latter felt that because of its close alliance with the US, Pakistan should have been given open material and diplomatic support against its powerful adversary India (Wriggins, 1984). Pakistan was profoundly frustrated over the US arms' embargo imposed by President Johnson after the war. Although both Pakistan and India faced US arms' sanctions, Pakistan suffered more because it was largely dependent on US weapons, unlike India, which was relying mainly on arms from the USSR. In this context, Prime Minister Zulfikar Ali Bhutto had lamented that the US enforced an arms' embargo on Pakistan at a time when the country was struggling for its survival against its arch rival that was five times its size (Bhutto, 1972). Following the termination of arms' supply, ties between the two allies deteriorated as the military embargo caused "anger, bitterness and disillusionment with the United States" (McMahon, 1994, p. 28). As a result, a number of countrywide anti-American demonstrations were held, "including the stoning of the U.S. embassy, the burning of USIS [United States Information Service] library, and mob attacks on the U.S. consulate in Lahore" (McMahon, 1994, p. 332).

Another significant event that once again put the US–Pakistan relationship to a litmus test was the Pakistan–India War of 1971. Like the 1965 Pakistan–India War, Pakistan was again expecting that the US would come to its rescue. In contrast, Pakistan felt betrayed when the US avoided getting directly involved in the controversy. However, to assume that Pakistan was let down by the US perhaps shows only one side of the picture. The reality is that while directing Task Force-74 with the USS *Enterprise* into the Bay of Bengal during the 1971 crisis, President Nixon sent a message to India not to stretch the war to Pakistan's western borders and attack the mainland West Pakistan. Although in Pakistan, a common perception is that the US did not overtly oppose or stop India from dismembering Pakistan, as the USS *Enterprise* did not arrive in time to stop Indian aggression. In view of the cordial relationship Islamabad had with Washington during these years, it is argued that the US did not offer enough help to Pakistan to save it from defeat at the hands of India. Although the US could not prevent India from splitting the eastern wing of Pakistan to form the present-day Bangladesh, by sending a US naval ship, the Nixon administration also deterred India from carrying out a full-fledged attack on Pakistan's eastern borders. If that had happened, Pakistan could have faced a complete defeat even on its eastern frontiers. In summary, although the US did not play a more vital role, as Pakistan had expected, to some extent the gestures given to India in the form of sending the USS *Enterprise* to the Bay of Bengal at least saved Pakistan from further humiliation and complete defeat at the hands of its arch rival.

However, a dominant perception in Pakistan was that it was betrayed by its close ally (US). As a result, security ties between the two countries did not remain as warm as they were during the previous decades. Because of

disappointment with its allies, Pakistan formally said goodbye to SEATO in 1973. Similarly, after the end of the Vietnam War in 1975, one of the most conspicuous factors behind SEATO's existence also vanished; this resulted in its disbanding in 1977. Consequently, these developments also affected US economic aid to Pakistan and it underwent significant reductions. As it is clear from the data, while military aid was already negligible, US economic assistance also decreased markedly during these years. The only positive development in US–Pakistan ties during this period was the role Pakistan played to bring the US and China closer. By facilitating a secret trip of Henry Kissinger to China and working as a mediator between the two countries, Pakistan played a pivotal role to bring the two great powers together, making use of its good relationship with both countries. Thus, it is argued that one factor behind US economic aid provision to Pakistan in this period was Pakistan's instrumental role in the Sino-US rapprochement. If on the one hand the Pakistan–India wars created some fissures in the US–Pakistan alliance during this period, the China factor and Pakistan's role in the reconciliation of US and China endeared Pakistan to US policymakers. As a result, the Republican administration of President Ford lifted the arms' embargo in 1975 that President Johnson had imposed during the 1965 war.

However, ties between the two countries could not remain smooth for very long. During the tenure of President Ford, two major issues affected ties between the two countries: Pakistan's clandestine nuclear programme and the military coup of General Zia in 1977. It merits a mention here that in May 1974, India secretly conducted its first underground atomic test when it detonated a nuclear device in an army base in Pokhran Test Range in the state of Rajasthan. Pakistan, which had already lost its one wing in the 1971 war, was forced to seek to develop its own nuclear bomb to counterbalance India's military capabilities. Because of factors such as the overthrowing of democracy and human rights abuses by the military regime of General Zia and the country's pursuit of nuclear arms, Pakistan became a pariah state. To prevent Pakistan from developing its nuclear enrichment programme, US Secretary of State Henry Kissinger visited Pakistan in August 1976 to persuade Islamabad to abandon its nuclear ambition. In a meeting with Prime Minster Zulfikar Ali Bhutto, Henry Kissinger used both a carrot and stick policy to convince Pakistan to disband its nuclear technology programme aimed at developing expertise in atomic weapons to offset the Indian threat. It has been reported that Kissinger threatened Bhutto that "we will make a horrible example of you" and added that "when the railroad is coming, you get out of the way" (Ali, 2008; Tirmazi, 1995). After failing to convince Islamabad to roll back its nuclear ambition, Kissinger visited Paris to stop France from supplying the required material for which it had struck a deal with Pakistan. Under US influence, France cancelled the deal in 1978, which was "a huge blow to Pakistan which, once again, complained that the West was singling it out" (Jones, 2002, p. 198). To punish Pakistan, the Carter administration imposed the Symington Amendment in April 1979, thus cutting off all economic and military aid to its once very close ally (Kronstadt, 2006; Paul, 1992). As a result, US

economic aid shrank further and remained low until 1982, when Pakistan became an important geo-strategic ally against the Soviet forces in Afghanistan. All these episodes of high and low aid to Pakistan illustrate how the US has used aid as a strategic tool and an arm of its foreign policy to win the allegiance of allies for accomplishing geo-strategic and security goals.

The year 1979: the fall of the Shah of Iran, the Soviet invasion of Afghanistan and US aid to Pakistan

The year 1979 brought some dramatic changes in US foreign aid policies towards Pakistan. Two events were instrumental in bringing this vivid shift in the US–Pakistan relationship. One was the Islamic Revolution in Iran, which deprived the US of one of its trusted allies in the region, the pro-US Shah of Iran. The second was the march of Soviet forces towards Kabul. The change of leadership in Iran and the Soviet invasion of Afghanistan in 1979 affected the strategic significance of Pakistan dramatically for the West and particularly for the US. The containment of communism was a global issue for a majority of capitalist Western countries, or the "free world" as it was referred to by the non-communist Western bloc during the Cold War period. Consequently, a U-turn was witnessed in the US attitude towards Pakistan. According to Thornton (1982, p. 969):

> Overnight, literally, the situation changed dramatically with the Soviet invasion of Afghanistan in December 1979. Pakistan, now a frontline state, became an essential line of defence and an indispensable element of any strategy that sought to punish the Soviets for their action.

Wriggins (1984) concurs that the Soviet invasion of Afghanistan dramatically transformed Pakistan's geo-political significance for the US. After the Soviet invasion, the US needed Pakistan's support to halt the march of Soviet forces within Afghanistan. Now Pakistan was perceived a frontline state ally against communism. In December 1979, within a few months of their imposition, Washington lifted all sanctions against Pakistan and resumed generous aid. By 1981, the US and Pakistan were discussing a US$3.2 billion aid package (Jones, 2002). Paul (1992) claims that by 1985, Pakistan became the fourth largest recipient of US bilateral military assistance, behind Israel, Egypt and Turkey. "With the approval of the $4.02 billion military and economic aid package in 1987, Pakistan emerged as the second largest recipient of American aid, after Israel" (Paul, 1992, p. 1084).

This is clear from the data in Table 2.4, which is also shown graphically in Figure 2.2, that the US not only allocated substantial economic aid in these years, but it also sanctioned huge military assistance and sold arms worth hundreds of millions of dollars. This decade stands in extraordinary contrast to the previous decade when ties between the two countries were mostly not very friendly and hence there was negligible US aid. After the above events, in 1981,

Table 2.4 US economic and military assistance and arms' sales to Pakistan during the Afghan War (US$ millions)

Year	*Economic aid (USA 2008 $, millions)*	*Military aid (USA 2008 $, millions)*	*Arms' sales (USA 2000 $, millions)*
1980	135.17	0.00	185.00
1981	161.44	0.00	33.00
1982	393.96	1.18	93.00
1983	525.24	491.41	250.00
1984	558.57	546.62	480.00
1985	597.1	573.76	549.00
1986	613.06	536.63	126.00
1987	589.26	525.79	90.00
1988	756.99	423.89	73.00
1989	550.88	361.26	651.00
1990	539.24	278.87	53.00

Sources: USAID (2018) and SIPRI (2018).

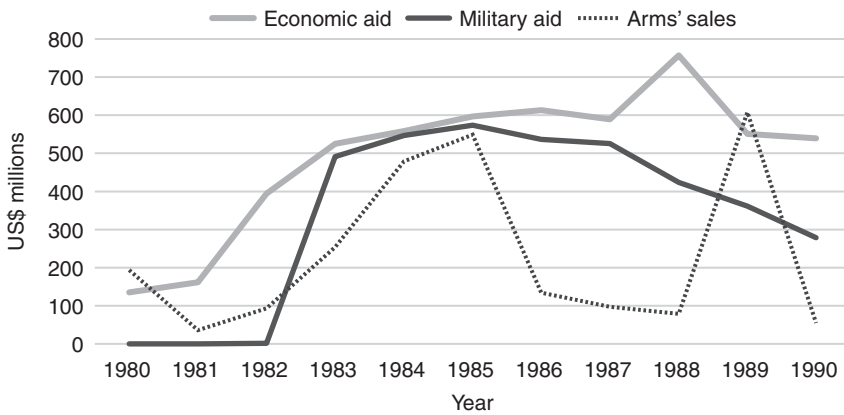

Figure 2.2 US economic and military aid and arms' sales to Pakistan during the Afghan War (1980s).

Sources: author, based on data obtained from USAID (2018) and SIPRI (2018).

Section 620E was added to the Foreign Assistance Act (FAA) of 1961, which specifically dealt with the provision of US economic and military aid to Pakistan during this period. The Act states that "assistance to Pakistan is intended to benefit the people of Pakistan by helping them meet the burdens imposed by the presence of Soviet forces in Afghanistan and by promoting economic development" (US Government, 2003, p. 314). In view of this, as is evident from the data in Table 2.4, that economic assistance shot from US$161 million in 1981 to US$393 million in 1982 and US$525 million in 1983, and it remained

over US$500 million a year throughout the 1980s. The case of military aid was similar; it was almost negligible throughout the 1970s, but it remained about US$500 million a year throughout the 1980s. Similar was the trend in US arms' sales to Pakistan during this period. All this is an indication that the US not only channelled huge military aid and sold arms worth hundreds of millions of dollars, but it also sanctioned massive economic assistance to further its foreign policy goals.

By the climax of the Cold War, staged as it was in the backyard of Pakistan, the US was no longer concerned with the lack of democracy, human rights violations and Pakistan's nuclear programme. As discussed earlier, Pakistan was under a military regime infamous for gross human right violations that continued throughout the rule of General Zia (1977–1988). An extract from the 1985 Amnesty International report depicts the following picture:

> Amnesty International continued to be concerned about the detention of prisoners of conscience. It is also concerned that hundreds of other political prisoners were tried before military courts whose procedures fell short of internationally accepted standards for a fair trial … The organization also received reports of the deaths of criminal suspects in police custody, allegedly due to torture.
>
> (Amnesty International, 1985, p. 233)

Against this backdrop, the US pretended that "in authorizing assistance to Pakistan, it is the intent of Congress to promote the expeditious restoration of full civil liberties and representative government in Pakistan" (US Government, 2003, p. 314). The reality is that US support led to prolonging the military regime in Pakistan and bolstered "its military's praetorian ambitions" (Haqqani, 2005, p. 324). Regarding Pakistan's pursuit of nuclear technology, in 1985 the Pressler Amendment was added to Section 620E of the Foreign Assistance Act of 1961 dealing with the provision of US economic and military aid to Pakistan. The amendment stated that "no military assistance shall be furnished to Pakistan and no military equipment or technology shall be sold or transferred to Pakistan" unless the US president certifies in writing each financial year that Pakistan has not developed a nuclear explosive device (US Government, 2003, pp. 315–316). After the addition of the above amendment to Section 620E, from 1985 to 1989, the US president certified every year in which aid was approved that "Pakistan does not have a nuclear explosive device and that U.S. assistance would reduce significantly the risk that Pakistan will possess a nuclear explosive device" (US Government, 2003, p. 315). The US authorities were aware that Pakistan had crossed the nuclear threshold and under various US laws could invoke sanctions. But because of their own foreign policy considerations vis-à-vis the USSR and Afghanistan, they turned a blind eye towards Pakistan's nuclear programme at that stage. After 1989, once the Soviet forces left Afghanistan, the US president did not issue certification, as a result of which US economic and military assistance as well as arms' sales to Pakistan were abruptly suspended.

Collapse of the USSR and US foreign aid to Pakistan

After the withdrawal of Soviet forces from Afghanistan in 1989, the US attitude changed towards Pakistan, which was its closest ally in the Afghan theatre. The country, a frontline US ally during the Afghan War that received billions of US dollars in economic and military aid, completely fell into disfavour on account of its nuclear programme soon after the war ended. With the collapse of the USSR when Pakistan's assistance was no longer required, the US president would no longer certify that Pakistan had no nuclear explosive device. Consequently, the Pakistan-centred Pressler Amendment was swung into action in 1990 and sanctions were imposed on all kinds of aid to Pakistan (Kux, 2001; Paul, 1992). With the imposition of the Pressler Amendment and accompanying sanctions, Pakistan was faced with a serious economic crisis. All channels of US aid to Pakistan were shut down in a short time. Cohen and Chollet (2007, p. 10) have appropriately noted that "what had once been one of the largest U.S. Agency for International Development (USAID) offices in the world, employing more than 1,000 staff around the country, shrank to almost nothing virtually overnight."

The enforcement of the Pressler Amendment not only resulted in the suspension of all kinds of aid, but it also precluded Pakistan to take possession of 28 F-16 aircrafts for which it had already made payments.[8] Pakistan had paid the Lockheed Corp. US$658 million for the purchase of these planes to bolster its air defence capabilities. It has been stated that Pakistan continued making payments based on Pentagon assurances that continued payments would ensure eventual delivery (Fair, 2011). The same author further adds that Pakistanis regularly cite this incident as further hard evidence of American perfidy to underscore the argument that Washington has not been a trustworthy ally. This whole episode was later regarded in hindsight, as stated by Robert Gates, the US Secretary of Defence, as a grave mistake driven by some well-intentioned but short-sighted US legislative and policy decisions (Gates, 2010). Thus, the US–Pakistan bilateral relationship dived to the level of indifference and covert hostility in the post-Cold War period of the 1990s.

The abrupt divorce proved extremely detrimental for the long-term foreign policy goals of both countries. It reinforced the dominant perception in Pakistan that "Washington embraced Pakistan when it judged it useful and then, like a used tissue, discarded it when it no longer required its assistance" (Huacuja, 2005, p. 68). According to Riedel (2012, p. 122), "sixty-three years of history [of US–Pakistan relationship] verify that America is an unreliable friend of Pakistan." Thus, on the one hand, abandoning Pakistan and imposing sanctions on it harmed the country financially and politically as Pakistan was faced with a serious financial crisis during this period. On the other hand, the disengagement also deprived the US of leverage it had on Pakistan's civilian and military leadership, which in the long run proved quite harmful for US interests in the region. A clear example is the rise of the Taliban in Afghanistan and the advent of al-Qaeda on Afghan soil – particularly the latter, which openly challenged the

US and targeted US interests where it could. In the post-Afghan War period, over 20 well-armed military groups, largely known as "jihadi" groups, were active in Pakistan, with a strong support base across the country and the patronage of the Pakistani security establishment (Abbas, 2005). Thus, it can be summed up that the US–Pakistan alienation during this period damaged the interests of both countries.

The 1998 nuclear tests and the 1999 military coup by General Musharraf further deteriorated bilateral relations and consequently US aid flows reduced to the lowest level ever. It is clear from the data in Table 2.4 and Appendix II that US economic aid lowered from well above US$500 million a year in the 1980s to less than US$100 million a year in the post-Cold War years of the 1990s. The fate of military assistance was no different, as it fell to almost nothing in these years. Overall, while the US sanctioned more than US$500 million annually in economic aid to Pakistan in the 1980s, in the entire next decade the country received a total of US$598 million in US economic aid (in constant 2008 US$). This was because Pakistan no longer had any geo-strategic significance for the US in the post-Cold War decade. There could be few starker examples where donors' aid allocation policies have witnessed such dramatic shifts on account of changing geo-strategic compulsions.

The post-9/11 period of the "war on terror" and US aid allocation

The events of September 11, 2001, and Washington's subsequent war against terrorism, changed the global political and security paradigm. In its so-called "war on terror", the US declared that either the nations of the world are with them or against them (Cohen & Chollet, 2007). On this basis, the US started to define countries categorically in terms of whether a country (such as Pakistan) is with the terrorists or with the US. As a result, new alliances came into existence and former friendly states became foes. Prior to 9/11, Pakistan was among a handful of countries (including Saudi Arabia and some other Gulf states) that had recognized the Taliban regime and had established diplomatic contacts with it. This was no longer the case after 9/11. The events "brought Pakistan to the center stage of global politics" (Yasmeen, 2003, p. 188) as Musharraf "was given a clear choice between the devil and the deep sea by the United States" (Murphy & Malik, 2009, p. 28). Consequently, Pakistan made a complete U-turn on its Afghan policy and once again became a frontline US ally, this time in the campaign against global terrorism. With the advent of the US-led "war on terror", terrorism filled the gap once occupied by communism as a grave threat to global peace and stability.

As a first step, President Musharraf transferred a number of high-ranking officials from the Inter-Services Intelligence (ISI), Pakistan's premier spy agency, to purge the organization of vehement Taliban sympathizers (Hussain, 2007). The author claims that 40 per cent of staff were reshuffled, including General Mahmood, head of the ISI and a close aide of Musharraf. Hussain (2007, p. 46)

has further argued that "the withdrawal of the ISI's support catalysed the swift fall of the Taliban regime" following the US invasion of Afghanistan. In addition to intelligence-sharing, Pakistan provided full logistic support by offering "military bases in Sindh and Baluchistan province to the US and these were soon overflowing with stockpiled arms and munitions for the war against Afghanistan" (Zaeef, 2010, p. 150). President Musharraf openly renounced extremism, banned a host of key "jihadi" groups, deployed over 100,000 army personnel along the 2,700-kilometre Pakistan–Afghanistan boundary to eliminate al-Qaeda and Taliban-linked militancy, and arrested hundreds of al-Qaeda suspects including numerous key operatives and handed them over to US authorities (Abbas, 2005; Hussain, 2011). Referring to the capture of numerous top-level al-Qaeda leadership and handing them over to US authorities, Musharraf (2006, p. 237) claims in his memoir that "we have captured 689 and handed over 369 to the United States". Because of all this, Musharraf was also on the hit list of al-Qaeda and indigenous "jihadi" groups and suffered two assassination attempts, but was fortunate to survive. On account of these factors, even critics like Grare (2007, p. 18) acknowledge that "Pakistan's cooperation against international terrorism is therefore real and sincere". However, there is also a dominant perception in some circles in the US that some elements in the Pakistani security establishment were still maintaining close ties with the Taliban.[9]

In the post-9/11 period, US foreign aid policies underwent some dramatic changes, and from this perspective the current US aid regime is a replay of the Cold War period, particularly in the context of Pakistan. Data in Table 2.5

Table 2.5 US economic aid, military aid and arms' sales to Pakistan in the "war on terror" period

Year	*Economic aid (US$ millions)*	*Military aid (US$ millions)*	*US arms' sales (US$ millions)*
2002	921.41	347.63	44
2003	371.75	304.18	24
2004	399.32	95.65	74
2005	482.47	341.41	171
2006	681.94	324.72	109
2007	678.8	319.37	395
2008	605.36	358.09	303
2009	930.7	505.22	146
2010	1,068.5	964.23	1,027
2011	349.4	690.53	269
2012	919.7	849.23	276
2013	640.5	361.13	151
2014	608.4	353.27	198
2015	561.3	343.2	73
2016	246.2	322.1	39
2017	223.4	303.2	21
Total	**9,689.15**	**6,783.16**	**3,320**

Sources: USAID (2018) and SIPRI (2018).

clearly shows that the US dramatically resumed substantial economic as well as military assistance to Pakistan in the post-9/11 period because of their alliance in the "war on terror". The US not only restarted economic aid to Pakistan but it also resumed military assistance as well as arms' sales. It is interesting to note that in the entire 1990s, the US allocated only US$598 million in economic aid, mostly in humanitarian assistance through certain non-governmental organizations (NGOs). Military aid was a mere US$7 million and arms' sales US$449 million over the ten-year period – a considerable proportion of it was in 1996 and 1997 after the Brown Amendment in 1995 gave a one-time waiver. In comparison with this, the US has channelled US$9,689 million in economic assistance and US$6,783 million in military aid, in addition to arms' sales worth US$3,320 million, to Pakistan since 2002 after it agreed to play the role of a frontline ally against terrorism. These trends are also clearly visible in Figure 2.3. The figure also illustrates the apparent causal relationships among the three types of flows (consisting of US economic and military aid and arms' sales), which show that an increase in the one has led to an increase in the others. This implies that as in the case of the provision of military aid and arms' sales, the US has strictly linked the allocation of economic aid to geo-strategic, security and political urgencies. When US geo-strategic interests are at stake (as in most of the Cold War period and in the 1980s Afghan War), the US is likely to allocate more aid irrespective of poverty needs and democracy and human rights performance of the aid recipients. Contrary to this, if a country is not deemed vital to safeguard and promote US interests, it is unlikely for it to obtain US aid, regardless of the fact that the country in question has a nascent democracy which needs to be strengthened rather than undermined (as in the 1990s in the case of Pakistan).

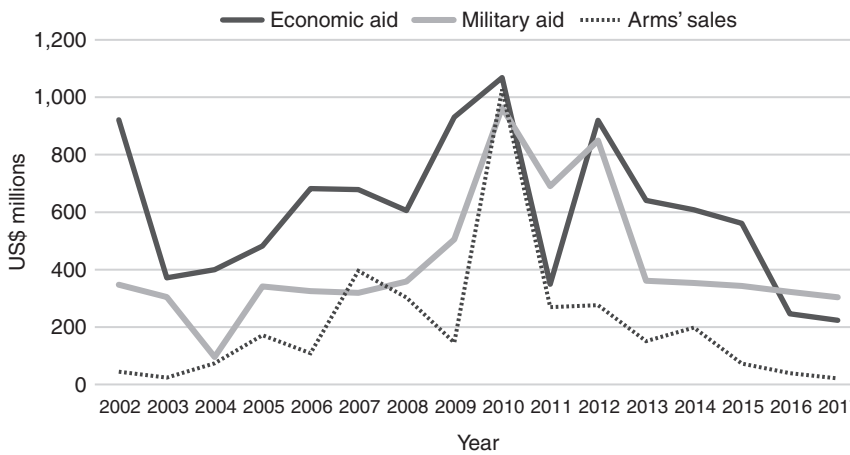

Figure 2.3 US economic aid, military aid and arms' sales to Pakistan in the "war on terror" period.

Source: author, based on data obtained from USAID (2018) and SIPRI (2018).

Besides substantial economic and military aid, the US has also provided considerable aid in other forms. One of the key types of assistance in this category is the Coalition Support Fund (CSF). With the advent of the "war on terror", at the request of the Bush administration, the US Congress started appropriating billions of dollars to reimburse close allies for their logistic and operational support to US-led counterterrorism actions. According to the US Department of Defense, the CSF is a programme to reimburse allies for logistic, military and other expenses incurred in backing up US military operations in the "war on terror". The US Department of Defense has stated that from 2001 to 2008, "the United States has reimbursed Pakistan approximately US$5.6 billion for operations in support of Operation Enduring Freedom" (US Department of Defense, 2008, p. 18). The report further adds that "Pakistan is a key ally in the War on Terror, regularly engaging enemy forces, arresting and killing Taliban and al Qaeda forces and rendering significant support to U.S. forces operating in Afghanistan" (US Department of Defense, 2008, p. 18). As the overall US–Pakistan relationship and their alliance in the "war on terror" was largely free of suspicion at that stage, the US Department of Defense report also acknowledged the important role the Pakistani military was playing as well as the sacrifices it was making in the fight against al-Qaeda and the Taliban. In this context, the report mentions that "Pakistan has 120,000 troops in the border region (with Afghanistan) and has suffered over 1,400 deaths of military and security forces personnel since 9/11" (US Department of Defense, 2008, p. 18).[10] In view of this, the US reimbursed Pakistan for most of the costs it incurred in carrying out counterterrorism operations in the tribal belt of the country bordering Afghanistan.

As per the latest figures shown in Table 2.6, since 2002 Pakistan has been reimbursed over US$14,573 million via the CSF. This amount also equals

Table 2.6 Coalition Support Fund (CSF) to Pakistan during the "war on terror" period

Year	*Amount (in US$ millions)*
2002	1,169
2003	1,247
2004	705
2005	964
2006	862
2007	731
2008	1,019
2009	685
2010	1,499
2011	1,118
2012	688
2013	1,438
2014	1,198
2015	700
2016	550
Total	**14,573**

Sources: Ali, Banks, and Parsons (2015) and Kronstadt and Epstein (2018).

roughly one-fifth to one-quarter of Pakistan's total military expenditure during these year (Epstein & Kronstadt, 2013). Also, it has been stated that nearly all reimbursed funds have been for Pakistan Army expenses while Pakistan Navy and Air Force expenses account for only about 2 per cent of claims received under the CSF head. Thus, all this amount is in addition to economic and military assistance provided to Pakistan, which has already been discussed. The reimbursement process of funds under the CSF is quite rigorous, as Pakistan first spends this money for food, ammunition and transportation; all the expenses and bills are approved after due process of verification by the US Department of Defense.

Overall, the US–Pakistan alliance and subsequent aid allocation in the "war on terror" period illustrates that in this era the predominant influence over the policy and practice of aid-giving is the threat of terrorism. In this respect, this period has a lot of parallels with the Cold War years. In the Cold War period, as Jentleson (2003, p. 133) has put it, the overarching goal of the provision of aid was "anything but communism", or ABC. This was not only in the case of the US, but, as discussed in Chapter 1, with varying degrees most Western donors followed this policy in the Cold War era. Today the principal objective of US aid to Pakistan is not ABC, but ABT, or "anything but terrorism" (Jentleson, 2003). Hence, Pakistan, which was a pariah state for the US during the 1990s, became a paladin against the menace of terrorism and once again emerged as one of the largest recipients of US aid – not because it became needier or more eligible overnight, but because military ruler General Musharraf, like General Zia in 1979, eagerly joined the US-led global war against terrorism.

Recurring rifts in the alliance: US aid from Kerry–Lugar through Raymond Davis and Osama bin Laden to Mike Mullen and Trump

In relation to the provision of US aid to Pakistan, various significant developments have taken place during the course of their current troubled alliance in the "war on terror" period. Although the US has been allocating substantial aid in different forms, the two allies have not always had a smooth relationship, as several issues severely threatened their ties from time to time. It is important to discuss those key issues as these are relevant to the question of "politics of US aid to Pakistan". Among various ups and downs during the last two decades, the key issue affecting the US–Pakistan alliance was accusations of a double game and Pakistan's reluctance to target the Afghan Taliban inside Pakistani territory. While these kinds of accusations were heard from time to time during the course of their current alliance, these became louder following the killing of Osama bin Laden in Pakistan in May 2011, and then reiterated by none other than the then Joint Chiefs of Staff Admiral Mike Mullen before a US Senate panel. These two events, along with the Salala incident (a Pakistani checkpoint attacked by US helicopters in the border area), are discussed in some detail below, and illustrate that the US–Pakistan alliance is fraught with suspicion and mutual distrust.

Before going into the detail of the Osama bin Laden incident and its implications for the US–Pakistan relationship, it is highly relevant to narrate another significant event and the way it strained bilateral ties between the two countries. On January 27, 2011, a US national, Raymond Davis, shot dead two Pakistanis on a busy road in broad daylight in Lahore, the capital of Punjab and the second largest city of the country. After pumping five rounds into each of his victims, Davis "calmly stepped out of his car to take photos of the corpses with his cell phone camera" (Markey, 2013, p. 136). After getting back into his car and trying to escape the scene, police arrested him at the traffic roundabout minutes later. Markey (2013, p. 136) has appropriately stated that "the situation quickly went from bad to worse" when another Pakistani citizen was run over and killed by an unlicensed US Consulate car that was coming to the rescue of the killer. In his desperation to reach Davis, "the unlicensed American vehicle drove up the wrong side of the busy street, slammed into an oncoming Pakistani motorcyclist and left him dead" (Markey, 2013, p. 136). The driver left the site of the incident, gained anonymity in the US Consulate and was never heard of again. After his arrest, Raymond Davis claimed that he had fired in self-defence as the two deceased persons riding a motorbike were about to rob him at gun point (Stein, 2011; US Embassy Islamabad, 2011b). Police presented Raymond Davis before the court of law and asked the US Consulate to hand over the driver of the car that had killed an innocent Pakistani in a clear violation of the one-way traffic rule.

On January 28, the US Embassy in Islamabad issued a press release stating that a staff member of the US Consulate General in Lahore was involved in an incident, which regrettably resulted in the loss of life, and that the US Embassy was working with Pakistani authorities to determine the facts and work towards a resolution (US Embassy Islamabad, 2011a). The next day, the US Embassy changed or refined its earlier stance.[11] The press release claimed that the arrested American was a diplomat assigned to the US Embassy in Islamabad (US Embassy Islamabad, 2011b). It asked Pakistan to release him from illegal detention as he was entitled to diplomatic immunity under the Vienna Convention on Diplomatic Relations 1961.

The Davis incident created an unprecedented uproar in Pakistan. The US–Pakistan alliance was facing another litmus test. The US's plea of Raymond Davis's self-defence as well as his diplomatic immunity was questioned in electronic and print media, both nationally as well as internationally. The American Broadcasting Company (ABC), a well-known US media network, revealed in an investigative report that the arrested killer was an employee of Hyperion Protective Consultants, a Florida-based private security company (Cole, Radia, & Ferran, 2011). Sections of the Pakistani media reported that a global positioning system (GPS), a digital camera with pictures of sensitive places, mobile phones, face masks and more than 80 bullets were recovered from Davis (Abbasi, 2011; Wahab, 2011). The matter of his identity was further obscured by the US State Department, which denied his real name was Raymond Davis. It is relevant to quote an extract from the *Daily Telegraph*, which shows the murky nature and identity of Davis's job:

> And for America, the case risks revealing many awkward truths. Who exactly is Raymond Davis, described by the US as a member of "technical and administrative staff"? What sort of "diplomat" carries a weapon? What was he doing driving alone through Lahore? Was he actually working for a private military contractor, Hyperion? Was he meeting an informer?
>
> (Crilly, 2011)

Thus, the media and Pakistani opposition politicians alleged that US secret agents and spies like Raymond Davis were behind the deteriorating law and order situation in the country and demanded the government punish him according to Pakistani laws. At the same time, junior officials in the US administration as well as President Obama himself stepped up pressure on Pakistan to release their "diplomat".[12] Both internally as well as externally, the Pakistani government was under severe pressure: whether to release Davis and please the Americans or retain him and placate countrywide protesters demanding execution of the killer.

The relevance of this whole episode to this book is that it created a severe deadlock and diplomatic tussle between Washington and Islamabad and put the long-term US aid commitment at risk. The US administration threatened to stop aid to Pakistan if the accused killer was not released. Upon arrival in Washington after holding talks with Pakistani authorities, including a meeting with Prime Minister Yousaf Raza Gilani, three senior US Congressmen warned that the detention of Raymond Davis could lead to the curtailment of aid to Pakistan (Baabar, 2011; Iqbal, 2011). It was pointed out that if a bill was presented in Congress to bring an amendment to the law dealing with the allocation of US aid to Pakistan, there would be enough support to modify it. Less than a week later, John Kerry, the influential US senator behind the Kerry–Lugar Bill, also visited Pakistan to talk to authorities regarding the issue of Raymond Davis. He also indicated that some senators could move a bill in the Senate for cutting off aid to Pakistan if Washington and Islamabad failed to resolve the matter amicably (Dogar, 2011).

The US threat of the curtailment of aid on the Raymond Davis issue made it explicitly clear, if it was already not obvious, that aid to Pakistan was linked with the country's compliance to do Washington's bidding in the "war on terror". Thus, in a short time the so-called close alliance in the "war on terror" proved more a typical donor–recipient aid relationship rather than a multi-dimensional long-standing strategic partnership. At the same time, this episode also reinforced the common perception of the majority of Pakistanis that, as in the 1990s when the US imposed sanctions on Pakistan after its geo-political significance dwindled with the demise of the USSR, the US may again abandon Pakistan once its geo-strategic mission in Afghanistan is accomplished. In the course of my fieldwork in Pakistan for conducting interviews for this book in 2009 and then again in 2014, a wide range of interviewees consisting of high-ranking government officials as well as academics and members of think tanks expressed similar apprehension regarding long-term US aid dealings with

Pakistan. Even people belonging to the upper echelons of power, such as a former Minister of State for Finance, expressed a similar concern about the volatility of US aid. The grandson of former president General Ayub (in office from 1958 to 1969), who himself was a close US ally under SEATO and CENTO, told me during an interview in Islamabad:

> Going by our relations in the past, we cannot trust the US. We should be prepared that US aid can be curtailed any time when their objectives are accomplished. We should not be very optimistic and confident about its availability and continuation for a long time.
>
> (Personal communication, July 2009)

However, this apprehension and perception about the unpredictability of US aid or the unreliability of the US as a long-term ally of Pakistan should have been allayed by the Kerry–Lugar Bill. In fact, it did so for a while, because tripling civilian aid under this initiative was considered a visible indication of a long-term US engagement with Pakistan. Even the Act itself mentioned that the US aid commitment to Pakistan will go beyond 2014. It stated:

> It is the sense of Congress that, subject to an improving political and economic climate in Pakistan, there should be authorized to be appropriated up to $1,500,000,000 for each of the fiscal years 2015 through 2019 for the purpose of providing assistance to Pakistan under the Foreign Assistance Act of 1961.
>
> (Enhanced Partnership with Pakistan Act of 2009, p. 24)

Against this backdrop, during her fifth visit to Pakistan in October 2009 and her first as the US Secretary of State, Hillary Clinton stated at a press conference in Islamabad along with her Pakistani counterpart that she was there to "turn a new page" in the US–Pakistan relationship (Baabar, 2009). She told reporters that terrorism remained a very high priority but the US also recognized that it was imperative to broaden their engagement with Pakistan and help the country in terms of economic challenges: to help in the creation of jobs, improvement of infrastructure, education, healthcare and energy sectors.

When the bill was passed, I was in Pakistan for the collection of data and I was also interviewed by the Voice of America (VOA) radio service. I was of the opinion that this move is a strong signal of a durable US commitment to the development of Pakistan and it must be acknowledged and appreciated, particularly at a time of severe global financial crisis. The bill aimed "to build mutual trust and confidence by actively and consistently pursuing a sustained, long-term, multifaceted relationship between the two countries, devoted to strengthening the mutual security, stability, and prosperity of both countries" (Enhanced Partnership with Pakistan Act of 2009, 2009). While the government welcomed the aid package, opposition politicians and the military establishment expressed reservations over the attached strings concerning Pakistan's role in the "war on

terror".[13] Following the arrest of Raymond Davis involved in a double murder case and the US threat of an amendment to the bill to cease aid to Pakistan over this issue underlined that those very senators who passed the law can also reverse it for the sake of a "diplomat", who the US administration was aware was not a "diplomat" at all.[14] Fortunately for some and unfortunately for others, the Raymond Davis case was resolved, though in an unprecedented haste after so-called "blood money" was paid to the heirs of the victims as per Islamic laws. And in Pakistan, countrywide anti-US and anti-government demonstrations followed his release as opposition politicians and the media accused the government of bowing to US pressure and trading the country's sovereignty by freeing the double murder accused for blood money (Miller & Hussain, 2011). It is relevant to quote Abdul Salam Zaeef, former ambassador of Afghanistan to Pakistan during the Taliban regime. Referring to servility and compliance of Pakistan's military and political leadership, he has written in his autobiography that among the Guantanamo prisoners, Pakistan was known as "Majbooristan, the land that is obliged to fulfil each of America's demands" (Zaeef, 2010, p. 202). Though the Raymond Davis issue increased the trust deficit between Washington and Islamabad for a while, ultimately the strategic partnership and long-term US aid commitment to Pakistan stayed intact.

However, the discovery and killing of Osama bin Laden in a compound in the garrison city of Abbottabad, hardly a couple of kilometres away from the country's prestigious Pakistan Military Academy (PMA), created a vast fissure between Washington and Islamabad as the relationship once again touched the lowest possible level since the events of 9/11. Such was the level of mistrust between the two allies that the US did not share any kind of prior information with Pakistan concerning the May 2, 2011 midnight operation in which the al-Qaeda chief was killed. There was a similar repetition of statements after the bin Laden saga, but the scale and intensity were much higher. On the second day after the incident, several US senators once again raised the issue in a congressional session and asked that US aid to Pakistan be suspended immediately (Chaddock, 2011). The US lawmakers, both Democrats and Republicans, questioned the willingness and allegiance of Pakistan in the fight against al-Qaeda and asked that no assistance should be given before Pakistan shows a strong commitment in the war against terror. The threats of the curtailment of aid were once again followed by US officials' visits to Pakistan, including John Kerry. For domestic public consumption, as in the case of Raymond Davis, Pakistan also showed resentment that the US violated the country's sovereignty through the unilateral military action inside Pakistan's territory. Thus, there was much furore from both sides, but more so from the US, who alleged that some elements within Pakistan's government machinery, particularly in the military, must have been aware of bin Laden's presence in Abbottabad. To build more pressure on Pakistan, a group of US senators wrote a letter to the US Secretary of State and Defense Secretary to review aid to Pakistan (BBC News, 2011c). All the threats were followed by a joint press conference by Robert Gates, US Defense Secretary, and Mike Mullen, Chairman of the Joint Chiefs of Staff.

They clearly stated that there was no evidence that Pakistan knew of bin Laden and that US aid to Pakistan should continue as the US has considerable interests in that country (US Department of Defense, 2011).

In the post-bin Laden period, the cordiality of the US–Pakistan alliance swiftly diminished. Pakistan's premier spy agency arrested some of the informants working for the CIA, including a Pakistani Army major, who had assisted the US for months in carrying out the hunt for bin Laden (Schmitt & Mazzetti, 2011). While this move annoyed Washington, the US was further angered by Pakistan's expulsion of more than a hundred US military trainers and refusal of visas to new officers, primarily aimed at regaining the lost ego bruised by the bin Laden fiasco. Consequently, in July 2011, the US suspended about US$800 million in military aid, US$300 million of which was to reimburse Pakistan for some of the costs incurred in carrying out combat operations and the rest was for military training and hardware (Schmitt & Perlez, 2011). Similarly, in May 2012, Dr Shakil Afridi, a physician who had worked for the CIA to collect DNA samples near bin Laden's compound in a fake vaccination campaign, was convicted by a Pakistani court of treason and jailed for 33 years. Again, several US Congress representatives reacted and strongly approved an amendment to the FY2013 State and Foreign Operations Appropriations Bill that resulted in withholding US$33 million ($1 million for each year of the sentence) of the sanctioned US military aid to Pakistan (Epstein & Kronstadt, 2013). In addition, several members of Congress once again asked for a complete termination of all kinds of foreign assistance to Pakistan until the charges were dropped and Afridi released. Because of these developments, the US–Pakistan relationship was constantly on decline. As a result, as data in Figure 2.3 and Table 2.5 illustrates, US economic and military assistance as well as arms' sales also gradually decreased.

Another serious blow to the alliance came in the wake of the statement by Mike Mullen regarding Pakistan's links with the Taliban. Less than a week before his retirement on September 22, 2011, Admiral Mike Mullen, Joint Chiefs of Staff, accused Pakistan's ISI of supporting the Haqqani network in Afghanistan (BBC News, 2011b). Appearing before the Senate panel, the most senior US military officer alleged that Pakistan's spy agency had assisted the Haqqani group in carrying out the attack on the US embassy in Kabul earlier that month. Pakistan took strong offence to Mullen's remarks and asked Washington to stop scapegoating Islamabad for its own failures in Afghanistan. Once again, the Senate panel voted for linking the provision of both US economic as well as military assistance to Pakistan's willingness to fight militants, including the Haqqani network (*News International*, 2011a). In response, Prime Minister Gilani convened the All Parties Conference, which issued a joint resolution and refuted all US allegations regarding the Haqqani network and sought to revisit Pakistan's policy towards the "war on terror" (*Express Tribune*, 2011a). Even former president Musharraf, the closest US ally, termed Mullen's statement as irresponsible and stated that the US was using Pakistan as a scapegoat for their failures in Afghanistan (*Express Tribune*, 2011b). A few days later, Siraj Haqqani, the leader of the Haqqani network, told the BBC Pashto service that

his network had no links with Pakistan's spy agency, the ISI (BBC News, 2011a). He added that during the Soviet occupation of the 1980s, they had contacts with the intelligence agencies of Pakistan as well as other countries, but all these have ended with the US invasion.

Another significant incident, known as the Salala incident or Salala attack, took place in late 2011 and once again jolted the alliance. On Saturday, November 26 2011, US-led NATO forces fired on two military checkpoints manned by Pakistani security forces. The US forces had intruded about two kilometres into Pakistan's border area of Salala in Mohmand Agency at 2 a.m. local time from across the border in Afghanistan and opened fire at two border checkpoints, killing up to 24 Pakistani soldiers and wounding 13 others. Pakistan was outraged by the attack and masses reacted with nationwide protests. While the US offered condolences over the loss of lives, Pakistan's demand for an official apology was not granted. In response, Pakistan asked that Shamsi Airfield be vacated and the NATO supply routes passing through the country be closed. In addition, Pakistan also boycotted the Second Bonn Conference on Afghanistan held in Bonn, Germany on December 5, 2011. The US–Pakistan alliance touched its lowest point and relations were on the brink of collapse. The NATO supply routes remained closed for seven months. Finally, when the Obama administration offered a formal apology for the deaths of Pakistani troops, Pakistan reopened NATO supply lines. Also, it was reported that the reopening of NATO supply lines would bring the country US$365 million annually in additional transit fees (*Express Tribune*, 2012). This incident was once again a grim reminder that the US–Pakistan long-term strategic partnership and alliance was more a relationship of convenience motivated by short-term foreign policy and geo-strategic goals.

The preceding discussion illustrates that the US continues to manoeuvre aid to promote and pursue its geo-strategic and security interests in Pakistan. This is one of the main themes of this study: the allocation of US development aid to Pakistan is intrinsically political, driven by US geo-strategic and security goals. During the Cold War period, the main motivation was the containment of communism, and currently the overarching determinant of US aid-giving to Pakistan is the "war on terror". This has also been clearly pronounced in various US National Security Strategy documents. For example, in the first National Security Strategy of the Obama administration unveiled in 2010, the document stated that the US will provide assistance to Pakistan "as part of a broader campaign to disrupt, dismantle and defeat al-Qaeda and its violent extremist affiliates" (White House, 2010, p. 8). In the said policy document, the word "al-Qaeda" was used 25 times, Afghanistan 20 times and Pakistan 15 times. It mentioned that the US "will foster a relationship with Pakistan founded upon mutual interests and mutual respect" (White House, 2010, p. 21). Similarly, the document further stated that the US would "provide substantial assistance responsive to the needs of the Pakistani people, and sustain a long-term partnership committed to Pakistan's future" (White House, 2010, p. 21). One peculiar characteristic of the new US approach towards Pakistan was broadening the overall relationship beyond security ties to a multidimensional long-term engagement.

With the passage of time the US–Pakistan relationship deteriorated gradually on account of several issues and incidents discussed earlier in some detail. Although, despite these events, the 2015 National Security Strategy, the last such policy document issued by the Obama administration, used words and phrases not detrimental to the spirit of a mutual US–Pakistan partnership and cooperation in the fight against terrorism. For example, the policy document stated that the US will work with Pakistan "to mitigate the threat from terrorism and to support a viable peace and reconciliation process to end the violence in Afghanistan and improve regional stability" (White House, 2015, p. 10). Similarly, there was still a kind of balanced approach towards the South Asian region, as the document mentioned that the US "will continue to work with both India and Pakistan to promote strategic stability, combat terrorism, and advance regional economic integration in South and Central Asia" (White House, 2015, p. 25). However, to say that all was going well with US–Pakistan bilateral ties is perhaps denying the fundamental divergent interests, particularly Pakistan's alleged support to the Haqqani network, which is considered to be behind some of the deadliest attacks in Afghanistan in recent times. The rise of unprecedented violence in Afghanistan in recent years has led to severe pressure on Pakistan to take decisive action against the Haqqani network. For example, 2016 and 2017 were the most deadly years of Taliban-led insurgency in Afghanistan, where thousands of people were killed and injured in bomb blasts and suicide attacks on both security forces as well as civilian population. According to a recent report of the UN Assistance Mission in Afghanistan (UNAMA), between January 1 and December 31, 2017, there were 10,453 civilian casualties, including 3,438 deaths and 7,015 people injured (United Nations Assistance Mission in Afghanistan, 2018). The report further adds that between January 1, 2009 and December 31, 2017, the armed conflict in Afghanistan claimed the lives of 28,291 civilians and injured 52,366 others (United Nations Assistance Mission in Afghanistan, 2018).

It was in view of all this that the new US National Security Strategy and the first such policy document under the Trump administration used a different tone and tenor regarding Pakistan. There is now a clear shift from his predecessors concerning US aid to Pakistan as well as overall US policy towards its troubled South Asian ally. The National Security Strategy has plainly stated that the US "continues to face threats from transnational terrorists and militants operating from within Pakistan … we will insist that Pakistan take decisive action against militant and terrorist groups operating from its soil" (White House, 2017, p. 50). The policy document also maintained that Pakistan must change its destabilizing behaviour concerning Afghanistan and intensify its military offensives against terrorists of all types. Even before the launch of the new National Security Strategy, President Trump had warned Pakistan to change its behaviour or face action, including cutting off security and economic aid. For example, in his first formal address to the nation as Commander-in-Chief at Fort Myer on August 22, 2017, President Trump stated that Pakistan has provided safe havens to "agents of chaos, violence and terror" and the US would no longer be silent about Pakistan's safe havens for terrorist organizations and groups that pose a grave threat

to the region and beyond. So it was this line of thinking that was developing gradually and expressed explicitly in the new US National Security Strategy under the Trump administration. All this culminated in a scathing New Year tweet by President Trump and subsequent suspension of military aid to Pakistan. President Trump was at his Mar-a-Lago resort in Florida when, at 7:12 a.m. on January 1, 2018, he posted the following tweet about US aid to Pakistan:

> The United States has foolishly given Pakistan more than 33 billion dollars in aid over the last 15 years, and they have given us nothing but lies & deceit, thinking of our leaders as fools. They give safe haven to the terrorists we hunt in Afghanistan, with little help. No more!

The tweet created a kind of a storm in the power corridors in Pakistan where, in a rare public rebuke, US Ambassador David Hale was summoned to the foreign office to explain the president's comments. Then Foreign Minister of Pakistan Khawaja Asif replied: "we will respond to President Trump's tweet shortly … Will let the world know the truth … difference between facts & fiction." He also stated that the US behaves towards Pakistan as "a friend who always betrays".

Following the war of words that continued for quite some time, the Trump administration announced the suspension of all forms of security assistance to Pakistan. According to US officials, the administration stopped security assistance worth approximately US$2 billion, consisting of over US$255 million in military aid and the rest in the form of CSF reimbursement to Pakistan to cover the cost of its counterterrorism operations (Manson & Bokhari, 2018). The suspension, however, does not include economic/civilian aid to the country. There was speculation that the US move could prompt Islamabad to shut down supply routes used by the US for its troops in Afghanistan, as it had previously done in 2011 after the Salala incident. However, Pakistan did not react in haste and instead responded that it will continue its counterterrorism efforts from its own resources. Pakistan's ambassador to the US, Aizaz Chaudhry, stated that the war against terrorism had cost the country over US$120 billion during the last 15 years and that Pakistan had fought it largely from its own resources. He added that "diplomacy of deadlines and redlines" was counterproductive in combating common terror threats and in accomplishing joint security and strategic goals (Manson & Bokhari, 2018).

Following aid cuts as well as further warnings from the US, Pakistan also responded that it was not dependent on US aid, which was already on the decline, and that China had now become the largest provider of economic assistance to the country instead of the US. It is true that, following Chinese President Xi Jinping's grand vision of the Belt and Road Initiative (BRI), Pakistan has been able to attract unprecedented investment from China in the form of the China–Pakistan Economic Corridor (CPEC). The corridor is a blend of an investment-loan-grant model of over US$46 billion and contains numerous projects aimed at building energy and communication infrastructure and developing industrial zones. However, to say that China can address all or most of the

country's economic woes is unrealistic. Also, it must be clarified that while most US economic and military aid has been in the form of grants, there is no such liberty and generosity in the case of development financing from China.

Current status of US–Pakistan ties

Like other several incidents and issues that have continued to affect the US–Pakistan relationship from time to time during the course of the current troubled alliance, the Trump tweet and subsequent suspension of security assistance once again reignited the issue of US aid to Pakistan and its political and developmental implications for the country. In Pakistan, a burning debate surfaced on whether Trump was factually correct about the overall volume of aid and whether Pakistan has not given immense human and financial sacrifices in the campaign against terrorism. As this chapter has illustrated, there is no doubt that the US has provided substantial economic and military aid to Pakistan, not only since 2002, but also during the last six decades or more, though there have been several intervals of negligible aid owing to the US's diminishing geo-strategic interests in the country. As is clearly visible from the data given in Tables 2.5 and 2.6, during the ongoing war on terror the US has provided substantial economic and military aid to Pakistan as well as financial assistance in other forms, including the CSF. Overall, Pakistan has been reimbursed more than US$14 billion under the CSF. As a result, Trump's claim is factually correct. But it would be conceptually incorrect to categorize all this amount as "aid". As mentioned earlier, the reimbursement process under the CSF is quite rigorous, as relevant Pakistani authorities first spend this money on food, ammunition, transportation and all the expenses and bills are approved after a due process of audits and verification by the US Department of Defense. Hence, although the CSF has been instrumental in enabling Pakistani security forces to carry out a number of counterterrorism operations against different terrorist and insurgent groups, it seems difficult to categorize this as "aid" because it is actually the amount spent by Pakistani authorities to support US counterinsurgency efforts. In this sense, it could also be said to have enabled both countries to work towards joint security and strategic objectives related to the war against terrorism.

Let's consider the second aspect of Trump's tweet: that Pakistan has fooled the American leadership in the "war on terror". As the previous section illustrated, the US has several complaints, grievances and accusations – and some of these could be valid. However, it is disingenuous to say that Pakistan has not reciprocated US "generosity". As soon as the US embraced military ruler General Musharraf and restarted aid to his regime, he also made full efforts to appease the US administration. As Hussain (2007) has narrated in his book *Frontline Pakistan: The struggle with militant Islam*, Musharraf transferred quite a few forces assigned to the ISI, including a number of high-ranking officers, to ensure that no pro-Taliban elements remained. Similarly, along with intelligence support, Pakistan gave full logistical support. It is relevant to recall that during

the First Gulf War, when Turkey allowed the US to use its soil in the military campaign against Iraq, Robins (2003, p. 17) asserted that "few countries in the region actually took the security risks that Ankara did". This can precisely be said of what Pakistan did for the US, which led to enormous internal repercussions and instability.

Thus, to a large extent the US has been able to win the allegiance of Pakistan's civil and military leadership. Whether it was the Raymond Davis incident or unabated drone strikes inside Pakistan to target terrorists which also resulted in the killing of a large number of civilians – as revealed by the whistleblower website WikiLeaks – the US had acquired the tacit consent of the Pakistani leadership, regardless of their public denunciation to win domestic support. A number of documents released by WikiLeaks revealed that the US exercised an enormous amount of leverage and influenced decision-making in the country's military and political affairs. To be fair, whether there are men in uniform or a civil leadership at the helm, a pro-US approach to foreign policy-making, particularly with regard to the war on terror, has been in vogue. For instance, in a meeting in May 2008 with a US congressional delegation, former President Zardari ensured that Pakistan would consult America on all matters. Former Prime Minister Nawaz Sharif had also assured the US that he was pro-American despite his often publicly critical stance on the country's policies, particularly the drone attacks in Pakistan (*Guardian*, 2010b). According to these cables, the positions taken by former Prime Minister Yousaf Raza Gilani and former Chief of the Army Staff (COAS) General Ashfaq Parvez Kayani towards the US were broadly similar. Hence, although the US may not have been fully successful in achieving all its objectives, the fact remains that it has enormous influence in the internal decision-making in the country. In view of this, if the US has provided substantial economic and military aid to Pakistan, it has also won the loyalty of the Pakistani leadership to safeguard its geo-strategic interests related to the war on terror.

Keeping in view the overall relationship and the prevalence of several divergent issues and conflicting interests, it is still hard to assume that ties between the two countries could completely collapse. Neither of the two partners could bear the cost of divorce, as despite some diverging interests, there are also converging interests related to terrorism and peace and stability in the region. Riedel (2012, p. 144) has aptly stated that the two countries can transform the "deadly embrace into a union of minds with a common purpose: to defeat the jihad monster". Hence, it was in this context that one of the cables sent by the US Embassy in Islamabad pointed out that the relationship is one of co-dependency. One US official appropriately asserted that Pakistan is aware that the US cannot afford to walk away and the US also knows it is difficult for Pakistan to survive without its support, be it bilateral economic and security assistance or its influence in the IMF and World Bank (*Guardian*, 2010a). While this could be the case, there is also the problem of too much expectation from each other. The US might have thought that after the fall of the Taliban regime in Afghanistan it has won the war, but it was the other way round, and the US continues to get

embroiled in a war that is still far from over. It is in this context that Pakistan has been complaining that the US is making it a scapegoat of its own failures in the Afghan War. That is why Pakistan's former ambassador to the US, Haqqani (2013, p. 6), has argued that "the relationship between the United States and Pakistan is a tale of exaggerated expectations, broken promises, and disastrous misunderstandings". Similarly, Riedel (2012, p. 123) asserts that "Pakistanis and Americans have entirely different narratives about their bilateral relationship. Pakistan speaks of America's continual betrayal, of America promising much and delivering little. America finds Pakistan duplicitous, saying one thing and doing another." In view of this, a more candid dialogue and realistic partnership between Washington and Islamabad could reduce both the level of hostility as well as the baggage of undue expectations of each other.

There are lessons for both countries to learn from their relationship. While economic aid can help in poverty alleviation and provide much-needed capital for specific social sectors and security assistance helps the military to modernize its weaponry, aid in general also compromises the sovereignty of aid-receiving countries. Pakistan's aid relationship with the US illustrates that when Pakistan was provided with more aid, the US had considerable leverage over it. In periods of little or no aid, the US had little influence over policy-making in the country. The 1990s is a glaring example of this. While Pakistan was a pariah state for the US, the latter was also unsuccessful in stopping the former from conducting nuclear tests. At that time of no aid, all US temptations and threats failed to win or coerce Pakistan. In addition, the desertion during that period had also made the US ineffective, as Pakistan had allegedly developed nuclear links with countries such as Iran, Libya and North Korea. The emergence of the Taliban in Afghanistan is, of course, another lesson that the US should learn from the total abandonment of Pakistan. Thus, there is no doubt that both partners have paid a price for the divorce.

In view of the status of bilateral relationship following somewhat hostile statements from both sides, there is also a "damage control" agenda in action behind the scenes. According to various media reports, officials from both countries have remained engaged in diplomatic efforts to listen to each other and address their respective concerns. The thorniest issue is the Haqqani network, which the US asserts is based in Pakistan's tribal belt bordering Afghanistan, while Pakistani authorities deny their existence on Pakistani soil. Pakistan states that after several military operations in the tribal belt, most of the Taliban leadership has fled to Afghanistan and are active there now. To some extent, Pakistan's stance was also vindicated by a detailed report released by BBC News that claimed the Taliban either have control or are active in about 70 per cent of Afghanistan (Sharifi & Adamou, 2018). Prepared after several months of research across the country, the report claimed that the Taliban now control or threaten much more territory than when foreign combat troops left in 2014. It also stated that around 15 million people, or half the country's population, is living in areas that are either controlled by the Taliban or where the Taliban are openly present and regularly mount attacks. While this could be the case

and the Taliban leadership might have found safe places within their own country to intensify their insurgency, the fact remains that this is a bone of contention between the two unfriendly allies. This and other divergent issues affecting the US–Pakistan relationship can be addressed via a more constructive and candid policy dialogue and engagement rather than through contemptuous tweets. Each side needs to understand the implications of one's action or inaction for the other.

Conclusions

This chapter has examined the realpolitik of aid, constituting one of the main themes of this book. It has demonstrated how political, security and geo-strategic dynamics have continued to influence and determine US bilateral aid distribution towards Pakistan. The contribution of this chapter is: first, it has empirically examined the allocation of US economic and military aid as well as arms' sales to Pakistan from a geo-strategic perspective during different periods – the Cold War, the Afghan War years, the post-Cold War decade of the 1990s and the era of the "war on terror". It has clearly illustrated when and how the volume of US economic and military aid and the supply of arms were amplified and terminated by the US, keeping in view its foreign policy goals rather than the developmental or security needs of Pakistan. Second, by examining the allocation of US aid in the context of key global and regional events, this chapter has combined a specific country context with empirical analysis. Qualitative assessment together with quantitative analysis has given greater vitality to the overall findings and analyses concerning key determinants behind US aid distribution. All these have provided additional support to the argument that the US has been providing development aid to Pakistan not primarily because of the latter's socio-economic needs or poverty, but because of the strategic and political compulsions of the former.

The overall findings of this chapter are consistent with the existing literature on aid allocation. The dominant argument that emerged from the available literature discussed in the first chapter was that, in comparison with needs of recipients, a majority of bilateral aid donors prioritize geo-strategic, political, security and commercial interests in the provision of development aid. In this sense, this chapter underlines the assumption that aid has been used more for strategic and political leverage than developmental objectives. This chapter has underscored that US aid has been interest-driven, not only during the Cold War period but has continued to be so in the "war on terror" era since 2001. The analysis and findings illustrate that, as in the past, the principal determinants of most US aid today are not solely poverty needs of the aid recipients. Thus, the argument is reinforced that there is a continuum in US aid policies, as the main motivations behind US aid to Pakistan are the same today as they were in the past: guided more by geo-strategic, security and political orientations. Hence, the dominant hypothesis that aid is more an instrument and tool for bilateral donors to further their interests holds true even up until this today.

Also, because of these somewhat contrasting goals and objectives, particularly if aid is more overtly manipulated as an arm of foreign policy, it becomes difficult to win the hearts and minds of people via aid and also in achieving its true potential as a catalyst for development and poverty alleviation.

Notes

1 On May 27, 2018, the Khyber Pakhtunkhwa (KP) Assembly approved the bill that paved the way to merge FATA with KP. As per the constitutional prerequisite for the merger, the bill was passed with two-thirds majority: 92 lawmakers voted in favour while seven Members of Provincial Assembly (MPAs) cast their votes against the bill. Following the approval of the much-awaited landmark bill from the provincial assembly, most of the constitutional process has now been nearly finished to bring the tribal areas, involving seven agencies and six Frontier Regions (FRs), to the mainstream and become legally and constitutionally part of the KP.
2 The PEFA assessment of PFM performance is based on 94 characteristics (dimensions) across 31 key components (indicators) of PFM in seven broad areas of activity (pillars) comprising credibility of the budget, comprehensiveness and transparency, policy-based budgeting, predictability and control in budget execution, accounting, recording and reporting, external scrutiny and audit, and donor practices.
3 In 2003, when US$1 was equal to PKR53, a total of US$3.8 billion was lost because of corruption.
4 The UNDG selected 11 principal areas for global consultations for the formulation of the post-2015 development agenda. These included conflict and fragility, education, energy, environmental sustainability, food security, governance, growth and employment, health, inequalities, population dynamics and water.
5 From 1996 to 2011, a scale of 0 to 10 was used in CPI, the lowest score indicating the highest levels of corruption and the highest score indicating the least corruption. Since 2012, the scale has been from 0 to 100. A country's rank indicates its position relative to other countries/territories surveyed and included in the report.
6 On account of numerous counterterrorism operations as well as with rising tensions with India, defence expenditures have considerably increased in recent years. For example, for the financial year 2017–2018, the government allocated PKR920 billion (US$8.78 billion) to defence forces, which was 7 per cent more than the previous year; and for 2018–2019, a total of PKR1.1 trillion (about US$9.6 billion) was allocated, an increase of 10 per cent from the previous financial year. Also, there is a dominant perception that defence expenditures as officially acknowledged and reported by the government are largely underestimated, as a number of defence projects (such as pensions of retired military personnel and major weapon procurement) are considered and counted in the civilian arena (Siddiqa, 2007; Syed, 2018). These facts indicate how much Pakistan is spending on defence in comparison with what the country is spending on social sectors.
7 As this study examines the allocation of US aid over a long period of time, the values of most of the available variables have extreme fluctuations. Hence, the study does not use an econometric model. Rather, the allocation of US economic aid is analysed from the perspectives of US geo-strategic and security interests and Pakistan's poverty needs in a comprehensive and in-depth manner by taking into account key regional and global events. Thus, it is illustrated how these events have affected not only the flow of US economic aid but also military assistance and US arms' sales, indicating a kind of correlation among these data sets.
8 Upon Pakistan's consistent request as well as under threat of a lawsuit by Pakistan, the Clinton administration, via the Brown Amendment, gave a one-time waiver on the Pressler Amendment to release embargoed military equipment to Pakistan. However,

Pakistan neither received the F-16s nor the full amount of money. In 1998, the US paid back US$555 million in cash and provided wheat and other items for the rest of the payment (Aziz, 2009).

9 With the resurgence of the Taliban in Afghanistan, the US started accusing Pakistan of duplicity from time to time. Pakistan has denied the accusations and says that the US was using it as a scapegoat for their own failures in Afghanistan. These kinds of accusations have continued from both sides. However, such accusations have often been used to push Pakistan for doing more in the "war on terror", as respective US authorities have maintained that aid to Pakistan should continue as the US has significant stakes in the region. These accusations and their repercussions are discussed in the next section.

10 According to latest figures up to September 2018, Pakistan has lost a total of 7,014 security personnel in the "war on terror" since the escalation of the conflict at the domestic front in the country (South Asia Terrorism Portal, 2018).

11 Pakistani press and electronic media pointed out that in its first press release, the US Embassy stated that the accused was attached to the US Consulate General in Lahore, while in the second one they altered their earlier stance and described him as an employee of the Embassy. It was done because there are two international laws: the Vienna Convention on Diplomat Relations 1961 and Vienna Convention on Consular Relations 1963. According to Pakistani media analysts and legal experts, the US modified its earlier statement as it wanted to invoke diplomatic immunity privileged under the first treaty as there was no such privilege under the treaty dealing with consular relations. Therefore, Pakistani authorities argued that being a consular staff, the accused was not entitled to such immunities under the above treaty and that he should be tried and punished according to the law of the land (Ezdi, 2011a, 2011b; Malick, 2011; Sethi, 2011).

12 The US exerted pressure on Pakistan through telephone calls from Hillary Clinton to then Foreign Minister Qureshi and President Zardari and the visit of a congressional delegation. Against this backdrop, Pakistani media pointed out that the killer might be released. When the pregnant wife of one of the two motorcyclists killed by Raymond Davis came to know through media reports that the US had been pressurizing Pakistan to release their "diplomat", she committed suicide on Sunday, February 6, 2011. Before her death, television channels broadcasted her statement while she was lying in the hospital. She stated that she took this extreme step because of utter frustration to receive justice, as the government would crumble under US pressure and the killer of her husband would be released (*News International*, 2011b).

13 For example, the Act specifically mentioned that Pakistan will take action to "disrupt, dismantle, and defeat al Qaeda, the Taliban, and other extremist and terrorist groups in the FATA and settled areas; eliminate the safe havens of such forces in Pakistan" (p. 48) and that there needs to be an "effective civilian control of the military, including a description of the extent to which civilian executive leaders and parliament exercise oversight and approval of military budgets" (p. 50).

14 Though the entire US administration including President Obama referred to Davis as our "diplomat", it was tacitly acknowledged that he was actually a CIA contractor (Kessler, 2011).

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3 The 2005 Paris Declaration on Aid Effectiveness, a new aid paradigm and Pakistan

An overview

The chapter begins with the background to the PD and the processes that led to the declaration. It explores how calls for the reformation of the international aid system gained more momentum in the mid-1990s spearheaded by the OECD/DAC. These efforts resulted in the 2005 Paris Declaration on Aid Effectiveness, which aimed at greater aid effectiveness by means of five overarching commitments: ownership, alignment, harmonization, management for results, and mutual accountability between donors and partner countries. These principles symbolize a departure from the old aid regime towards a new paradigm regarding the role of donors and recipients in the formation of development policies and utilization of development cooperation. In the new aid architecture, there is a clear emphasis on a more central role for aid recipients regarding how aid is to be managed. Similarly, aid-receiving governments are responsible for the formulation of national development policies identifying their short-, medium- and long-term needs. In light of this, the latter half of the chapter focuses on what Pakistan has done in terms of planning for a better utilization of development aid. To this end, key policy documents and development plans of the government are discussed. These include the Poverty Reduction Strategy Papers (PRSPs), Medium Term Development Framework (MTDF) and Vision 2030. Also, the role of GoP institutions, such as the Aid Effectiveness Unit (AEU), Development Assistance Database (DAD), GoP-Partner Aid Effectiveness Steering Committee and Joint GoP/Donor Working Group on Aid Effectiveness, are examined within the PD framework. This chapter contributes to the ongoing aid effectiveness discourse and the significance of the PD principles for that, in addition to identifying the continual disconnect and missing links between the PD agenda and GoP strategies. In this way, as well as looking at the overall GoP efforts in relation to the implementation of the PD at the domestic level, this chapter adds to our understanding of how the donor–recipient aid relationship has been reshaped by the PD.

The origins and emergence of the PD

Voices for the reformation of the international aid system have been raised since the 1960s. It has been pointed out that "discussions about recasting aid relationships

have been part of international debate about aid and aid effectiveness for more than four decades" (Riddel, 2007, p. 390). For instance, "Partners in Development: Report of the Commission on International Development", commonly known as the Pearson Report, prepared by a commission under the aegis of the World Bank in 1969, clearly voiced concerns regarding the way donor–recipient aid relationships were operating. It asserted that the main purpose of international aid was to reduce disparities and remove inequalities "so that the world will not become more and more starkly divided between the haves and have-nots, the privileged and the less privileged" (Pearson, 1969, p. 8). In order to achieve this and more effectively utilize foreign aid, the report suggested that there is a need to reform and rethink the donor–recipient relationship. It pointed out that there could be some room for advice, consultation, and persuasion from the donors' side, but "the formation and execution of development policies must ultimately be the responsibility of the recipient alone" (Pearson, 1969, p. 127). This means that nearly five decades ago, parts of the international aid community had realized that to make aid more effective, there must be meaningful and active engagement of developing countries in the identification, prioritization and implementation of development policies and programmes.

Despite these recommendations, the active role of the state in the delivery and utilization of aid remained contested over different periods. In the 1960s, the state was largely at centre stage and donors believed that governments in developing countries were important players in making and directing their development policies. Thus, within a geo-political context, donors' policy was that developing states needed to be supported to improve their capacity for the delivery of services to their citizens. From a theoretical perspective, McMichael (1996, p. 147) termed this the era of "modernisation" or "development project". Under the development project, it was perceived that development was to be achieved through the transfer of technology and infrastructure programmes and that "the nation state was to be the vehicle of these shared goals" (McMichael, 1996, p. 147). Therefore, there was a widely held proposition that for achieving development, nation states or aid recipient governments are vital actors and they need to be assisted via various means including development cooperation to enable them to pursue their developmental trajectory.

This situation was reversed because of the oil-price shock of the 1970s and the failure of states in Africa, Latin America and Eastern Europe on economic, social and political fronts (Rotberg, 2004). The international financial institutions (IFIs), notably the International Monetary Fund (IMF) and World Bank, brought fundamental shifts in the 1980s and 1990s towards a market-oriented model of economic development, which "prescribed heavy and widespread doses of neoliberal medicine to improve the economic health" of developing countries (Chant & Mcllwaine, 2009, p. 40). Under the aegis of these financial giants, a set of neo-liberal economic policies was devised, commonly known as the Washington Consensus (Williamson, 1990). The principal philosophy behind this thinking was that countries receiving aid need to adopt structural adjustment programmes (SAPs) aimed at minimizing the size and scope of the state by

reducing state services and subsidies, and cutting back on public expenditures. Under the Washington Consensus, the IMF and WB assumed that "they know what is best for recipient countries, that they have got hold of the sacred truth" (Raffer & Singer, 1996, p. 155). During this era of neo-liberalism, the dominant thinking was that "government is the problem rather than solution to the underdevelopment" (Adelman, 2000, p. 52). Under the neo-liberal policies, the role of the state was minimized while market forces and the private sector emerged as important agents of aid and development. It was perceived that as a result of the minimal role of the state, aid would become more decentralized, resulting in numerous isolated projects with related scrutiny and control mechanisms and therefore aid would be more effective in poverty alleviation (Stern et al., 2008).

Nevertheless, there was unabated disillusionment with these trends in the prevailing aid paradigm as they resulted in more negative and fewer positive results concerning the effectiveness of aid. The negative consequences of these aid policies included: recipients with numerous aid projects and a large number of donors, each with their own reporting schedules and accounting requirements; extremely high transaction costs of delivering aid through projects; and tying aid to procurement of services and goods, resulting in overspending and inappropriate transfer of technology (Stern et al., 2008). Similarly, issues related to aid disbursement conditions and implementation requirements of a host of projects and parallel staffing arrangements for these projects undermined the effectiveness of government systems and overall performance of the state in the delivery of services to its citizens.

Because of this increasing disillusionment with the effectiveness of aid in alleviating poverty, there were calls from different corners to revamp and reform the international aid architecture. Among these, the 1996 OECD report *Shaping the 21st century: The contribution of development co-operation* was the first to introduce new themes and concepts such as recipient-owned and -led development process, meaningful partnership between donors and recipients, and coordination and harmonization of aid by donors. This shift from the minimal role of recipient states to an active role was more clearly pronounced in the 1997 World Bank report titled *World Development report 1997: The state in a changing world*. The report pointed out that the state has an important role to play in economic and social development as a partner, catalyst, and facilitator, and an effective, not a minimalist, state is needed to provide goods and services to its people (World Bank, 1997). The 1998 World Bank report on the assessment of aid reinforced this thinking that aid can be more effective if coupled with stable macroeconomic environments, open trade regimes, efficient public bureaucracies and accountable institutions, and that developing countries need to be assisted to create these environments (World Bank, 1998). Stern et al. (2008) have appropriately pointed out that the period from the mid-1990s up to the 2005 Paris Declaration was a period of evolutionary policy thinking spearheaded by the World Bank, the UN and the OECD. All such efforts of these institutions resulted in the emergence of the new aid paradigm.

Alongside these efforts, several other significant initiatives led by the international community included: the UN Summit and the Millennium Declaration

in 2000 focusing on the attainment of the Millennium Development Goals (MDGs) by 2015, the 2002 Monterrey consensus emphasizing donor–recipient partnership and harmonization in aid efforts and procedures, the 2003 Rome Declaration on Aid Harmonisation, and the 2004 Joint Marrakech Roundtable related to management for development results. The main aims and themes of these initiatives are given in Appendix I. All these appeals for aid effectiveness and increased aid harmonization and coordination resulted in the High Level Forum on Aid Effectiveness held in Paris in 2005, which produced the accord known as the Paris Declaration. At the forum, all donors reaffirmed their past pledges and resolved "to take far-reaching and monitorable actions to reform the ways" development assistance is delivered and managed in order to enhance and improve levels of coordination and harmonization and minimize the negative effects of unpredictable aid flows (OECD, 2005, p. 1).

It was an unprecedented success to bring 61 donors, including both bilateral and multilateral, and 56 recipient countries to an agreement. In this context, Li (2017, p. 4) argues that "the DAC also realized that, in order to improve aid effectiveness, their own efforts would not be enough." Consequently, for achieving the aid effectiveness agenda, there was demand for the "participation of bilateral institutions, multilateral institutions, governments of developing countries, emerging countries, social organizations and the private sector" (Li, 2017, p. 4). Because of the participation of numerous important stakeholders, the PD is recognized as a landmark in the history of development assistance. Under this declaration the donor community avowed to commit to a practical plan to provide aid in more streamlined ways and let the recipient countries play a central role in development efforts. It is the outcome of the many negative lessons learned over the years from programme and project support, and it proposes a shift towards modalities of aid that give recipient-country governments more scope to make decisions based on their own priorities (Hyden, 2008). This is one of the major distinctions between the old aid regime and the new aid paradigm: it gives greater say and ownership to aid recipients.

Under the PD, both the international aid community and partner countries agreed upon a set of interdependent commitments aimed at providing and using aid more effectively. In particular, signatories pledged to improve the way development assistance is currently delivered in certain broad areas: recipient-country ownership of the development agenda; donor alignment with the objectives and goals set by partner countries, and increased reliance on national administrative systems and more coordinated, streamlined and harmonized actions among multiple donors.

Against this backdrop, at the Third High Level Forum on Aid Effectiveness at Accra, Ghana in 2008, donors and recipients pledged to maximize efforts to implement the PD commitments. Donors agreed to the Accra Agenda for Action (AAA), which aims at focusing on increased predictability of aid flows, developing countries to take a leading role in development policies, and more inclusive and effective partnership among all stakeholders (Accra High Level Forum, 2008). In relation to greater ownership, the AAA does not add anything new to

the commitments already specified in Paris. However, there is more emphasis on engaging with and strengthening the role of parliament as well as civil society, and agreeing that national development policies need to acknowledge the significance of human rights and gender equality for development. During the 2011 Fourth High Level Forum on Aid Effectiveness, held in Busan, South Korea, all stakeholders committed to take urgent steps for achieving the MDGs. The Declaration reiterated that the promotion of good governance, human rights and democracy as well as gender equality and the empowerment of women are vital for sustainable development. The same is the case with other themes and commitments, but these are mentioned in more detail, as in the case of effective and inclusive partnership and increased use of recipient-country systems and institutions.

The aid effectiveness discourse brought the "quality" of aid to centre stage on discussions about the agenda of the MDGs and the issue is still relevant in the era of the Sustainable Development Goals (SDGs). The question of quality of aid is as important and relevant today as it has always been because international development cooperation is expected to play a vital role in achieving the 2030 Agenda and 17 multifaceted SDGs, unanimously agreed upon by all UN member states in 2015. In a majority of the SDGs, development cooperation or aid has been specifically mentioned as a key component for implementing the 2030 Agenda, and the 2014 OECD report stressed the importance of quality aid for achieving the SDGs (OECD, 2014; Rudolph, 2017). That is why the UN has also emphasized that "further improving ODA quality must be seen as part and parcel of a renewed global partnership's effort to maximize the development impact of aid" (United Nations, 2014).

A principal outcome of the new aid paradigm, illustrated clearly in the PD framework, is that the state has re-emerged as an important actor in aid and development policies. Riddel (2007, p. 40) has appropriately remarked that "twenty years earlier, the state had been seen as a core part of the problem; now it was heralded as central to the solution." Real country ownership in the PD implies that countries need to have national development strategies and plans, incorporating not merely government priorities and objectives but also those of the other relevant national stakeholders. All the PD commitments have put a strong emphasis on recipient country leadership and partnership. Aid recipient governments have been encouraged to formulate their own policies, strategies and plans identifying concrete targets, and donors have promised to assist in attaining these development outcomes. An embodiment of the new aid paradigm, theoretically the PD has put aid-receiving governments at the vanguard in relation to the formulation of development policies and making choices concerning the utilization of aid. It is within this framework that the respective roles of GoP institutions and USAID are examined in the delivery of US aid and in the identification, selection and execution of US-funded development interventions.

The 2005 Paris Declaration commitments

As noted earlier, the PD has five major principles: ownership, harmonization, alignment, management for results, and mutual accountability between aid donors and recipients. All these commitments are inter-related and are intended to work alongside each other. This section discusses these principles and their rationale, which connects them to more effective aid.

Ownership

The first commitment in the declaration is to give ownership of development policies and processes to aid-receiving countries. The declaration states that to make aid more effective in alleviating poverty, it is essential to let recipient governments play a leading role in managing and utilizing aid. The PD has reiterated that development resources will be better managed and administered if "partner countries exercise effective leadership over their development policies and strategies" (OECD, 2005, p. 3). In practice, it means that countries receiving aid need to be at the forefront to identify, prioritize and implement their national development strategies based on their own needs and requirements and translate these into concrete actions.

Ownership is one of the important pillars in the PD that indicates a departure from the old top–down approach of development assistance, a dominant characteristic of the old aid paradigm, where donors perceived that development was something that could be done to developing nations rather than by them. It has long been acknowledged that true development is achievable only when it is owned by local people and institutions (Edwards, 1989). This has led to the recognition in the PD that development policies and plans will be more effective if they emerge out of partner country-led processes.

However, ownership may have different meanings to different people in different contexts, and there is no specific indicator regarding what level of ownership is required for aid to be effective (Roberts, 2009). Donors' practices clearly indicate that "the PD mainly strengthens central government ownership, not always encouraging inclusion of other development actors such as local governments, parliaments, civil society and the private sector" (Stern et al., 2008, p. 36). In circumstances where governments are centralized rather than inclusive and open, the confines of decision-making and ownership are narrow and a majority of other stakeholders remain excluded (Roberts, 2009; Stern et al., 2008). In such cases, for example in the Pakistani context, where government is quite centralized and decision-making resides with the few, the concept of actual ownership as well as its potential for aid effectiveness can be questioned. Therefore, the actual nature of ownership depends on the nature of relationships among different state organs as well as between these organs and citizens, and not just the central government (Foresti, Booth, & O'Neil, 2006). This issue is explored in some detail in the next chapter in the context of Pakistan, where a number of GoP officials complained that USAID interacts with high-ranking

officials rather than more relevant officials at the middle and lower tiers of government organizations.

There is also another dimension which challenges government ownership: the extent of external influences on national plans and policies. Effective ownership is seriously compromised if development policies are determined externally and ultimately have to be approved by the IFIs (Roberts, 2009). For example, previously, SAPs were the main policy conditionalities which aid recipients had to undertake to qualify for concessional loans from the IFIs. In the new aid regime, SAPs have been replaced by PRSPs. To be eligible for foreign assistance from the IFIs, now recipients need to have prepared PRSPs. Critics argue that these documents are prepared by recipient governments so that the IFIs are not to be blamed when these policies fail to deliver on what they have intended to achieve (Akhtar, 2003). Apparently these policies are prepared and "owned" by recipients but, given the need for them to be approved by the IFIs, the genuine country ownership of these strategies can be questioned.

Overall, however, the PD concept of ownership has encouraged the delegation of more and more responsibility to recipient governments to devise their own development policies prioritizing their needs. It is up to the aid-receiving governments to carry out active consultations with all relevant stakeholders in formulating such policies. The input and feedback of all domestic actors can make these policies truly national in scope. In this way, these plans will be the expression of not only government priorities but of all other actors whose inputs have been incorporated regarding what their needs are and where and how aid needs to be utilized.

Alignment

The PD principle of alignment asks donors to "base their overall support on partner countries' national development strategies, institutions and procedures" (OECD, 2005, p. 4). Here, alignment is both in relation to policies as well as systems. It implies that recipients need to have effective policies and efficient systems to which donors align their support. If governments in the developing countries have attained these prerequisites, donors have committed to make use of national systems rather than establishing parallel project implementation or management systems (Menocal & Mulley, 2006). The declaration stipulates that if recipient governments lack sufficient capacity, the focus should be on creating an appropriate environment for such capacity to emerge rather than donors acting as substitutes for it. If donors bypass recipients' institutions and departments because of their lack of capacity to administer aid and development programmes, they do not facilitate but rather undermine the very process of development (OECD, 2010). In principle, donors have committed in the PD to put their all-out support on national policies, strategies and institutions of partner countries.

As mentioned in the context of ownership, issues can arise if donors align with recipients' policies and systems which are inefficient and publicly unpopular

(Roberts, 2009). In such circumstances, donors can achieve alignment but it may compromise their overall standing as they come into contact with political realities faced by developing countries. For example, in the context of Pakistan, if donors support and align their assistance with the policies of both military and civilian regimes which are mostly perceived to be inefficient and corrupt, donors are perceived as prolonging such regimes. Roberts (2009, p. 5) rightly points out that "even if a government has been democratically elected, it can be or can become unpopular". This is specifically the case in many developing countries including Pakistan, as illustrated in Chapter 2 in light of the annual reports of Transparency International. In such a situation, it becomes difficult for donors to align their support with national strategies and institutions without getting embroiled in political complexities. In such cases, donors may also avoid using country systems for channelling aid, which leads to two main issues: a huge amount is spent on managing development programmes by erecting project implementation units parallel to the government systems, and mistrust enters into the donor–recipient relationship. This aspect is further discussed in some detail in the next chapter in the context of USAID in Pakistan.

The PD has acknowledged that "corruption and lack of transparency … erode public support, impede effective resource mobilisation … it inhibits donors from relying on partner country systems" (OECD, 2005, p. 2). That is why the declaration has emphasized that aid recipients need to improve their institutional capacity and take measures to eliminate corruption. As in the case of country ownership, aid-recipient governments need to actively engage a wide range of relevant stakeholders to incorporate their inputs; here also the quality and capacity of state institutions are vital to attain this element of the PD (Fritz & Menocal, 2007). Hence, to convince and make donors align their assistance to support local priorities by using local delivery channels and systems, aid recipients need to have met adequate prerequisites (Manning, 2006).

However, besides the lack of capacity and efficiency of recipient country institutions, donors' own objectives can also constrain the attainability of the principle of alignment. If donors are more motivated by specific ideological, foreign policy or commercial goals, they prefer their aid being spent where they could extract maximum benefits. In such a situation, much aid is spent on activities which bring little improvements for aid recipients or the intended beneficiaries. This perspective is further explored in the next chapter in the context of US aid to Pakistan.

Harmonization

Harmonization means enhanced and improved coordination, simplification and streamlining of donors' actions. The PD advocates that to be "collectively effective" (OECD, 2005, p. 6), it is essential for donors to have more coordination to avoid concentration as well as fragmentation. Aid effectiveness is significantly enhanced when there are mechanisms for aid coordination that build on shared objectives (OECD, 2008a). Therefore, to be collectively

effective there needs to be a meaningful coordinating mechanism, and donors and other development actors need to cooperate and coordinate (Roberts, 2009). Donors' commitment to harmonization was also the main theme of the 2003 Rome Declaration on Aid Harmonisation, and within the PD framework, donors have committed to devise common arrangements for planning, funding, disbursement, monitoring, evaluation and reporting to partner countries on donors' practices and aid flows. This principle of the PD "relates to a specific donor responsibility" (Meyer & Schulz, 2008, p. 4). It is perhaps the only commitment that is solely focused on donors' actions. Under this principle, donors have pledged to diagnose one of the key issues leading to aid ineffectiveness: project proliferation and uncoordinated and complicated manners in which aid is disbursed (Meyer & Schulz, 2008). The main aim is to reduce transaction costs and minimize the burden on developing countries that could arise due to unnecessary fragmentation of donors at the national level.

Another important aspect of harmonization is complementarity, specialization or division of labour. Under this approach, donors commit to give an assessment of their comparative advantage in particular sectors and pledge to utilize their respective comparative advantage for the execution of programmes and projects in those areas. To further elaborate this concept, the Council of the European Union (2007) has prepared a code of conduct regarding how donors can entrust roles and responsibilities to other donors in key sectors. The document points out that donors need to establish the idea of lead donorship, where one donor assumes full responsibility for coordination among all the donors in a particular sector. This approach will significantly reduce transaction costs and will also avoid unnecessary duplication of efforts, enhancing overall aid effectiveness.

However, there could be some issues which may prevent donors from adopting such an approach. Even the OECD itself acknowledges that "adopting common arrangements depends on the willingness of donors to combine their resources and negotiate common procedures amongst themselves" (OECD, 2008a, p. 52). In the case of donors being motivated primarily by other factors along with developmental, instead of collective efforts, bilateral donors would like their aid money and works to be seen associated with their names. They may not like the idea of pooling resources, as such strategies could not specifically enhance their name and reputation. In such a situation, every donor may prefer to work alone rather than within a loose group of several actors, which may result in some actors becoming more prominent than others. Then there are also other interests of bilateral donors, such as geo-strategic and commercial concerns. Among the group of donors whose commercial interests are at stake, issues may arise such as who is granted the contract for implementation or who will select the implementing partners. In the case of foreign policy and security interests, as is the case with most aid to Pakistan, donors will target their aid at geo-strategically important areas (such as FATA in Pakistan), irrespective of the fact that most aid is going to be wasted there because of the worsening security and law and order situation, lack of institutional capacity, and corruption. It implies that harmonization is possible only if donors show some degree of

unselfishness and altruism. That is why Eyben (2007, p. 644) argues that "harmonising donor expenditures to achieve greater efficiency is an attractive idea in theory" rather than in actual practice.

Notwithstanding these issues, aid is going to be more effective if donors commit to the principle of harmonization. In the PD framework, the commitment to harmonization implies that recipients are supposed to articulate their choice concerning the proposed number and nature of donors they plan to engage with, and areas in which they need donors' support. Therefore, harmonization is important to avoid both excessive dispersion of donors across a large number of sectors as well as too much concentration in a very few areas. To this end, joint sector-wide approaches (SWAPs) and budget support modalities are more flexible initiatives which give developing countries more breathing space for the prioritization of their needs. Aid in the form of these modalities improves and enhances the capacity of recipient governments and places them in a better position to allocate appropriate funds to different sectors and programmes (Cox & Healey, 2003).

Managing for results

According to the PD, management for development results means "managing and implementing aid in a way that focuses on the desired results" (OECD, 2005, p. 7). The aim is to promote partnership between donors and recipients that is more oriented towards achieving development outcomes. Under the PD commitment, recipient governments are required to improve linkages between planning and budgeting and to pursue results-based indicators. However, the significance of this principle has been questioned on the grounds that management for results is difficult when the desired results are ambiguous and unclear (Roberts, 2009). Roberts (2009) has raised this issue in the context of foreign aid to Afghanistan, which is largely motivated by political and security concerns rather than purely humanitarian and developmental considerations. This is also typically the case with most foreign assistance to Pakistan, particularly US aid to the country as discussed in detail in Chapter 2. In such circumstances, it becomes hard to draw a line between development aid given for security reasons and aid for development initiatives, as aid is mostly provided for a mixed set of objectives.

Management for development results, therefore, implies that there need to be unambiguous, concrete and measurable development goals and targets. The OECD (2008b) has developed a framework and toolkit related to the concept and mechanism of management for development results. Generally, the sequence of this mechanism includes five major components or stages. These consist of setting goals, agreeing on targets and strategies, allocating the available resources to activities that spur attainability of the desired results, monitoring and evaluation, and reporting on performance to the public as well as feedback for further decision-making (OECD, 2008b). Within the PD framework concerning utilization of aid, management for development results is dependent on and

closely related to the other PD principles – ownership, alignment and harmonization. It implies that development results and outcomes can be achieved in joint collaboration by development partners when they follow and implement the other elements of the PD.

In the international arena, prior to 2015, the Millennium Development Goals (MDGs) were perhaps the best known and widely advocated global commitments to poverty reduction (Meyer & Schulz, 2008). The Paris accord has also specifically referred to the attainment of the MDGs as one of the aims and indicators of the overall performance of aid donors and recipients. The PD signatories have committed to make efforts for the reduction of poverty and inequality and "achievement of the MDGs" (2005, p. 1). Thus, the accomplishment of the MDG targets is considered one of the basic indicators measuring the effective utilization of aid. From this perspective, focusing on the Pakistan Millennium Development Goals Reports (PMDGR) and primary data collected during fieldwork, it is also highlighted in the next chapter how Pakistan and its development partners have fared concerning the accomplishment of these or other country-specific development targets.

Mutual accountability

The mutual accountability component of the PD commits donors and recipients to embed aid relationships characterized by joint accountability mechanisms in the use of development assistance. It entails that governments receiving aid commit to strengthen the appropriate role of the parliament in formulating national development policies and/or budgets as well as involve a wide range of other stakeholders. On the donors' part, this tenet of the PD commits them to "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" (OECD, 2005, p. 8). The accountability section of the PD underscores that both donors and recipients are responsible and accountable not only to each other but also to their respective electorates and publics at large (OECD, 2010). Here, it is the concept of "management for development results" that serves as a reference point for mutual accountability (OECD, 2008b). Within the framework of management for development results, development partners need to be accountable to each other in the realization of development results, such as the attainment of the MDGs or other country-specific targets identified in national development strategies.

Though the concept of mutual accountability is quite prominent and inspirational, particularly compared with the previous aid architecture of unilateral accountability of aid recipients to donors, there are several issues that remain unanswered in the PD. The most important is that keeping in view the nature of the unequal relationship between aid donors and recipients, mutual accountability "still does not include an independent donor ranking and lacks contractual elements" (Meyer & Schulz, 2008, p. 5). Prior to the declaration, several mechanisms such as independent forums for certifying donor performance, joint institutions for evaluating country-level performance, reviews by independent panels

and the active inclusion of aid recipients in the DAC peer reviews were considered for mutual accountability (Stern et al., 2008). Besides donors and aid recipients, Meyer and Schulz (2007) point out that there would be more clarity if the entire picture of the aid chain is included in the accountability principles, which stretches from taxpayers in the North to beneficiaries in the South, with all the intermediaries of ministries, agencies and implementing partners. Therefore, they argue that instead of mutual accountability, multiple accountability is a more suitable concept that needs to be deployed.

However, it is quite difficult practically to include the majority of actors in the accountability mechanisms. To do this, access to information is one of the first steps (Roberts, 2009). At the same time, Roberts asserts that the availability of information alone would not work. To make donors and recipients as well as other stakeholders accountable, relevant data needs to be analysed and understood in its proper context in relation to what has been achieved in terms of poverty alleviation. Once all such information and analysis are shared with a range of stakeholders including civil society, media and the general public, the commitment to accountability can be achieved (Roberts, 2009). However, as mentioned earlier, the PD does not mention or elaborate any operational procedures or mechanisms to assess and evaluate the performance of both donors and recipients. Mutual accountability, therefore, can only be effectively realized if there are independent bodies having the required capacity and mandate to carry out such analysis and share it with all the interested actors.

Given this situation, in an explanatory note, even the OECD (2009, p. 5) later acknowledged that "there is no simple formula for building mutual accountability" and hence there does not exist any practical example of a fully developed mutual accountability mechanism. At the same time, it also pointed out that there are three key elements which should make up a mutual accountability procedure. These include: a shared development vision or agenda, a joint monitoring framework, and a process characterized by regular dialogue and negotiation. In addition to these, independent, efficient and strong domestic accountability systems are the means to make both donors and aid recipients transparent and accountable for achieving development results (OECD, 2009). It argues that effective accountability mechanisms, such as clear parliamentary oversight of the national development plans and their targets, can create a congenial environment where donors and recipients forge meaningful partnerships based on mutual trust.

Overall, although the PD has also been criticized because of the fact that it has left some of the inherent power issues in the aid system untouched, it has also been hailed as a giant step towards more effective aid under the new aid paradigm. According to Rogerson (2005), one intrinsic asymmetry of the Paris agenda, and that of the overall aid regime, is, "if recipients do not match agreed performance, donors can apply clear sanctions: however, if donors underperform, no such remedies are available to the recipient" (Rogerson, 2005, p. 549). Critics also argue that "in its present form, the PD is subject to a variety of interpretations" (Blunt & Samneang, 2005, p. 25), and instead of a uniform understanding, both donors and recipients construe different principles of the PD

differently. Similarly, Meyer and Schulz (2008) are of the view that the PD is too technocratic and fails to address the political complexities of aid, as donor–recipient partnerships are not merely bureaucratic but essentially political. This aspect becomes more vivid in the context of US aid to Pakistan, where the main motivations are the pursuit of US foreign policy goals. Therefore, although the PD has provided the guidelines on how to utilize aid in a better way in recipient countries, it has not explored other contentious issues: why donors need to give aid, how much they need to provide and to whom, and how to achieve ownership and alignment in the face of challenging contexts characterized by institutional constraints and the prevalence of corruption.

Despite the above criticisms, there has been a growing consensus that the PD is a critical step in the aid effectiveness agenda towards the new aid paradigm aimed at donor–recipient relationships characterized by reciprocal and more equitable partnerships. The OECD has stated that the most distinguishing feature of the declaration is its emphasis on the way in which improvements in donor practices go in conjunction with the strengthening of developing country systems and institutions (OECD, 2010). Booth and Evans (2006, p. 4) likewise argue that the declaration conveys a plain but essential point: "aid will be more effective if the actions and behavioural changes listed as commitments under the five headings are undertaken, and less if they are not." Similarly, Gulrajani (2014, p. 91) maintains that "the PD is taken as the only globally accepted framework for concretely assessing donor progress towards aid effectiveness."

Thus, for enhancing the quality and impact of aid, both aid donors and receiving governments vowed to adhere to the PD commitments and both are accountable to each other in bringing about improvements in the way aid is delivered and utilized. It is within this framework that the respective roles of the Pakistani and US government institutions are examined in the delivery of aid and in the identification, selection, and execution of development interventions in a complex setting characterized by US geo-strategic priorities on the one hand and aid-effectiveness principles advocating a more central role for host country on the other hand. In this book, the term aid effectiveness posits that, if utilized according to the PD principles, aid is going to be more effective in addressing the actual development issues and challenges faced by developing countries such as Pakistan. This research uses the term aid effectiveness in the context of whether the PD principles and commitments have been adhered to and the extent to which the PD standards have been achieved in the utilization of aid funds.

The global aid-effectiveness agenda: did the quality of aid improve and did signatories achieve the PD targets?

Upon signing the PD, all signatories committed to undertake periodic surveys measuring progress towards the implementation of the PD principles. The first two were carried out in 2006 and 2008 and involved 34 and 55 countries respectively; while in the last survey carried out in 2011, 78 countries participated. In the first review, which was a baseline survey, the results showed that a lot of aid

was uncoordinated as there were too many actors, sometimes with competing objectives and interests, which resulted in high transaction costs for aid-dependent countries (OECD, 2007). The study illustrated that although donors and aid recipients had taken certain initiatives in line with the PD, there was a need for a more sustained and ambitious set of reforms from both sides. In the 2008 survey, it was found that the overall picture was not encouraging, and signatories were unlikely to meet the 2010 targets for improving the quality and effectiveness of foreign aid (OECD, 2008a). The 2011 survey covering 78 countries had similar findings to the previous surveys, which was that developing country governments have shown remarkable progress in certain areas in comparison with donors. It showed that although aid-receiving governments have been progressive towards the PD commitments, donors were not very enthusiastic to relinquish their leading role in aid decision-making. Another OECD report, titled *Aid effectiveness 2005–10: Progress in implementing the Paris Declaration*, portrays a similar situation by stating that the overall progress is uneven across both aid donors and recipients (OECD, 2011). Echoing similar concerns reported earlier in the three PD Monitoring Surveys, this report also clearly mentions that governments in aid-receiving countries took several initiatives in line with the PD, but donors' responses were not reciprocal and progressive. That is, donors have lagged behind in giving more central leadership to host-county governments in pursuing their development policies and practices.

Alongside the above-cited OECD surveys for monitoring PD implementation, there are also other studies which have examined the actual applicability and implementation of the PD principles and commitments. One such study was conducted by Wood et al. (2011), in which the authors looked at PD application in 22 aid-receiving countries and 18 donor agencies. It also demonstrated that the PD "principles and commitments have been applied, if gradually and unevenly, among partner countries and more unevenly among donors and agencies" (Wood et al., 2011, p. xiii). Their analysis also underlines that, though considerable progress has been made by aid recipients, improvement from the donors' side has been minimal. The key constraints responsible for low progress from the donor end are "the over-centralization of many donors' and agencies' systems and decisions running counter to alignment with country systems; disconnects between corporate strategies and the aid effectiveness agenda and weak organizational incentives" (Wood et al., 2011, p. xiii). In view of this, the study has stated that "it is urgent that all donor governments find ways to overcome the internal institutional or administrative obstacles slowing their aid reforms" (Wood et al., 2011, p. xviii).

Based on her analysis of bilateral donors comprising Canada, Norway, and the UK, Gulrajani (2014) has also put the onus primarily on donors. The author asserts that among many actors in the field of foreign aid, including multilateral institutions, "aid recipients, non-governmental agencies, think-tanks, media observers, consultants and academics … donor governments and their publicly financed donor agencies … are not pulling their weight in the global effort to enhance aid effectiveness" (Gulrajani, 2014, p. 89). Gulrajani uses the term

"donor effectiveness" (2014, p. 107) and observes that this concept "is the missing piece of the aid-effectiveness puzzle" (p. 107).

Contrary to the findings and analysis of the above studies, research conducted by Knack (2013) demonstrates that donors have shown significant improvements in line with the PD commitments. The author has examined the policies and practices of 34 donors, including both bilateral and multilateral, and 151 eligible aid recipients during 2005–2010. According to his analysis, "donors' behaviour over the measurement period is largely consistent with their commitments in this area under the PD" (Knack, 2013, p. 4). The author further stated that "donors appear to have modified their aid practices in ways that build rather than undermine administrative capacity and accountability in recipient country governments" (Knack, 2013, p. 4). In agreement with Knack, studies cited earlier also assert that in certain areas the PD has made a marked difference and donors have considerably, if not entirely, reformed their aid behaviours.

There are, however, other case studies focusing on specific country contexts which have shown that the PD reforms have not been fully implemented. So far, three key studies by Hayman (2009), Monye, Ansah and Orakwue (2010), and Blunt, Turner and Hertz (2011) have examined aid effectiveness within the PD framework in Rwanda, Nigeria, Cambodia and Indonesia respectively. In almost all these works, two key issues have been identified resulting in ineffective delivery and utilization of foreign assistance. On the part of aid recipients, corruption and lack of institutional capacity are the key constraints resulting in ineffectiveness of aid. On the part of donors, their modus operandi of coming up with predetermined and preconceived development projects leads to ineffective aid delivery, as aid funds are spent on activities not prioritized by recipient governments and through external partners rather than host governments.

In view of the preceding discussion of the overall global picture as well as specific country environments, the disappointing performance indicates that signatories have failed to implement what they have committed to under the Paris accord. The PD requires improvements and reforms from both donors and recipients and has clearly delegated more responsibility to developing countries to formulate development policies identifying their needs and priorities. It has proposed that such policies need to be prepared involving a wide range of national stakeholders. Keeping this in mind, the next section looks at policy initiatives undertaken by Pakistan and explores the gap and linkages between these strategies and the PD aid-effectiveness agenda.

The Paris Declaration and Pakistan's development policies

In the aid-effectiveness discourse championed by the OECD and other actors in the international donor community, aid-recipient governments are required to take a leading role in the effectiveness of aid by preparing comprehensive national development policies. The aim of such policies is to clearly outline the intended activities by identifying national goals and institutional and human resources required to attain these development outcomes. For example, regarding

ownership, it has been pointed out in the PD that countries should have effective national development strategies or poverty reduction strategy papers (PRSPs). These strategies need to be realistic, monitorable and should have been prepared with the active engagement of various stakeholders, including parliament, civil society and citizens (OECD, 2005).

Regarding these prerequisites and being a signatory to the PD, Pakistan prepared a range of national development policies such as PRSPs, the MTDF and Vision 2030. In these policy documents, the government identified its future development priorities in different areas. Key elements of PRSPs are that they are countrywide and country-owned, result-oriented, comprehensive in scope, long term and partnership-oriented, providing a basis for active participation of development partners. PRSPs and other long-term development strategies, such as mentioned above that have been prepared by Pakistan, set the scene for national priorities and budgetary requirements to achieve the intended targets related to poverty reduction (Klugman, 2002). Here, development policies and strategies implemented by the GoP are reviewed in the context of the PD requisites. By looking at these policy documents, it is explored what these national development plans offer to the PD and how the two can complement each other for advancing the aid-effectiveness agenda at the domestic level.

Poverty Reduction Strategy Papers (PRSPs) of the GoP

Since the early years of the country's history, Pakistan has been regularly preparing development policies in the form of Five-Year Plans. Beginning in 1955, Pakistan implemented its three Five-Year Plans between 1955 and 1970. This practice was interrupted twice. First, as a result of the India–Pakistan War of 1971 that resulted in the dismemberment of the country and the creation of Bangladesh. Because of this, the government could not formulate a Five-Year Plan between 1971 and 1978. The process was resumed with the launching of the Fifth Five-Year Plan 1978–1983 and continued until the Eighth Five-Year Plan 1993–1998. This exercise was disrupted again after the country detonated a nuclear device in May 1998 and officially became a nuclear power. After this, new medium- and long-term policy documents replaced the old ones. During the last two decades, the government has launched several medium- and long-term development initiatives. These strategies have outlined future development needs and priorities of the government in different areas. Key development plans of the GoP include PRSPs, the MTDF and Vision 2030.

Like other developing countries, Pakistan launched the PRSP initiative in 1999 as a condition for debt relief and concessional lending from the World Bank and the IMF. This was based on the World Bank's four Comprehensive Development Framework (CDF) principles consisting of: (1) long-term, holistic vision; (2) country ownership; (3) country-led partnership; and (4) result-oriented (World Bank, 1999). As noted earlier in this chapter, such approaches of the IFIs during the 1990s were the precursors of the paradigm shift from donor-led to recipient-owned development initiatives. In the light of the above

guidelines, the GoP unveiled the first policy document in 2001 titled *Pakistan: Interim Poverty Reduction Strategy Paper* (I-PRSP). This was prepared with the collaboration and regular participation of all the four provinces in order to pool poverty reduction efforts at the federal, provincial, and district levels, and to ensure success of desired objectives related to poverty reduction (Ministry of Finance, 2001). To this end, four teams consisting of federal and provincial government officials held consultations in 10 districts across the country. These consultations were followed by a range of seminars on poverty reduction in Islamabad, the federal capital, and four provincial capitals, where opinions and inputs of the district-level organizations as well as a selected group of NGOs/community-based organizations (CBOs) were obtained to enhance the effectiveness of PRSPs (Ministry of Finance, 2001).

In the light of the I-PRSP, the first comprehensive PRSP, titled *Accelerating Economic Growth and Reducing Poverty: The Road Ahead*, was published in 2003, covering the period from 2001 to 2006. It was prepared in a participatory process involving a wide range of stakeholders consisting of elected representatives, line departments, civil society and a number of development partners (donors), including USAID (Ministry of Finance, 2003). Through the Rural Support Programmes Network (RSPN), a non-profit organization based in Islamabad with offices and branches in all four provinces, a broad participatory process was undertaken at the grassroots level. The RSPN held 121 community consultation dialogues in 49 districts across the country to identify key reasons for poverty and to get feedback from communities regarding effective strategies for poverty alleviation (Ministry of Finance, 2003). Hence, the GoP claims that it followed a comprehensive participatory process in the formulation of the PRSP and that the inputs of all stakeholders were incorporated in the plan.

However, the PRSP process has been criticized in general as well as in the context of Pakistan. It is argued that the move from SAPs to PRSPs is merely cosmetic and the inherent principles of neo-liberal lending have not actually changed (Chant & Mcllwaine, 2009; Dijkstra, 2011). First of all, as discussed earlier in the context of the PD principle of ownership, country ownership of these strategies can be questioned when these have to be approved by the IFIs. Hence, depending on the macro-economic status and financial freedom of developing countries, the IFIs have enormous influence on the economic policies in aid recipients. In today's global era, no government in the developing world is independent of the pressure and influence of the IMF and the World Bank (Hague & Harrop, 2004; Newton & Van Deth, 2005). In addition, Western capitalist forces influence policies in these organizations to achieve their interests in developing countries. For example, to further its economic and foreign policy objectives, the US has regularly exercised its authority in influencing lending policies in the IMF (Andersen, Harr, & Tarp, 2006; Oatley & Yackee, 2004; Thacker, 1999) and the World Bank (Andersen, Hansen, & Markussen, 2006). Therefore, Hague and Harrop (2004) have appropriately noted that domestic governments have little option but to succumb to the rules and regulations of these organizations. Under these circumstances, genuine country ownership of

PRSPs can be challenged on the grounds of to what extent economic managers and policy-makers were free to determine their own path of development, rather than the one prescribed by the IFIs. That is why it is argued that the conspicuous sameness of PRSPs to address poverty in strikingly different national contexts shows the dominance of the IFIs, where "PRSPs show an intriguing face of globalization" (Craig & Porter, 2003, p. 57). For example, in the context of Bolivia, Honduras and Nicaragua, Dijkstra (2011, p. 126) has noted that donors swayed the process and content of their PRSPs in such a way that the strategies "can hardly be considered as 'owned' by the countries". In view of this, it seems that the journey from the infamous SAPs of the 1980s and 1990s to PRSPs in the new millennium is not a radical shift but sufficient enough to keep the lenders satisfied.

In addition, governments are required to follow an extensive participatory process in the formulation of PRSPs and incorporate the inputs of all relevant stakeholders. To be potentially effective, PRSPs need to "operate at different levels within the country (national, regional, local)" (Halvorson-Quevedo, 2000, p. 12) and need to foster meaningful partnerships between local authorities, the private sector, civil society and donors for implementing development programmes. The author asserts that successful PRSPs pursue an active participatory process to reach the grassroots communities. He argues that "by participating actively in poverty reduction strategies and reflecting on their own problems and needs, poor communities can release considerable energies and create local ownership, leading to more appropriate, sustainable solutions" (Halvorson-Quevedo, 2000, p. 15). Therefore, participation not only increases the effectiveness and sustainability of PRSPs, but "it is also an end in itself to the extent that it contributes to strengthening the rights or empowers the poor, thus directly addressing a key dimension of poverty" (Cox & Healey, 2000, p. 45). To be truly successful, these plans need not merely to consult other stakeholders, particularly poor communities and other vulnerable groups, but their reflections and inputs on the causes of poverty need to influence decision-making (Allen & Leipziger, 2005). This is the key for empowering the poor and vulnerable communities. The more they are heard and their reflections are incorporated in PRSPs, the more these plans will be representative of a wider poor community.

However, as mentioned earlier, the question arises here as to what extent the more relevant stakeholders or intended primary beneficiaries are engaged in the poverty reduction plans in general and more so in the context of Pakistan. Cox and Healey (2000) observe that donor practices illustrate that the intended beneficiaries are almost never involved in the initial planning when projects are identified and the decision of funding is made. They argue that it happens irrespective of whether identification is done by the central government in a recipient country or by a donor. It implies that genuine participation of poor communities, which according to the authors mentioned earlier is imperative for successful PRSPs, is rarely if ever practised.

The formulation of the PRSP process has been criticized on similar grounds in the Pakistani context. It has been pointed out that despite the overwhelming

rhetoric of participation in PRSPs, neither a number of political parties nor other stakeholders such as trade unions, civic and professional bodies, academics, media and a range of other potential stakeholders were engaged (Ali, 2005). Civil society expressed complete dissatisfaction with the way the government carried out the process of consultation during the I-PRSP formulation. In a letter addressed to the GoP and a host of multilateral bodies, including the IMF, the World Bank, the Asian Development Bank (ADB) and the UN, leading Pakistani NGOs vowed that they formally reject the document because the government had not followed the requisite comprehensive participatory process (SDPI, 2002). These observations suggest that PRSPs lack genuine ownership and participation and fail to incorporate feedback, reflections, inputs and opinions of a host of potential actors, particularly in the context of Pakistan.

Putting these shortcomings aside, Pakistan's PRSP outlined a development agenda emphasizing the role of the private sector, macro-economic stabilization, trade, financial sector as well as re-orientation of budget towards social sectors including education, health, and poverty alleviation. The paper is also aligned with the MDGs and has put emphasis on capacity-building, effective implementation of development interventions and monitoring mechanisms to achieve these targets (Ministry of Finance, 2003). On their part, the IMF and the World Bank approved Pakistan's PRSP in 2004 and observed that the strategy provides a coherent framework for addressing the problem of poverty (IMF, 2004). The IMF statement also endorsed the participatory approach followed by the GoP during the I-PRSP as well as in the full PRSP formulation. Seen against the backdrop of the letter sent by representatives of the civil society in Pakistan to the GoP mentioned earlier, the IMF observation seems quite ironic, but at the same time also promising for Pakistan. Once the IFIs approved the PRSP, the government was satisfied and did not bother to address the concerns of domestic stakeholders. This shows that although domestic civil society was not satisfied with these plans, the IFIs were, and it was the latter that mattered for the GoP instead of the former. However, whether good or bad, the PRSP became an important policy document for the GoP that envisaged the country's economic policy regime over the next several years.

In 2010, the GoP launched the second-generation PRSP. The PRSP-II covers the period 2008/2009 to 2010/2011, but the government claims that the document provides a policy framework that is relevant and applicable beyond this timeframe (Ministry of Finance, 2010). A number of key areas related to poverty reduction have been prioritized and identified in the plan. There are 17 pro-poor sectors, which come under five main themes, consisting of: (1) market access and community services; (2) human development; (3) rural development; (4) safety nets; and (5) governance (Ministry of Finance, 2010). These sectors comprise: (1) roads, highways and buildings, and (2) water supply and sanitation [under market services]; (3) education, (4) health, (5) population planning, and (6) natural calamities [under human development]; (7) agriculture, (8) land reclamation, (9) rural development, and (10) rural electrification [under rural development]; (11) subsidies, (12) social security and welfare, (13) food support

programme, (14) Peoples' Works Programme, and (15) low-cost housing [in the category of safety nets]; while governance includes (16) administration of justice and (17) law and order.

As in the preparation of the first PRSP, the government also followed a participatory approach during the formulation of the second PRSP. According to the GoP, 54 consultations were carried out in 21 districts, and dialogues were held with a total of 1,214 participants consisting of 646 males and 568 females during the preparation of the PRSP-II (Ministry of Finance, 2010). The government claims that an extensive participatory process was followed and a diverse range of participants were engaged consisting of "small farmers, daily wage labourers, employees of public and private sectors, unemployed members of the labour force, people engaged in small enterprise and students" (Ministry of Finance, 2010, p. 35). The document states that the consultations were aimed at exploring to what extent the participants deemed the earlier PRSP had brought positive changes for them and how these could be made more effective for the alleviation of poverty. It is interesting to note that the government held consultations with 1,214 individuals out of a population of more than 170 million and it claims that a "fully participative process" (Ministry of Finance, 2010, p. 5) was followed during the formulation of the PRSP-II. Hence, like the earlier PRSP, the participatory approach of the PRSP-II was not as extensive as it should have been in a country like Pakistan, where there is a wide socio-economic disparity across provinces, rural and urban areas as well as across gender (this has been discussed in some detail in Chapter 2).

From the perspective of the PD aid-effectiveness agenda, an important aspect of the PRSP-II is outlining budgetary requirements related to the accomplishment of certain MDGs. Providing detailed estimations of the expenditures required for attaining the MDG targets in three sectors consisting of education, health, and water and sanitation, the PRSP-II had more clearly anchored the MDGs (Ministry of Finance, 2010). These policy documents produced some figures which indicate that the GoP somehow came up with the estimated financial resources needed for achieving the MDGs in social sectors. A critical examination of these policy documents reveal that the GoP worked out and was in a position to come up with a detailed directory of required interventions in various sectors and areas. Then, financial estimates of the interventions required for education, health, and water supply and sanitation had been measured and the gap had been calculated to be filled by external resources after subtracting the amount to be allocated by the government.

Based on the above process, the PRSP-II measured the estimated amount of funds that were needed to accomplish the MDG targets in the selected three social sectors. The total costing allocations for the three sectors during the PRSP-II period showed a deficit of PKR219.366 billion. This indicates that the GoP had not been able to allocate sufficient budget to these three social sectors, which was needed for attaining the MDGs. As discussed in Chapter 2, because of substantial defence expenditures, the government has been sacrificing the development of social sectors as they are not getting due shares in the national

budget. Overall, although the estimates regarding the MDGs' costing could have played a key role in donors' alignment of aid efforts with the GoP needs and priorities, it has also been acknowledged that the costing mechanism suffered from certain shortcomings. The document itself states that "different approaches exist for reaching any particular goal, each of them has different unit costs and cost functions" (Ministry of Finance, 2010, p. 338). Therefore, the costing exercise cannot be considered absolute and definite as these were the estimated expenditures only and were not real figures. The costing estimates, however, could play a critical role for effectively allocating the required financial resources to achieve development outcomes envisaged by the GoP. Dijkstra (2011, p. 128) asserts that the PRSP needs "to include detailed costings of plans that would be reflected in national budgets and could provide the basis for the supply of foreign aid". Hence, from this perspective, the government PRSP-II should served as a significant reference point and pool of information for development partners to align and harmonize their aid efforts with the needs and priorities of the GoP, which aimed at the attainment of the MDGs.

Other long-term development plans of the GoP

In line with the aims and objectives of PRSPs, a new long-term plan, "Vision 2030", was launched by the government in 2007. The principal mission and target of this plan is a "developed, industrialized, just and prosperous Pakistan through rapid and sustainable development in a resource constrained economy by deploying knowledge inputs" (Government of Pakistan, 2007, p. xi). The document was prepared focusing on six thematic areas, encompassing the 17 pro-poor sectors mentioned earlier in the PRSP-II. Vision 2030 came into existence after the accumulation and incorporation of papers and reports by several experts in their respective fields from across the country, followed by detailed sessions and consultations of other relevant stakeholders, and feedback and contribution of provincial governments and relevant line ministries (Government of Pakistan, 2007). The long-term plan emphasizes the commitment of the government to remain focused on areas such as macro-economic stability, poverty reduction, infrastructure development, human resource development and energy growth. The document clearly perceives that the role of international institutions will be significant in determining the course of sustainable development envisioned by the GoP. It states that international bodies "are much more intrusive into national societies … their policy prescriptions tend to make national borders irrelevant. This can seriously affect the ability of a state to meet its governance targets" (Government of Pakistan, 2007, p. 37). This assertion can be linked with the PD principles, where signatories have pledged that aid-receiving governments need to play a central and leading role in the process of development by choosing their own path of progress tailor-made by their own strategies, needs and priorities. It implies that donors need to move away from the old pattern of a top–down approach, coming up with an established set of notions, activities and strategies based on their own knowledge of their own settings. In line with the

PD principles and the rhetoric of the new aid paradigm, the government has articulated in the above document that donors' assistance will be more valuable and result-oriented if it is utilized where the GoP requires it most, rather than donors themselves deciding where and how to spend aid (Government of Pakistan, 2007).

These policy plans – PRSPs and Vision 2030 – are not to be viewed in isolation. They are interlinked and complement each other in terms of the overall development priorities and projected activities of the GoP. Vision 2030 is to be operationalized and achieved through a series of medium-term plans. To this end, the government came up with MTDF, which envisioned the development priorities of the GoP for the next five years. Although the first MTDF (2005–2010) was launched before Vision 2030, it was the beginning of a series of medium-term plans. It was the first MTDF which envisaged the picture of a "developed, industrialized, just and prosperous Pakistan through rapid and sustainable development, in a resource constrained economy by deploying knowledge inputs". Later, the long-term plan, Vision 2030, broadens that dream further and makes it the cornerstone of what is to be achieved. The MTDF synchronized various development strategies with domestic as well as international commitments (such as the MDGs) and translated these commitments into actionable activities with outcomes to be achieved in the targeted period. In a nutshell, the MTDF provided a framework for translating the first phase of Vision 2030 into action during 2005–2010.

The PRSP process was carried out by the Ministry of Finance, while the federal Planning Commission formulated the MTDF as well as Vision 2030. The MTDF is much like its predecessor – the Five-Year Plans that the Planning Commission used to formulate. Though both policies complement each other, they also create confusion for the government departments as they consider the PRSP irrelevant in the face of the new document (Ali, 2005). For example, it is stated in this policy plan that "the PRSP targets, strategies, policies and programmes are subsumed in the MTDF and aligned with the MDGs" (Planning Commission, 2005, p. 12). It implies that, like the PRSP, the MTDF is also aligned with the MDG targets, as it states that its first objective is to establish a just and sustainable economic system for alleviating poverty and achieving the MDGs. At the same time, it also means that after this plan the PRSP is no longer a priority as it has been incorporated into the MTDF. While this may be the case, the participatory nature of the MTDF is even narrower than the PRSP. During the preparation of the MTDF, the inputs of only 32 working groups have been incorporated, consisting of academia, private sector, civil society, foreign donors, and experts from the federal and provincial governments (Planning Commission, 2005).

Overall, it can be assumed from all these major medium- and long-term policy plans that to some extent the GoP fulfilled the pre-requisites outlined in the PD. The PD has asked aid recipients to formulate long-term result-oriented development strategies and plans. In Pakistan, PRSPs, the MTDF and Vision 2030 are key policy documents which envisaged national medium- and

long-term development priorities and intended strategies. At the international level, all development targets identified by the government in these policy documents are aligned with the realization of the MDGs. For example, the 17 pro-poor sectors identified and prioritized in the PRSP-II under the five main themes consisting of (1) market access and community services, (2) human development, (3) rural development, (4) safety nets, and (5) governance mentioned earlier are related to the MDGs, as they all aim at the alleviation of poverty and provision of basic services to citizens. In somewhat an ideal scenario, development partners should pool their resources together and use them in proper collaboration and coordination by developing appropriate mechanisms based on the PD principles and guidelines.

Although the GoP policy documents are the outcomes of participatory processes and provide future development directions of the country, fulfilling some of the prerequisites outlined in the PD, these plans also have certain weaknesses. First of all, although the IFIs have endorsed the PRSPs, the GoP has not followed a comprehensive participatory process to capture and incorporate the inputs and feedback of a diverse range of stakeholders, particularly poor communities. Therefore, although the government claims otherwise, the participatory nature of these policy documents can be questioned. The second and more important issue is that these documents seem aspirational and idealistic and fail to put forward realistic directions to development partners concerning where precisely their assistance is needed. For example, while the PRSP-II reflects estimated costs required for accomplishing the MDG targets in three social sectors, the document does not provide a detailed directory of interventions required in these three sectors. At sectoral or thematic levels, these plans do not mention specific interventions that need to be undertaken in each sector. In a general sense, all of these plans have identified key areas where development resources need to be targeted, but these have not mentioned where and how much external assistance is needed for which particular development activities.

Other practical initiatives of the GoP in the PD framework

Apart from coming up with major medium- and long-term policy plans, Pakistan took several other steps aimed at the realization of the aid-effectiveness agenda. These initiatives were launched in collaboration with various development partners, both bilateral entities and multilateral organizations. The government took these initiatives after 2005 in line with the PD agenda to augment coordination for effective utilization of international development resources. These initiatives are briefly discussed below.

Donor Coordination Cell and Aid Effectiveness Unit

One of the initiatives undertaken by the government was the establishment of the Donor Coordination Cell (DCC), a separate institution set up inside the EAD, which is the focal government body responsible for issues related to loans and

foreign aid. Established in 2005, the function of this body was to deal with overall aid-effectiveness issues at the country level by means of coordination and sharing information and to work towards the implementation of the PD at the domestic level. However, it became virtually non-existent as the former head left for higher studies, and in 2006 it was replaced by the Aid Effectiveness Unit (AEU), performing the same functions as that of the DCC. The EAD officials interviewed were confident that the establishment of the Aid Effectiveness Unit was an important step by the GoP exclusively dedicated to issues related to aid effectiveness, though I was also informed that the unit was not appropriately staffed to fully perform its functions (personal communication with senior official, Aid Effectiveness Unit/EAD, Islamabad). The official stated that the key areas in which the AEU has been working include the finalization of the Foreign Assistance Policy Framework, the Paris Declaration Monitoring Surveys, maintenance of the Development Assistance Database (discussed below), and coordination with the Aid Effectiveness Steering Committee as well as with Thematic Working Groups on Aid Effectiveness. In addition, the function of the AEU was to coordinate with donors on thematic issues and follow up proceedings and recommendations made in the Pakistan Development Forum (PDF), an annual meeting between donors and the GoP. Formerly known as the Aid-to-Pakistan Consortium, the PDF was a platform that gave an opportunity both to the GoP and its partners to discuss the overall performance of the country's economy and intended plans and strategies. At the forum, both sides used to communicate their priorities related to aid and its allocation to different sectors. Between 2001 and 2010, the GoP held eight PDFs with its development partners to discuss aid in the context of major national policy documents, such as the 2003 PRSP and the 2005 MTDF. Hence, the overall role of the AEU was to coordinate with a range of stakeholders and work towards the effective utilization of aid at the country level.

Establishment of a Development Assistance Database

In order to foster information-sharing as well as promote transparency and accountability in the utilization of foreign aid, the GoP, with the financial assistance of the UNDP, set up an online aid information management system in the form of the Development Assistance Database (DAD) in 2006 (DAD Pakistan, undated). DAD was maintained by the Aid Effectiveness Unit and bilateral and multilateral donors provided the aid data, consisting of commitments, disbursements and expenditures in particular sectors and areas. Officials in the EAD were of the view that it was a step towards increased transparency and accountability regarding utilization of external financial assistance. A senior official in the AEU told me in an interview that DAD has two key functions: to work as a pool of information for increased coordination, and as a tool for transparency and accountability (personal communication). Hence, the development of DAD was considered as a first step towards the realization of an efficient, timely and harmonized aid information-sharing mechanism, as outlined in

the PD. To some extent, DAD played a role in promoting the aid-effectiveness agenda by means of increasing donors' harmonization and alignment of their aid efforts with the GoP development goals and priorities. However, some officials in the EAD informed me during interviews that several donors were not very keen to provide timely aid information through the system, irrespective of the fact that they had committed to this in Paris in 2005 (personal communication). Because of this, the validity and reliability of the data and the consequent accuracy of the reports generated by the system were questionable. It is relevant to mention here that there was also evidence that the reliability and accuracy of DAD remained in doubt, not only in Pakistan but also in other developing countries including Indonesia and Sri Lanka (Agustina & Fahmi, 2010). Thus, it appears that the GoP and its development partners were not very keen to enhance the capacity of DAD and fully utilize its potential role, which could have played a critical role in attaining the PD commitments of mutual coordination, harmonization and accountability.

GoP–Partner Aid Effectiveness Steering Committee

Like the Aid Effectiveness Unit, establishment of the GoP–Partner Aid Effectiveness Steering Committee in 2006 was another initiative aimed at aid coordination and effectiveness. Unlike the Aid Effectiveness Unit, which was primarily staffed by GoP officials, the Aid Effectiveness Steering Committee was a joint team or group consisting of the representatives of both the GoP and donor missions in Pakistan. From the PD perspectives, the key function of the steering committee was to serve as a valuable bridge and forum of dialogue and consultation between the GoP and the donor community. Issues related to proper and efficient utilization of development resources, such as timely disbursement of aid to particular areas, were discussed by the committee. However, unlike the Aid Effectiveness Unit, it consisted of a more ad hoc approach as there were no streamlined and standardized mechanisms regarding the number of donors in the committee and the frequency of meetings (personal communication with officials in EAD).

Establishment of Joint Working Groups on Aid Effectiveness

Another important initiative of the government in partnership with development partners was the formation of four Joint Working Groups on Aid Effectiveness. Unlike the Aid Effectiveness Steering Committee, which did not have a specified area of concern, the focus of the working groups was on four key areas: (1) financial management and procurement, (2) sector-wide approaches, (3) harmonization, and (4) capacity development (Government of Pakistan, unpublished). The four working groups comprised the Ministry of Finance and World Bank, Ministry of Education and World Bank, EAD and ADB, and Planning and Development Division and Department for International Development (DFID) of the UK. The functions of the working groups were to sort out hindrances in

the implementation of the PD commitments by bringing improvements in the above four areas. The Joint GoP/Development Partner Working Group on Aid Effectiveness carried out reviews on some key issues related to aid practices at the national level. Major themes and issues identified in aid-effectiveness areas in the context of Pakistan included: harmonization of financial management and procurement and improving country systems; emphasis on sector-wide approaches; capacity development; and harmonization of monitoring and evaluation systems (Government of Pakistan, unpublished).

Launching of the Paris Declaration Baseline Survey

As a part of the worldwide agenda under the auspices of the OECD for monitoring the PD implementation, 34 development partners, with 12 UN bodies, took part in the 2006 PD Baseline Survey. For its part, the GoP launched the Paris Declaration Survey in 2006, covering the government's fiscal year 2005 (Government of Pakistan, 2006). The survey did not focus on the practices of any particular donor but gives a general overview of overall donors' approaches regarding the way foreign aid is delivered and utilized. The findings reveal that though the majority of aid, about 88 per cent, was reported in the government budget, two-thirds of which was disbursed through government systems, the overall level of harmonization among donors was quite low.

There are some aspects of the survey that need to be highlighted to obtain a clearer picture regarding the overall aid-effectiveness agenda within the PD framework. According to the survey, about 10 per cent of the total ODA received by the country in 2005 was targeted at technical assistance. However, the survey found that only 28 per cent of total technical cooperation was coordinated as against the 48 per cent global baseline target (Government of Pakistan, 2006).

The survey data indicated that 88 per cent of the total ODA was recorded in the GoP budget that was disbursed for the government sector (Government of Pakistan, 2006). This is already equal to the global baseline target for 2005. However, there are contradictions between the data and definitions cited in this survey and data quoted by other sources. For example, during the 2010 Pakistan Development Forum, in her presentation on aid effectiveness, the then Minister of Economic Affairs stated that between 2005 and 2010, only 47 per cent of foreign aid has been disbursed through the GoP system, while 53 per cent has been disbursed outside the GoP arrangement (Minister of State for Economic Affairs, 2010).[1] The GoP survey on the PD has also acknowledged that there are country-specific realities that need to be considered as the percentage of aid recorded on budget is only a proxy indicator for alignment. The survey results showed that the overall level of coordination between government and donor agencies was very low. Likewise, while on the one hand the survey claims that two-thirds of the total ODA was recorded in the government budget, on the other hand it states that a majority of donors neither used country systems nor disbursed aid according to their plans (Government of Pakistan, 2006). Maintaining the same contradictory stance, the survey states that most donors established

parallel project implementation units (PIUs), which were accountable to donors, and there was limited involvement of the GoP in PIUs. Another important issue that the survey illustrated was that donors prepared and managed all stages of projects and the role of the GoP was only at the level of information-sharing (Government of Pakistan, 2006). Based on my interviews with a range of GoP and USAID officials in Pakistan as well as supplemented by secondary sources, the next chapter explores all these issues in detail within the PD framework.

Like the analysis drawn from the government policy documents discussed earlier in this chapter, a somewhat similar assessment can be drawn from these various initiatives of the GoP. Just as there were various development plans but no uniform and comprehensive aid and development policy that states where aid is actually required, it was also the case with these GoP initiatives aimed at increased aid coordination. For an ideal aid coordination body at the country level, Fengler and Kharas (2010) suggest that it needs to have three major attributes. These comprise: to be a single source of information concerning all projects, both current and future; to have a complete record of data of all departments and ministries constituting a single list of the country's sector-wise needs on the basis of which to negotiate with donors what they can do in those sectors; and to have the same principles of engagement for all donors and their implementing partners for following standardized procedures. As this chapter has illustrated, the GoP aid-effectiveness architecture possessed these in the form of PRSPs, the Aid Effectiveness Unit and DAD, but unfortunately they did not function as they needed to. Rather than one specialized aid coordination body or agency that could coordinate effectively with donors as well as with different government ministries and departments, there were several organs, such as the EAD and units set up within the EAD. The presence of several working groups and committees for aid coordination at times complicated the process rather than streamlining and simplifying it. In the absence of one dedicated government organ specialized for the task, aid coordination and effectiveness was a daunting challenge at the country level. Because of this, the government fell short of coming up with clearly formulated sector-level plans and priorities and subsequent requirements for foreign assistance. This resulted in a lack of proper coordination and inefficient allocation of funds to certain areas, all contributing to the ineffectiveness of aid.

Overall, there was an evident lack of GoP ownership and leadership regarding how aid can be more effectively utilized and how donors can align and harmonize their aid disbursement procedures with those of the government. The following example is another indication of the ad hoc approach of the GoP. Within the EAD, initially the government established the DCC, but rather than enhancing its capacity to effectively perform its role in aid coordination, it was replaced with the Aid Effectiveness Unit. The overall aid-effectiveness efforts of the GoP were not cohesive and there was a lack of coordinating mechanisms among different GoP institutions and between the GoP and donor agencies. While interviewing a range of officials in the EAD, it became evident that a majority of them were neither interested in nor very optimistic about the PD commitments

and donors' actual adherence to these principles. The lack of political will and ownership on the part of the GoP can be judged from the fact that although the government carried out the 2006 PD implementation survey, it was not submitted to the OECD on time to become part of the global baseline survey. In the case of the 2008 PD monitoring survey, Pakistan could not participate on the grounds that the country was holding general elections that year. These facts indicate the lack of the GoP leadership in the aid-effectiveness paradigm.

At the same time, the practical initiatives outlined above do illustrate that the government took some steps regarding the aid-effectiveness agenda in the post-PD period. It shows that although the overall GoP aid-effectiveness architecture was still at the embryonic stage, as the government coordinating mechanisms were not very cohesive, they do indicate that Pakistan took some steps in the right direction.

Conclusions

This chapter has covered three important topics: first, the new aid paradigm and the 2005 PD as its embodiment; second, the actual global development landscape in light of the PD principles; and third, the aid-effectiveness architecture of the GoP in the post-PD period. I have discussed the background and emergence of the 2005 Paris Declaration on Aid Effectiveness and the principles committed to by aid donors and recipients under the declaration. Upon signing the PD aid commitments, donors and recipients, including the US and Pakistan, have pledged to manage development resources in ways that adhere to these principles. These principles have evolved from the lessons and outcomes of practice as well as research and thinking carried out over decades to reform the approaches, procedures and ways in which development aid is administered and managed. The principal element in the PD is that developing countries need to prepare their own development plans identifying their needs, and donors need to fully support them in their development pursuits. In cases where recipients lack capacity to devise comprehensive plans for poverty reduction, donors need to strengthen developing countries' institutions in implementing development plans and achieving the desired outcomes. The PD acknowledges the fact that in the case of lack of capacity in developing countries' institutions, donors need to enhance, enlarge and improve the domestic capacity of recipient governments rather than bypass and replace local roles and responsibilities, which might undermine the development process. These principles and features make the PD a practical embodiment of the new aid paradigm, which places aid-receiving governments and their institutions at the forefront in development policies and practices. In contrast to past practices in the field of aid and development, the declaration explains that aid recipients and donors need to work in partnership and both are accountable to each other in the utilization of aid and in the attainment of the intended development outcomes.

Although the declaration identified targets to be achieved within specified periods, this chapter has illustrated that the overall progress towards the attainment

of the PD commitments remained poor. In three rounds of surveys undertaken by the OECD in 2006, 2008 and 2011, it was found that the overall international development landscape did not change much in terms of showing greater commitment to the PD principles. The OECD surveys as well as independent research conducted by various researchers pointed out that one of the critical issues in the relations between donors and recipients was that the former tended to bypass systems and institutions in the recipient countries without genuine reasons. Alongside the OECD surveys, specific case study findings in Rwanda, Nigeria, Cambodia and Indonesia also demonstrate that signatories on both sides have failed to translate fully into practice the principles enshrined in the Paris accord.

In the context of the PD's emphasis on having country-owned national development strategies and plans, this chapter has examined key development policies of the GoP. Pakistan prepared and put in place full PRSPs and other long-term development plans such as the MTDF and Vision 2030. These plans fulfilled some of the prerequisites outlined in the PD as they were comprehensive in nature, home-made, result-oriented and had been formulated involving a range of national stakeholders and donor agencies. These policy documents translated the GoP vision and strategy into a clear intended path of development. The key targets of these plans were to achieve macro-economic stability, economic growth and poverty alleviation. These development plans were interrelated and complemented each other. For example, targets and strategies identified in PRSPs were also incorporated in the MTDF. These intended targets were in line with the attainment of the MDGs as they focused on reduction of extreme poverty and hunger, achieving universal primary education, minimizing and removing gender disparities, reducing child mortality, improving maternal health and ensuring environmental sustainability. Apart from having linkages with the MDGs, these development plans also outlined government-intended development goals and objectives in areas such as information and communication technology, minerals, forestry, manufacturing, agriculture, livestock, water resources, energy security, tourism, and transport. Similarly, Pakistan took some practical steps, such as the establishment of the Aid Effectiveness Unit and Development Assistance Database, to foster the aid-effectiveness agenda of the new aid paradigm.

The contribution of this chapter is that it has identified some gaps as well as linkages between GoP initiatives and the PD aid-effectiveness paradigm. This research shows that the government was unable to follow an extensive and profound participatory process, which the PD considers an essential precondition for successful poverty alleviation strategies. Similarly, although the GoP development plans outlined domestic budgetary allocations and gaps to be filled by external assistance, there was no uniform and single national development policy that provided detailed sector-level priorities and foreign aid requirements in various sectors. Government policy documents did not give details regarding where foreign aid was precisely needed and how much development assistance was required to achieve sectoral targets. These plans did not mention specific interventions that needed to be carried out in different sectors to achieve the

intended development targets. In this sense, a gap continued to exist between these GoP strategies and the overall aid-effectiveness agenda of the new aid paradigm, the essence of which is the PD. Nonetheless, there were also linkages between these development plans and the PD, as the latter made it clear that aid-receiving governments need to have result-oriented strategies to which donors align and harmonize their practices. Thus, the GoP certainly moved some way forward as it had taken practical steps for increasing aid effectiveness. In view of these plans and other practical initiatives taken by the GoP for the PD implementation, the next chapter explores to what extent USAID as well as the GoP have incorporated the PD principles while undertaking development interventions in Pakistan.

Note

1 Similar figures were mentioned to me by a former Minister of State for Finance during an interview, which is discussed in some detail in the next chapter.

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4 The delivery and utilization of US aid in Pakistan and the aid-effectiveness principles

Role of the GoP and donors in development projects: an overview

Upon signing the Paris accord, both the international donor community and aid-recipient governments committed to a set of interrelated principles aimed at increasing the effectiveness of aid. The declaration stipulates that for making aid more effective in alleviating poverty and achieving development outcomes, it is vital to facilitate recipient governments to play a leading role in managing and utilizing aid so that they could "exercise effective leadership over their development policies and strategies" (OECD, 2005, p. 3). It suggests that aid-receiving governments need to be in the lead in the identification, prioritization and implementation of national development plans and utilization of international development aid. This is the central tenet of the whole aid-effectiveness discourse. However, as the preceding chapter illustrated in general and as the following discussion demonstrates in the context of Pakistan, it is not usually the recipient government that decides where and how to utilize aid funds. Rather, this prerogative is with the donor agencies and their respective government ministries as they have their own priorities regarding aid allocation to certain sectors and areas.

In Pakistan, at the federal level, the Economic Affairs Division (EAD) of the Ministry of Finance (MoF) is the main government body responsible for assessments and requirements of aid and loans from external sources. Hence, the EAD has the mandate to hold negotiations and consultations with bilateral as well as multilateral donors. However, the EAD itself neither receives aid from donors nor is it practically involved in projects' operation and implementation. Its function is at the policy level: formulating policies related to external assistance and loans, and working as a liaison between GoP institutions and aid donors regarding the needs of external financial assistance (Government of Pakistan, 2005).

Before commencing operations in Pakistan, each bilateral and multilateral donor as well as every international non-governmental organization (INGO) signs an agreement or memorandum of understanding (MoU) with the GoP. After this, a particular development partner is granted permission to work in the

country. There is a standard format of such agreements/MoUs for INGOs, irrespective of their level of involvement and nature of intended activities in the country. However, in the case of foreign aid donors, agreements largely depend on the nature of the overall bilateral relationship between the GoP and a particular donor country. Hence, unlike in the case of INGOs, for different aid donors there are different standards and procedures which allow them to carry out development works in Pakistan. Because of this, different aid donors and their implementing partners often follow their own policies and procedures rather than uniform country-led standardized approaches while implementing development interventions in various sectors.

Once particular donors are permitted to commence work in Pakistan, they either plan projects of their own choice and discuss their potential activities with the EAD or ask the EAD to submit projects to them for funding. A majority of EAD officials interviewed stated that donors mostly follow the former procedure: they conceive, prepare, plan and carry out projects of their own choice in particular areas. This predominant view was expressed by an EAD official who stated that a majority of aid donors come up with projects and sectors already in their mind (personal communication). The official acknowledged that though consultations are held with the EAD and other GoP ministries, donors largely carry out interventions already conceived and developed by them in the sectors of their choice.

This donor-centric approach is also facilitated by shortcomings in the GoP's overall aid architecture (illustrated in the previous chapter). Two issues are particularly significant: first, the GoP has not devised a single comprehensive aid policy listing all the ongoing and intended projects in different sectors; and second, there is no specialized aid coordination agency with the requisite manpower and mandate to effectively negotiate with donors or convince them towards aid modalities preferred by the government in particular areas. Because of this, the government is unable to ensure and enforce a common standard for all donors and their implementing partners. For instance, at the country level, there are no rules requiring development partners to align their assistance with the priorities of the GoP. Similarly, the government has no regulations to restrict donors regarding increased predictability of development assistance or to direct them to lower transaction costs by enhanced and improved coordination and harmonization. Officials in the EAD admit that at the domestic level the government has not enacted an aid policy containing specific rules to make donors use the GoP's financial or procurement systems. At the same time, they add that as signatories to the PD, OECD/DAC donors have committed to use country systems and to execute projects already envisioned by the GoP rather than having donors come up with their own plans. An official in the EAD was of the following opinion:

> We have prepared long-term plans such as PRSPs and MTDF. We have our annual Public Sector Development Programme (PSDP) – projects already conceived and planned by the government. There would be ownership with

> the GoP and alignment between the government and aid donors if the latter give serious consideration to these policy documents and fund activities already identified in these development plans.
>
> (Personal communication)

In Pakistan, at the national or domestic level, future areas or sectors are prioritized at the time of federal budget preparation, a regular practice that takes place every year. For this purpose, there is a "Priorities Committee", which is responsible for making decisions regarding the intended development activities to be funded by the PSDP. The committee comprises relevant officials from the EAD, the Finance Division, and Planning and Development Division. It chooses projects while bearing in mind the available or committed assistance from foreign donors, its own knowledge regarding needs and priorities of the GoP already envisioned in PRSPs and MTDF, prevalent trends and patterns of the government expenditures, and expertise of the committee members themselves in certain areas. On the basis of either one or a combination of these factors, the government makes decisions about certain projects and programmes in different sectors in different geographical areas. This is the standard procedure followed by the GoP in the identification and prioritization of future development plans.

According to EAD officials, the procedures and practices of different donors vary. In the case of selecting different sectors or areas for interventions, it is mostly at the discretion of aid donors to decide what sectors to become involved in. Interviewees within the EAD informed me that a majority of donors, including both bilateral and multilateral, have their own development priorities and often they prefer to work according to these. Even the geographical location or area of development projects is chosen by donors. In some cases, it is left for the federal or provincial government to select the proposed site or area for works. Based largely on interviews with the GoP and USAID officials, and supplemented by secondary data, the rest of this chapter examines both the GoP and USAID approaches and procedures within the PD framework.

The PD principles and USAID practices in Pakistan: rhetoric and reality, policy and practice

Who has ownership: the GoP or USAID?

In relation to ownership, the PD states that "partner countries exercise effective leadership over their development policies and strategies" (OECD, 2005, p. 3). On the part of the recipient government, it implies that the GoP needs to be at the forefront in the identification and implementation of development initiatives keeping in view its own needs and priorities. As a signatory to the PD, the US has pledged to give a more central role to GoP institutions in development projects, and help in strengthening and improving their institutional capacity to enable them in effectively exercising ownership of development resources and

processes. In the following sub-sections, the respective roles of GoP institutions at the federal and provincial levels are investigated in USAID projects.

Ownership, USAID and the EAD

As discussed earlier, in Pakistan the EAD is the main government ministry dealing with all foreign aid donors. A number of EAD officials informed me that the GoP has a minimal role in the selection, execution and monitoring and evaluation of USAID interventions. It was stated that USAID itself conceives and selects projects of its choice, invites Expressions of Interest (EoI) for its projects and mostly awards these to INGOs or other US-based implementing partners. A senior official in the Aid Effectiveness Unit in the EAD explained:

> USAID comes up with already planned projects involving INGOs. It has some consultations or involvement of the GoP and relevant counterpart ministries and departments, but overall USAID carries out projects which have already been conceived and planned by USAID itself in particular sectors and areas.

Some other high-level officials stated that the GoP has near to zero ownership in the majority of USAID projects and programmes. An official in the Ministry of Finance added that instead of the GoP, INGOs get and utilize the lion's share of US funds (personal communication). The GoP officials were of the view that instead of involving INGOs and bypassing government ministries and departments, USAID should have more fully involved country institutions. It was pointed out that USAID should have chosen projects from the PSDP prepared by the government, keeping in view the needs and requirements of the country. From the PD perspective, the first indication of a policy and paradigm shift could be to give primary consideration to the PSDP, having an accurate assessment of the needs and priorities of the GoP. However, instead of choosing projects from the PSDP or other long-term policy documents such as the PRSPs and MTDF, in most cases USAID came up with its own plans and projects in different sectors, such as education and health. In that case, according to government officials, the GoP leadership and ownership is sidelined and USAID's own implementing partners are in the lead regarding the utilization of aid funds.

From the donor perspective, USAID officials explained that there was close coordination and collaboration between it and the government. Several officials stated that USAID does involve the government and its relevant line ministries and departments in different projects it undertakes in Pakistan. An official in the USAID Mission based in Islamabad explained:

> It is true that being a department of the US government, the US Congress/government indicates to USAID which areas and sectors to target and we carry out our developmental projects keeping in view directives of the US Congress and government. At the same time, we also closely coordinate and collaborate with the GoP ministries to address their needs.

A similar opinion was also expressed by the Education Chief of USAID. She stated that USAID was aware of the significance of the aid-effectiveness agenda spearheaded by the OECD under the Paris accord and has been making practical efforts to implement it as regular meetings are held with government departments to assess their needs and to act accordingly (personal communication).

An important reason and rationale for the lack of proper and active involvement of government line ministries and departments was highlighted by some senior USAID officials of Pakistani origin. It was pointed out that rampant corruption among government officials was one of the main reasons for USAID hesitation to design and implement projects through government departments and channel aid funds through government systems. The official stated:

> When USAID carries out interventions through INGOs and external contractors and partners, government officials are unable to get funds for personal gains. There are no opportunities of embezzlement for public sector officials and thus they rue that USAID ignores or bypasses government institutions in its projects. The reality is that USAID utilizes its funds more efficiently than the government of Pakistan and its departments.

It is an undeniable fact that corruption has been one of the main causes of distrust, not only between the GoP and international donors, but also between the state and its own citizens. The Paris accord has declared that "corruption and lack of transparency … erode public support, impede effective resource mobilisation … it inhibits donors from relying on partner country systems" (2005, p. 2). In the context of Pakistan, the prevalence of corruption creates a situation where donors suspect the credibility and capacity of the government in the transparent utilization of aid and the implementation of development programmes. Because of this, aid donors prefer to execute projects through international partners rather than government institutions. Consequently, despite the fact that government institutions and departments exist, aid donors create parallel project implementation structures, thus leading to extra costs on managing and administering aid projects. This results in spending huge money on administration, sometimes equal to the amount of aid funds spent on actual development interventions. This aspect of the PD and USAID practices is discussed later under "The costs of the lack of ownership", focusing on the administrative costs of USAID in Pakistan.

As a whole, it can be concluded from the statements and opinions of the EAD officials that this main ministry of the federal government felt it had minimal ownership of USAID projects. They, like the USAID officials, acknowledged that there were prior consultations and regular interaction, but ultimately it was USAID which decided how and by whom to utilize aid funds. The implementing parties of USAID were mostly its international partners. Hence, the role of GoP institutions, particularly at different phases of projects' selection, implementation, and monitoring and evaluation was minimal. In other words, it was USAID which had practical ownership of the development projects rather than GoP institutions.

Ownership: instances from KP and FATA

After exploring the issue of ownership at the federal level, it is necessary to examine the role of the relevant provincial government departments in USAID projects. Here, the role of the Department of Education in the province of KP, and the role of the FATA Secretariat and line departments in FATA are investigated in US-funded projects.[1] This is because USAID has undertaken numerous projects in different sectors, particularly in the education sector in KP and FATA. Since 2002, when USAID resumed work in Pakistan, the agency invested US$404 million in the education sector to reform and revitalize Pakistan's education system (USAID/Pakistan, 2009). According to the same report, more than 600,000 children benefited from USAID-funded education programmes. Similarly, since 2011, USAID has repaired or built over 1,135 schools across the country and has trained 25,000 teachers and school administrators (USAID/Pakistan, 2017a). In addition, after the approval of the Kerry–Lugar Bill in 2010, USAID in collaboration with the Higher Education Commission (HEC) of Pakistan provided over 17,000 scholarships to talented and financially disadvantaged students to attain higher education in Pakistan. Of these, 7,354 scholarships were offered to temporarily displaced students pursuing education in Pakistani universities. Similarly, USAID has financed the construction of 17 faculty of education buildings in the higher education sector across Pakistan. Apart from providing financial assistance to students within the country, USAID has been offering various scholarship opportunities to Pakistani students for obtaining higher education from US universities. The main purpose of this discussion is to present a brief overview of what USAID has been doing in the education sector in Pakistan. In terms of funds and scale of involvement, USAID has provided substantial aid to the education sector across the country and has targeted both primary (school) and secondary (college) as well as tertiary education.

The question arises here as to what extent USAID projects are in accordance with the spirit of the PD commitments. While officials in the EAD were critical of USAID's procedures and its project implementation mechanisms, officials in the provincial government were not. Several officials interviewed in the Department of Education in KP and Directorate of Education FATA Secretariat praised what USAID was doing in the education sector. An official in the Department of Education in KP informed me that with the technical assistance of some bilateral donors, they prepared an Education Sector Plan (2007–2015) which clearly defined the aims and objectives of the provincial education sector. The official stated that this plan was put before donors to choose activities and interventions to be undertaken in the education sector in the province. The official further explained:

> Various donors including USAID signed MoUs with us to choose activities from this plan. Being a signatory, USAID also helped us in Teachers' Education plan and training etc. These were quite helpful programmes where teachers learned new techniques aimed at enhancing and improving their professional aptitude.

Hence, there was close coordination and collaboration between the GoP and USAID in relation to activities in the education sector at the provincial level. Besides the provincial department of education, officials in the FATA Secretariat stated that line departments were fully involved in USAID activities. An official in the Directorate of Education FATA Secretariat explained that USAID was regularly in touch with the FATA Secretariat and all projects in FATA were undertaken with the consent and collaboration of different line departments. The official told me that initially USAID made a plan to do works in FATA without involving and consulting the FATA Secretariat, but soon they realized that it was not possible to carry out projects without the collaboration of the FATA Secretariat. "After its first failed attempt to involve external contractors and local NGOs, USAID came back to us and then they started doing it with mutual consultation and collaboration with our line departments," added the official.

However, officials in other government departments in KP showed total dissatisfaction with USAID. An official in the Planning and Development (P&D) Department in Provincial Secretariat in Peshawar told me that the provincial government neither received any direct aid from the US nor was it fully involved in US-funded projects. He disclosed that USAID carried out its activities through UN agencies and other international NGOs. The official specifically pointed out a US$15 million Peshawar Beautification project funded by USAID. The government official stated that the P&D Department should have been properly involved but instead it was neither consulted nor involved in any of the stages of the identification, selection and implementation of the project.

On the whole, a mixed picture emerges regarding the issue of ownership of development interventions. At the federal level as well as to some extent at the provincial level, the role of GoP institutions was minimal in USAID interventions. Overall, the modus operandi of USAID was different in the FATA and KP. Here, provincial government departments (such as the Department of Education and FATA Secretariat) were more fully engaged with USAID in its projects. The visible shift in US policy and practice was also largely because of the precarious law and order situation. The Director General (DG) Projects in the FATA Secretariat told me that line departments of the FATA Secretariat were fully involved in the identification and selection of projects with USAID and its implementing partners, as FATA and some parts of KP had become no-go areas for foreigners or other outsiders because of increased militancy and incidents of kidnapping for ransom (personal communication). He stated that it was too risky for USAID or INGOs to operate on the ground, because of which USAID was working in close collaboration with the FATA Secretariat and its line departments as well as in close liaison with the provincial departments.

Keeping the overall country context in mind, there was more consultation and dialogue between USAID and its Pakistani counterparts than prior to the emergence of the aid-effectiveness paradigm, but most projects were still actually implemented by USAID's international partners rather than GoP institutions. The local departments were consulted regarding the prioritized areas of intervention, but they did not carry out projects. They were consulted on certain issues,

but it was USAID contractors who implemented a majority of development interventions. For example, interventions in the education sector were undertaken by the Academy for Educational Development (AED) and the American Institutes for Research (AIR). Similarly, in the health sector, USAID projects were implemented by John Snow Inc. (JSI), Abt Associates, Save the Children, Research Triangle Institute (RTI) and World Health Organization (WHO).

In the same way, in the aftermath of the 2005 earthquake in northern Pakistan, in almost all its projects in the reconstruction phase, USAID carried out its interventions in partnership with INGOs or international firms. In the earthquake-hit areas, its four major projects included reconstruction works, education, health, and rehabilitation of economic activities for improving livelihoods. These interventions were carried out in partnership with Camp David Micky (CDM) Constructors Inc., a US-based construction company, Chemonics International, Development Alternatives Incorporated (DAI), American Institutes for Research (AIR), International Rescue Committee (IRC) and Citizens Network for Foreign Affairs (CNFA) respectively. All these organizations are US-based. Local government departments and community organizations were also involved, but the implementing partners of USAID were these international contractors which, according to an EAD official, were not INGOs but actually US companies, firms and institutes who benefitted more from aid funds than local organizations and communities (personal communication).

The preceding discussion illustrates that USAID carried out most of its works through international firms and consultants. Thus, government line ministries and provincial and district departments were not given central roles to exercise leadership over USAID's development projects. It is discussed below that as a result of the minimal role of GoP institutions, the overall administrative cost of USAID was also quite high, which dwarfed the actual development budget.

The costs of the lack of ownership

One of the main arguments and rationales for improving aid effectiveness emphasized in the PD is the use of "country systems and procedures to the maximum extent possible" (2005, p. 4) and minimum use of parallel project implementation structures. The PD explains that making maximum use of developing country systems, institutions and departments would enhance their capacity as well as lead to effective utilization of development resources through meaningful partnerships. The PD argues that country institutions need not be bypassed or ignored on account of their lack of capacity but rather they need to be assisted in improving and strengthening their capacity for optimal utilization of resources and effective service delivery.

In the context of USAID in Pakistan, because of the twin problems of a lack of adequate capacity and the prevalence of corruption, and USAID's propensity to giving a central role to INGOs or other contractors as implementing partners, the administrative cost of overall USAID interventions was very high. The GoP and USAID officials were of different opinions regarding the overall

administrative cost of USAID interventions. Officials in the EAD agreed that there was no doubt that a substantial amount of US aid went back in consultancy services and other charges. A former Minister of State for Finance told me in an interview that USAID administrative costs were at least up to 50 per cent of their total budget (personal communication). An official of a private organization who worked in USAID as a consultant stated that based on his personal experience, the administrative costs of USAID were up to 70 per cent, while the rest was spent on actual developmental activities (personal communication). Contrary to these statements, an official of the USAID Mission in Islamabad explained that a total of 20–30 per cent was spent on administrative issues, including expenditures on different kinds of experts such as educationalists, environmentalists, hydrologists and geologists engaged in US-funded interventions (personal communication).

In view of these contradicting statements, it was quite difficult to know the reality of how much USAID was spending on managing its aid-funded projects. However, in August 2009, barely a month after I had personally interviewed the former Minister of State for Finance, the new Finance Minister of the country, Shaukat Tareen, was the first Pakistani official who endorsed the figures mentioned to me by the former minister in an interview. In his interview with the *Financial Times* in August 2010, the Minister of Finance said that the government received only 50–55 per cent of the total US aid, 40–45 per cent became expenses because of intermediation costs by the US (*Financial Times*, 2010). The minister urged the US to channel and deliver aid through government agencies to reduce high costs incurred by US counterparts and implementing partners. Similarly, former Prime Minister Yousaf Raza Gilani, in a meeting with the US Deputy Secretary of State for Resources and Management and USAID administrator, had also asked the US to disburse aid to Pakistan through the existing government channels (*News International*, 2009). He had emphasized that the disbursement of aid through NGOs involved additional administrative expenses, sometimes from 35 to 40 per cent of total aid, and hence the actual amount spent on public welfare got drastically reduced.

From the perspective of the aid-effectiveness agenda espoused in the Paris accord, it means that USAID largely followed the old aid delivery mechanisms and procedures. These trends in USAID activities and aid delivery processes indicated that there existed a big gap between what donors pledged in Paris and what they actually continued to do. On the part of the recipient government, lack of capacity and incidence of corruption were the main challenges, which as per the PD, result in preventing "donors from relying on partner country systems" (2005, p. 2). The PD specifically mentions that corruption erodes accountability and transparency in the utilization of public funds and undermines the quality and standard of development programmes. However, despite the prevalence of corruption, government officials claimed that aid can be better used if delivered and utilized through government ministries and departments. An official in the EAD argued that despite the prevalence of corruption, government organizations were better placed to make an effective use of aid money because of their superior knowledge of the local needs and contexts. He explained:

> Let's assume that 20 per cent of the aid funds are embezzled by government officials. Despite that, even if we get the rest of the money, the government can utilize this money in a far better way than USAID does. Look at their perks and privileges, exorbitant salaries and consultancy charges. They have been wasting a bulk of the money aimed at bringing a positive change in the lives of the needy and poor people.

It means that because of lack of capacity and corruption on the part of the government, USAID did not fully rely on the GoP to manage aid funds and execute development projects. Consequently, a significant amount was spent on creating and maintaining project implementation structures outside the government system. A presenter and development practitioner quoted in the Asian Development Bank Pakistan country report pointed out that the cost is Rs.1 if projects and activities are implemented with community self-help, "the cost is Rs.3 if local government handles it; Rs.7 if Provincial government handles it, and Rs.28 if it is donor funded" (Asian Development Bank & Government of Pakistan, 2008, p. 72). Therefore, giving a limited role, where necessary and required, to international partners and delegating more vital authority to national institutions would have substantially minimized administrative costs of USAID projects. At the same time, such approaches could have also expanded the capacity of government institutions, leading to an increased collaboration between the GoP and its development partners. However, government institutions also need to improve their image and efficiency, particularly in relation to corruption. Unless and until this is done with earnest honesty and urgency, it is hard to convince donors to entrust more responsibility to government regarding how and where to target aid and by whom to administer projects: government institutions or international contractors.

Lack of ownership, establishment of project implementation units and brain drain

Another repercussion of the minimal role of GoP institutions and establishment of parallel and independent project execution structures is a kind of internal or domestic brain drain. The PD has explicitly stated that donors should "avoid activities that undermine national institutional building, such as bypassing national budget processes or giving high salaries to local staff" (2005, p. 7). This is because huge differences in salary structures could lead to corruption as well as brain drain. This practice tempts government functionaries to take leave from their parent departments and work with donors in certain projects on a contract basis on higher salaries with additional perks and privileges. It was also a bit surprising for me when I interviewed several officials in different USAID projects who were actually government officers but on leave from their original jobs. Hence, installing such project implementation bodies saps the limited capacity of government institutions by attracting competent and experienced staff. A senior official in the provincial department of health in KP told me in Peshawar

that foreign-funded projects caused a brain drain as staff from local departments preferred to work with donors than with GoP organizations because of the above-mentioned incentives (personal communication). This statement is further elaborated in the following example.

In August 2010, a media report revealed that the appointment of the new provincial coordinator for Maternal, Neonatal Child Health (MNCH) programme, a USAID-funded project, was based purely on political affiliations (Yusufzai, 2010). Quoting other doctors who were competing for the post, the report mentioned that the new appointee was affiliated with the ruling Pakistan People's Party (PPP), which enabled him to get the lucrative job in the USAID-funded scheme. To more fully explain how doctors in government departments were using different tactics to get such positions in foreign-funded projects, it is relevant to quote an extract from this news story:

> There were also reports that Dr Salar [the outgoing official] was making efforts to get a three-year extension in his service so that he could continue to hold his prized job. But he failed in his efforts at a time when his opponents and those seeking his job were threatening to approach the court if he was given an extension.
>
> (Yusufzai, 2010)

This anecdote reveals various aspects of this particular USAID project. It indicates that contrary to the PD exhortation quoted earlier, donor-funded projects offer high salaries and other incentives that create a serious imbalance and disequilibrium in the prevalent job market. Therefore, such practices create additional administrative issues for recipient government institutions as experienced public sector functionaries prefer to work with donor agencies rather than in their own organizations. Thus, such practices of donor agencies, in this case that of USAID, resulted in undermining national institution-building rather than strengthening it. The appointment of an official on a political basis is also an indication that, like government departments in developing countries (such as Pakistan), aid agencies are also not very fair and transparent and appoint employees on the recommendations of someone in the power corridors rather than on pure merit, competence and ability.

Although the PD has cautioned about the prevalence of high imbalances and discrepancies in the salary structures, such practices continue to exist in Pakistan as well as elsewhere. In the context of Malawi, MacLachlan, Carr and McAuliffe (2010, p. 26) found that "aid-funded workers receive heaps more money … roughly ten to twenty times the local salary". The authors assert that "local workers agree that local people are demotivated by the salaries that some expatriates earn" (2010, p. 74). Alongside demotivation, such inequalities between the salary structures of government employees and foreign aid workers also lead to "corruption in government institutions" (MacLachlan et al., 2010, p. 74). MacLachlan et al. (2010, p. 75) argue that "pay discrepancies, and their potential to undermine aid and development initiatives, are not confined to one

particular site or sector". They cite sectors such as health, education and business from diverse regions consisting of Malawi, Uganda, China, India, Papua New Guinea and the Solomon Islands, where such practices are prevalent, creating the issues mentioned above in the context of USAID in Pakistan.

The above discussion about the GoP and USAID approaches and practices indicates that the principles to which the two governments committed to under the PD were not fully translated into actual practice. There were various constraints from both the GoP as well as the USAID side. The lack of appropriate capacity of government institutions and the issue of corruption were the major obstacles which made donors, in this case USAID, hesitant regarding giving more central roles to government institutions. On the other hand, a predominant view of government officials was that the US needed to select development works from the PSDP and PRSPs and carry these out through existing government channels. However, the findings demonstrate that most US aid was utilized through USAID implementing partners and contractors, giving a limited role to government institutions and departments, particularly in project design and implementation.

In the following section, USAID practices are examined in light of the PD principle of alignment. Specific examples are given from USAID projects in the education sector in KP and FATA to highlight the extent to which the commitment to alignment was translated into action.

Alignment of USAID projects with the GoP

Within the PD framework, ownership and alignment are interrelated. The declaration stipulates that donors "base their overall support on partner countries' national development strategies, institutions and procedures" (2005, p. 4). The procedures and systems of both donors and partners need to be aligned to make better use of development resources in achieving planned development outcomes. The aim is to target aid at activities which aid recipients have prioritized. In this way, it is argued that aid will be spent where it is most effective and useful. For this to happen, there is an emphasis on "a more equal partnership between developing countries and aid donors" (Gore, 2000, p. 795), and the PD stipulates that effective and inclusive partnership "will increase the impact aid has in reducing poverty and inequality, increasing growth, building capacity and accelerating achievement of the MDGs" (2005, p. 1).

In the Pakistani context, it was discussed in the previous chapter that the GoP identified and prioritized key areas for interventions. Donors, including USAID, carried out projects in those areas. The issue is to what extent they carry out those activities in line with the priorities and policies of the GoP, using country systems. Several high-ranking officials informed me during interviews that though there was an understanding between USAID and the GoP in broader areas like education, health and economic growth, issues such as the selection of a particular intervention, the geographical location and other procedures were mainly at the discretion of USAID. An official in the Ministry of Finance dealing with USAID from the GoP side explained:

> In the case of USAID, the GoP is involved to some extent to prioritize its sectors and areas of need but these are broader areas such as education, health, energy and economic growth. How to spend aid and by whom, it is mostly decided by USAID itself.

This issue is further explored in the context of KP and FATA, where USAID funded and implemented various projects in different sectors. Practices and funding mechanisms of USAID are discussed in light of the PD commitment to alignment in the education sector.

Education sector in KP and FATA and USAID interventions

Before exploring the issue of alignment, it is relevant to present a picture of the current status of education in the country. In Pakistan, social sectors such as education and health have rarely been the top priorities of any government. It was elaborated in Chapter 2 that historically, because of external security challenges vis-à-vis India, Pakistan has been spending a larger proportion of its budget on defence at the expense of the development of sufficient social infrastructure, such as health and education. For example, according to the latest Global Education Monitoring (GEM) report of United Nations Educational, Scientific and Cultural Organization (UNESCO), Pakistan is spending 2.6 per cent of GDP on education compared with 7.4 per cent in Bhutan, 5.2 per cent in the Maldives, 3.8 per cent in India, 3.7 per cent in Nepal, and 3.3 per cent in Afghanistan (UNESCO, 2017). According to a comprehensive "Pakistan National Human Development Report 2017" (NHDR), only 14 out of 195 countries spend less on education than Pakistan (UNDP/Pakistan, 2017). While the country's education spending has been among the lowest in the region, it spends at least nine times more on its military than on public health (Asian Development Bank & Government of Pakistan, 2008). Also, it has been stated that defence expenditures, as officially acknowledged and reported by the GoP, do not present a complete picture because a number of defence projects are categorized in the civilian domain and as such are not counted as defence spending (Siddiqa, 2007). For instance, according to media reports, over 3 million retired personnel of the armed forces were getting PKR72 billion in annual pensions from the civilian budget in 2010 (Klasra, 2010). The report further stated that the pension bill for the retired personnel of the military forces rose from PKR26 billion in 2001 to PKR72 billion in 2010 and all of it was categorized as non-defence spending. In the national budget for the year 2018–2019, pension spending for retired military soldiers and officers reached PKR260 billion, and it is not included in the defence budget (Syed, 2018). These facts indicate how much Pakistan has been spending on defence in comparison with what the country has been allocating to social sectors.

On numerous occasions, successive governments made tall claims concerning attaining a universal literacy rate, but so far these claims have remained elusive. For example, in the 1992 education policy, the government vowed to achieve a literacy rate of 70 per cent by 2002. Six years later, another policy document

promised that a literacy rate of 70 per cent will be achieved by 2010. Another target was set in the PRSP period and it was pledged that the government will make all possible efforts to achieve a literacy rate of 86 per cent by 2015, which was also the deadline for achieving the MDG targets (Ministry of Finance, 2010). Following in the footsteps of previous governments, the newly elected government came up with a new policy document in 2014, titled *Pakistan 2025: One Nation, One Vision*. Aligning its long-term development targets with the globally recognized Sustainable Development Goals (SDGs), the government pledged to accomplish these targets comprising "zero poverty and hunger, universal access to health services, education, modern energy services, clean water and sanitation, and join the league of Upper Middle Income countries by 2025" (Government of Pakistan, 2014, p. 3). The government also promised to "target public expenditure on education to reach 4% of GDP by 2018" (Government of Pakistan, 2014, p. 33), a promise that the government could not fulfil in the last budget of its tenure. Thus, the current literacy rate is 58 per cent; among the male population it is 70 per cent, while among females it is 48 per cent (Government of Pakistan, 2018). It is also relevant to compare it with other South Asian countries. The Maldives has a 99 per cent literary rate, Sri Lanka 92 per cent, Bangladesh 72 per cent, India 70 per cent, Nepal 63 per cent, Bhutan 59 per cent and Afghanistan 38 per cent. Hence, it is obvious that Pakistan is the second lowest in the list in terms of literacy rate in the region. As per Pakistan's NHDR assessment, "at the current annual growth rate of net school enrolments, it will be 2076 before Pakistan can achieve its goal of zero out-of-school children" (UNDP/Pakistan, 2017, p. 1). The report also adds that Pakistan is one of the youngest countries in the world as "64 per cent of the country's population is under the age of 29, with some 30 per cent between the ages of 15 and 29. For at least the next three decades, Pakistan will continue to be a younger country" (UNDP/Pakistan, 2017, p. v). In order to effectively utilize the population dividend for the country's prosperity, the report identifies and suggests "the three Es – education, employment and engagement – as the three main drivers" of change (UNDP/Pakistan, 2017, p. 6).

Given the current status of education and the priorities of the government, it seems an uphill task to achieve the literacy rate envisioned by successive governments in various policy documents. In view of this, according to "Pakistan Education Statistics 2015–16", "there are currently 51.17 million children in Pakistan between the ages of 5 and 16. Among this group, only 28.53 million children attend an educational institution (government or private), leaving 22.4 million children out of school" (Government of Pakistan, 2017, p. 21). Regarding schools' infrastructure and other basic amenities, the report reveals that 40 per cent public sector primary schools were operating without electricity, 28 per cent did not have toilets, 25 per cent were without boundary walls and 29 per cent had no access to clean drinking water. The report further adds that 7 per cent of schools did not have any building and 43 per cent had unsatisfactory buildings (Government of Pakistan, 2017). Thus, while the government has given special consideration to the education sector in most policy documents, such as the

PRSPs as well as in other long-term policy plans such as Vision 2025 and Vision 2030, the actual picture is quite different, as the facts and figures presented in this section speak volumes about the status of education in the country.

To help in addressing some of the key bottlenecks of the education sector, the US provided substantial aid in different forms. To this end, USAID came up with a total of US$750 million in projects (2007–2012) under the banner of FATA Development Programme (FDP) and Livelihood Development Programme (LDP) in FATA and parts of KP. Among these, ED-LINKS (Links to Learning Programme), a US$90 million countrywide project implemented by the American Institutes for Research (AIR), focused on the education sector. Having a duration of five years (2007–2012), the project aimed at improving the quality and sustainability of teachers' education and students' performance in the state-run schools in FATA and other areas of the country (ED-LINKS, 2009). In the context of FATA, key activities of ED-LINKS consisted of provision of training to teachers for improving their skills and sharpening their professional abilities, provision of learning material and direct assistance to schools, establishment of school libraries and facilitation of the Directorate of Education FATA Secretariat through capacity-building. An official of the Directorate of Education FATA Secretariat told me during an interview in Peshawar:

> ED-LINKS provided furniture, computers and other equipment to our offices as well as computer training to our staff. USAID also built 56 out of the proposed 65 schools and all works were done in coordination and collaboration with our line department.

Several officials in FATA Secretariat stated that there was close coordination and alignment of project activities with the government department. However, when I explored this aspect at the grassroots level, visiting some of the schools where ED-LINKS had provided different equipment, a completely different picture emerged. In this project, there was provision for establishing classroom libraries and laboratories in government-run schools, but there was no mention of constructing toilets: one of the urgent needs mentioned by teachers and students that I interacted with. In one school in Khyber Agency, the principal of the school told me that ED-LINKS had established a very good library in their school and provided some very expensive books. When asked whether the school administration had requested this, his reply was that the school had not asked for the library, but the project (ED-LINKS) itself came up with the plan. Regarding their needs and priorities, the principal of the school explained:

> For over 500 students we have only 10 classrooms and three functioning toilets. We need new classrooms and toilets. We are also in need of a residential facility for teachers coming from remote areas; at least there should be one or two units. Instead of a library, I would say construction of classrooms would have been more beneficial at this stage.

A somewhat similar tale was narrated by another principal of a government school in Khyber Agency. I have narrated this anecdote in the beginning of the first chapter and it illustrates the mismatch between what is actually needed and what is provided in the form of foreign aid. It was by chance that while I was visiting the school, some staff of ED-LINKS were distributing school bags among the students and were pleased to be photographed when I asked for their permission. The site was the Government Higher Secondary School Jamrud, Khyber Agency in FATA. There was so much lack of coordination and collaboration that the principal told me that neither the government officials nor the project staff had informed him of their visit and delivery of stuff in advance. He further stated that the students already had bags and did not need new ones. It was a waste of money, he said; the resources could have been better spent on things they urgently needed. I observed that the school had no proper electricity, no water tanks, few toilets, most doors and windows were broken and a majority of fans were old and out of order.

The above examples reveal that USAID was doing work in the education sector, but they had their own priorities and ways of bringing improvements in this sector. It appears that policy-makers in Washington (and to some extent in Islamabad and Peshawar also) conceived such projects without having knowledge of what could be the contribution of computer laboratories in schools having no blackboards, sitting desks, electric fans and toilets. In most cases, their choices of improving the education sector did not seem to align and synchronize with those of the government, particularly with the needs and priorities of those who were the intended beneficiaries. At the same time, it also appeared that the Directorate of Education welcomed whatever it was receiving from external sources in the form of foreign assistance. This became more evident when I interviewed officials in other departments. For example, when a higher official in the EAD was quite critical of the developmental role of USAID and authoritative attitudes of the USAID Mission, I asked him in simple words that if there were so many problems and issues with USAID, why you do not simply say no to USAID. His response was:

> It is predetermined by the US to utilize aid in a particular project, sector and area. Beggars cannot be choosers. US aid is 100 per cent in grants so we do not have any leverage over them to compel them to fund and implement projects of our choice.

It indicates that as almost all US economic aid was in the form of grants and not loans, Pakistani officials either did not have enough bargaining power or saw all such aid as a windfall because of the country's rentier status on account of its geo-strategic significance in the "war on terror". At times, it appeared that Pakistani officials were cognizant of the fact that US assistance would be more effective if utilized on activities the country was in greater need of. However, as the US was interested in something else, government ministries and departments also agreed to the US proposals, as perhaps they did not want to annoy USAID

officials and were in favour of an uninterrupted flow of aid funds irrespective of its development outcomes.

The effectiveness of aid, as explained in the previous chapter, also depends on the nature of relationships among different state organs as well as between these organs and citizens, and not just on the donor–recipient relationship (Foresti, Booth, & O'Neil, 2006). It implies that apart from the donor–recipient development partnership, effectiveness or ineffectiveness of aid-funded projects is determined by a range of other stakeholders such as provincial, district and local governments as well as community-based organizations. Along with these, the most important stakeholders are the intended primary beneficiaries. The problem with the majority of development programmes is that the intended beneficiaries are never involved in the project identification and planning, whether projects are planned by international donors or national governments (Cox & Healey, 2000; Riddel, 2007).

The ED-LINKS project is a specific example of this. After visiting some schools and interviewing a number of teachers and students, one was convinced that neither USAID nor the Directorate of Education had involved the intended primary beneficiaries beforehand. That is, teachers and students had not been asked to identify their urgent and long-term requirements. As a result, they were given something which they had neither asked for nor needed: school bags, science equipment, computers, and library books and, above all, sending students to the US for short academic exchange trips. The final evaluation report of the project also highlighted the shortcomings and ultimate failures of the project. The report revealed that although the project brought great promise to the education sector, but failed "short of its most ambitious goals to establish broad, enduring links among governance reform, teacher performance, and student learning … ED-LINKS has been largely unable to demonstrate what, and how much, it has meaningfully" transformed the education sectors (JBS/Aguirre International, 2012, p. xii). The report further states that:

> In particular, ED-LINKS cannot credibly demonstrate that its ultimate link – the link between teaching and student performance – actually exists. In this respect, ED-LINKS must carry heavy responsibility for missing an extraordinary opportunity to adequately document substantial and significant transformation or demonstrate sustainable improvement in the quality of education in Pakistan.
>
> (JBS/Aguirre International, 2012, p. xii)

Overall, however, USAID provided substantial funds for the education sector including basic education, secondary as well as higher education sector. As discussed later, USAID also provided substantial funds for the reconstruction of damaged schools across Pakistan that had been destroyed or damaged in various man-made and natural disasters, including the 2005 Kashmir earthquake, the 2009 militancy in Malakand Division, and the 2010 floods. In terms of quantity of aid, the US remained the largest bilateral aid provider, not only during the

"war on terror" period but it was also the largest contributor following the above humanitarian crises. Hence, on the one hand, the US was by far the largest donor that funded numerous projects in education and other sectors. On the other hand, examined within the PD framework of aid-effectiveness principles, the US was not a very progressive donor as it could not fully incorporate the PD principles aimed at greater aid effectiveness.

Alignment of the capacity-building initiatives in the education sector

Another important component of the ED-LINKS project aimed at capacity-building of teachers. According to ED-LINKS (2009), its main aim was to bring about significant and sustainable improvements in student learning and learning environments as well as teacher education and professional development. The activities of USAID appeared to align with Pakistani government plans for the sector: capacity-building for teachers, students and education department staff. Capacity-building for teachers was provided through training camps.

In theory, this may look like a good idea and one the GoP has identified in its policy documents. However, a different picture emerged after interviewing some of the teachers who had participated in such training sessions. Some of the trainee teachers that I interviewed were not very satisfied with these sessions, though they acknowledged that in-service training courses were essential to improve and enhance the skills of teachers. One of the participants, a principal of a government high school in Khyber Agency, pointed out that these training sessions were too short for teachers to learn something valuable as they could not learn something substantial in one day of computer training (personal communication). Another principal of a government school informed me that instead of attending these training sessions for some real benefits and professional grooming, a majority of participants join these sessions only to get travel and daily allowances (personal communication). The crux of training, seminars and workshops in the name of capacity-building measures was summarized by an official of a USAID project in district Mansehra of KP. This official, who had been working in donor-funded projects in the education sector for 17 years, stated:

> I have been in this sector for the last 17 years. I think that despite spending billions of dollars, I cannot see some tangible improvements in this sector. A majority of employees, both teaching and administrative staff, are only interested in workshops to get some money but not in real learning and behaviour change.

In the context of Pakistan, these issues in capacity-building strategies have also been highlighted in a joint study conducted by the Asian Development Bank and GoP (2008). Regarding capacity development measures, the report found that a majority of training programmes often rely heavily on lectures by visiting experts that emphasize the acquisition of information rather than practical skills

to be employed in practical situations. Furthermore, the report states that within training courses, traditional approaches are not challenged and fresh perspectives are not encouraged (Asian Development Bank & Government of Pakistan, 2008). As a result, precious resources are spent on activities which do not bear much fruit and the ante- and post-project situation often remains the same, bringing few changes and improvements in the overall service delivery.

In the case of the education sector in KP, it appears that the Education Department took capacity-building in a narrow sense, comprising short training sessions and seminars only. At the same time, donors such as USAID supported such activities with little follow-up to measure the impact of these courses on classroom learning and behaviour. As mentioned earlier, even those teachers who had participated in the in-service training camps questioned the practical implications of such ventures.

USAID student exchange programme and its alignment with the priorities of the GoP

Another component of the USAID education project was to send Pakistani school students to the US for a short time, from two weeks to one month. It was a form of unilateral cultural exchange programme. One student had also been selected from the government school in Khyber Agency that I had visited. Overall, the idea was a good one in the sense of promoting understanding about the US among young Pakistani students. There were, however, several reservations among different quarters about this programme. For example, the principal of the school felt happy and proud that one of their students had been selected to visit the US under the exchange programme. However, if left to his own will and choice, the school would have preferred several other facilities on an urgent basis rather than sending a student for a brief, unnecessary, non-degree programme overseas. Then there was the question of the practical implications for the student and his school in terms of what he was supposed to learn in the US. A former Minister of State for Finance also questioned the usefulness of this programme. He was of the opinion:

> I fail to see any tangible impact of this programme of USAID. What would these short overseas trips contribute to the learning of school-going students and their schools? And in the long run, what would this unilateral student exchange programme contribute to the overall education sector of the country? Why send students to the US and why not help the government to provide basic services and facilities in Pakistan?

Teachers I interviewed felt that this was of little use to students. For such a short period, it would not benefit their educational skills, especially considering their very different cultural and educational backgrounds. An official of the education department told me in an interview in Islamabad that 20 students were selected from various schools in Islamabad to visit the US for two weeks. He informed

me that it was never in the government plans to waste funds on such activities, but USAID put forward the plan with the condition that the students could only go to the US to increase their knowledge about the US system of education, and so on (personal communication).

It appears from these kinds of practices that donors such as USAID still design their own plans to promote development in recipient countries, as acknowledged by the USAID official quoted earlier. The portfolio of USAID projects and programmes for Pakistan is prepared in Washington, which often reflects donors' priorities. This indicates the attitude that donors believe that they know what is best for aid recipients and consequently there is a mismatch between what is needed and what is provided. However, if on the one hand, donors still come up with already conceived projects and activities to spend money on, on the other hand, aid recipients accept such activities when they see "free money" in the form of foreign aid and grants. In such cases, the real impacts and results of these activities need to be viewed in the context of other principles of the PD, namely the management of development results and mutual accountability. USAID practices in Pakistan are discussed in the context of these two principles of the PD in the sections below.

There are other important issues that need to be considered in the context of alignment and harmonization within the PD framework. These include the use of the national public financial management (PFM) systems, procurement systems and untying of aid. These issues are discussed below.

The PD, use of the country procurement system and tied aid

In the context of alignment, the PD explicates that donors need to "base their overall support on partner countries' national development strategies, institutions and procedures" (2005, p. 4). Hence, aid donors have committed to use country systems, institutions and channels for the disbursement of development cooperation. In this context, one of the significant issues resulting in the ineffectiveness of aid is the practice of tied aid. In order to promote trade and commercial interests of domestic industries and business lobbies and firms, some bilateral donors (including the US) tie their aid to the procurement of goods and services from the US. In such cases, donors make it conditional for aid recipient countries to spend a substantial share of the committed aid on the purchase of technology in donor countries or to employ citizens of these countries as consultants and contractors in aid projects. Morrissey (1993, p. 76) states that "tying leads to higher prices, an inefficient allocation of resources and increases the likelihood of inappropriate technology being exported to recipients". It implies that tying of aid incurs extra costs to recipients and the goods and services bought from the donors as a result may not be very appropriate and of good quality in comparison with those procured in the open market. The World Bank (1998) has estimated that tying of aid reduces the actual value of aid by about a quarter.

According to Hoy (1998), the US ties its official aid to the procurement of goods and services and has made it mandatory by law that nearly all its aid must

be spent on US-produced items. Section 604 of the US Foreign Assistance Act of 1961, sometimes referred to as the "Buy America" stipulation, restricts the consumption of US assistance outside US markets (US Government, 2003). The act concerning the procurement of goods and services ensures that maximum US aid funds be spent on US-made commodities and employ US citizens in US-funded interventions. Besides this, Section 604 also states that all goods must be shipped through US freight companies. Despite having signed up to international agreements and commitments on untying, such as the commitments in the PD, the US maintains a dogged stance on the issue of tied aid. In order to protect and promote its business interests, the US was at the forefront in the OECD to exempt food and technical assistance from tying policy. Concerning US food aid, Tarnoff and Nowels (2006) assert that "under current legislation, three-fourths of all food aid must be shipped by US carriers … more than 90 per cent of food aid expenditures will be spent in the United States" (Tarnoff & Nowels, 2006, p. 23). In this context, it is relevant to recall that in the early 1950s, shipping US wheat aid to Pakistan in US ships would cost US$26 per ton, while the prevalent market rate was US$12–14 per ton (Alavi & Khusro, 1970). These authors have further pointed out that Pakistan was bound to transport all the commodities in US vessels. Hence, it is argued that tying aid reduces the true value of foreign assistance and it leads to the ineffectiveness of the overall aid effort.

To overcome this issue, paragraph 31 of the Paris accord specifically deals with the tying of official aid. It states that "untying aid generally increases aid effectiveness by reducing transaction costs for partner countries and improving country ownership and alignment" (OECD, 2005, p. 6). Therefore, for increased alignment and greater aid effectiveness, the PD has emphasized greater use of country procurement systems and the untying of aid. In practice, however, there seems to be little improvement from either the GoP or the USAID side in relation to this commitment. In Pakistan, the procurement procedures are based on the Public Procurement Regulatory Authority (PPRA) Ordinance 2002 and the Public Procurement Rules 2004. The Ordinance gives exclusive authority to PPRA to take special measures to improve governance, management, transparency, accountability and quality of public procurement of goods, services and works in the public sector (Public Procurement Regulatory Authority, 2010). Under the PPRA regulations, there are clearly drawn rules and regulations for the procurement of goods and services for public use in the country. All government procurements are to be done according to the rules devised by PPRA, which involve open advertisements and bidding and transparent procedures. Despite having a streamlined procurement system in the country, a kind of prerequisite mentioned in the PD, not only USAID but most donors followed their own procedures and approaches for the procurement of goods and services. At the same time, in view of the Transparency International annual reports and other data cited in Chapter 2, there is also a gap between rhetoric and reality regarding what the GoP claims in terms of procurement rules and the actual practices. In addition, there is also some relaxation of the requirements from the GoP side as it can exempt some suppliers from the PPRA rules in extraordinary

circumstances. It is because of this factor that donors usually ask for this exemption in projects funded by them. Hence, most donors, including USAID, apply their own procurement rules while delivering foreign assistance in the form of goods and services. Some GoP officials told me during interviews that in certain cases, even the major contractor to supply goods and services for particular projects was nominated by those donors who funded those projects. This was typical in the case of certain USAID projects, which is discussed below.

In Pakistan, USAID is widely involved in capacity-building practices in different ministries and departments. Different measures are being taken to enlarge and improve the existing capacity of technical and administrative staff in these institutions. One such initiative was the FATA Capacity Building Project (FCBP), which aimed at strengthening the institutional capacity of the FATA Secretariat, FATA Development Authority (FDA) and line departments to develop, manage and implement development programmes. It was a three-year (2008–2010) US$43 million project and the USAID implementing partner was Development Alternatives Inc. (DAI), a US-based entity having regional offices in several countries, including Pakistan. Computers and other related equipment worth US$2 million were provided to the above offices and workshops were used as a means of capacity-building to enhance skills of the relevant staff. In the case of procurement and delivery, some officials of the Secretariat showed dissatisfaction with the project. An official working in the Monitoring and Evaluation Cell in FATA Secretariat disclosed:

> The capacity-building project in the FATA Secretariat and line departments consisted of training and provision of equipment … 50 laptop computers were provided to officials in the FATA Secretariat. These were required to be distributed in the Planning and Development Department and among technical staff but they were given to Secretaries and other higher officials who perform administrative duties. These laptops cost approximately Rs.150,000 each while the same machines we purchased for our use cost us approximately Rs.69,000 each. The systems they provided did not have built-in Vista, while the ones we bought have got the said software.
>
> (Personal communication)

Explaining the supply of these expensive computers to the FATA Secretariat under the capacity-building initiative, the same official explained that supplies were managed through a USAID contractor based in Karachi, the main port city and commercial hub of the country. It means that when donors involve international partners and bypass local systems, impose their own procurement rules and do not encourage transparent bidding, the result is the supply of goods and services more costly than those available locally. These procurements were not done in adherence to the PD commitments asking for the use of the country procurement systems in a transparent manner.

It is also interesting to note that some officials in the FATA Secretariat were critical of the overall approach regarding capacity development initiatives. I was

informed that in most training sessions, less relevant high-level officials participated at the expense of the relevant technical staff and that there was too much focus on short training and workshops as capacity-building measures (personal communication). The official added that based on his personal experience, it seemed the project did not achieve the desired goals to actually enhance the technical and managerial skills of relevant staff of the FATA Secretariat. In 2010, the USAID regional office of the Inspector General, based in Manila, conducted an audit of this project and showed dissatisfaction over the performance of DAI. In addition to other issues, the audit report confirmed what I have briefly mentioned above that the project has failed to achieve the intended goals (Office of Inspector General/USAID, 2010). It revealed that although the 36-months programme had been in place for 22 months, "little has yet been achieved in building the capacity of FATA governmental institutions and NGOs" (Office of Inspector General/USAID, 2010, p. 1). The report disclosed that many computers were not delivered on time, several laptop computers were missing, and that USAID/Pakistan either needs to terminate the contract with DAI or give some written guidelines to put in place best practices to implement the intended activities and plans in accordance with the agreement.

The question arises: why do donors, in this case the US, continue such practices? It has been highlighted earlier that to extract trade and commercial interests, donors tie aid to the procurement of goods and services. In the case of the US, Section 604 of the US Foreign Assistance Act of 1961, sometimes referred to as the "Buy America" stipulation, restricts the consumption of US assistance outside US markets (US Government, 2003). The act related to the procurement of goods and services ensures that maximum aid funds be spent on US-made products. In essence, despite consistent efforts of the international aid community, particularly at the OECD, these kinds of practices are still in vogue. As has been explained in the case of USAID in Pakistan, a majority of US foreign assistance is used in the procurement of goods and services from the US. In 2007, about 31 per cent of the total US bilateral aid was estimated to be tied (Tarnoff & Lawson, 2009). While it is a bit difficult to find how much aid flies back to the US because of these practices, the fact remains that among bilateral aid donors, the US often ties the largest amount of aid. In 2015, according to the OECD (2018), out of the total US bilateral aid commitments of about US$25.83 billion, US$14.88 billion was untied, while US$11.48 billion was tied, which is the highest among DAC donors. It is because of these factors that, despite spending billions of dollars in aid for several decades, the international aid and donor community has not been able eradicate acute global poverty from many parts of the world.

The element of harmonization and USAID in Pakistan

The PD advocates that to be "collectively effective" (2005, p. 6), it is essential for donors to formulate common arrangements for "planning, funding, disbursement, monitoring, evaluating and reporting" (2005, p. 6). It explains that for

increasing the effectiveness of development cooperation, there is a need to avoid concentration as well as fragmentation of donors. Such approaches lead to reduce transaction costs for aid-receiving governments, minimize waste and duplication, and encourage effective division of labour in certain areas. Here, the issue of harmonization not only focuses on USAID, but also on the practices of other donors carrying out development works in the country.

As noted in the previous chapter, an important dimension of harmonization is complementarity. It implies that aid recipients clearly prioritize their areas of need where donors have comparative advantage. In view of this, donors commit to carry out interventions in those areas using their respective relative advantage. The primary objective is to minimize the burden on aid-receiving governments that could arise because of unnecessary fragmentation of donors as well as to respect partners' prioritized aid delivery mechanisms. The PD states that "excessive fragmentation of aid at global, country or sector level impairs aid effectiveness" (2005, p. 6). Klingebiel, Negre, and Morazánb (2017, p. 145) assert that "transaction costs are likely to increase because donors are engaged in a number of countries and sectors, and each donor intervention requires attention in terms of consultations, missions, reporting needs and so on". Hence, one of the key fundamentals of the aid-effectiveness discourse is that donors need to adopt joint sector-wide approaches which are meaningful to avoid both excessive dispersion and unnecessary concentration.

In Pakistan, various donors such as UN agencies, DAC donors including Japan, the US, the UK, Germany, Canada, Australia and Norway as well as non-DAC donors such as China, Saudi Arabia, Kuwait, Qatar and the UAE remain active in different sectors. Along with these, depending on the situation, such as following the 2005 Kashmir earthquake or the 2010 mega floods, numerous other DAC and non-DAC donors also remained engaged in various sectors in many small and isolated projects. As a result of a large-scale donors' engagement, at times the total number of donor-funded projects reaches more than a thousand. For example, at one time there were a total of 1,216 ongoing projects across a range of sectors, excluding the 461 in the earthquake-hit area (DAD Pakistan, 2011). Among these, there were 252 projects in health and nutrition, 157 in education, 121 in agriculture and livestock, 119 in governance, 83 in energy generation, and 69 in water and sanitation. Donor-wise, the UN was engaged in 322 activities, the US in 182, Japan in 115, Canada in 96 and the UK in 80 development interventions (DAD Pakistan, 2011). A host of other DAC and non-DAC donors were also involved in a number of activities in different areas. The main purpose of this overview is to present a picture of donors' engagement within Pakistan, where numerous donors usually remain active in various sectors in many small projects.

According to officials in the EAD, there was hardly any proper division of labour and joint sector-wide programmes or approaches where several donors could pool resources and efforts to bring significant improvements in specific sectors. An official in the EAD explained that instead of joint efforts, numerous donors come up with a multitude of small-sized projects, which eventually

creates an overwhelming challenge for the government to properly coordinate (personal communication). Consequently, as the above data has demonstrated, there is too much fragmentation of donors in certain areas and negligence of other sectors and areas. One of the key implications of this increasing number of aid providers and resulting aid activities is aid proliferation or fragmentation of aid, creating numerous challenges both for aid-receiving governments as well as for those providing it (Klingebiel, Mahn, & Negre, 2016). The following two instances from two different areas briefly illustrate to what extent a majority of donors, including USAID, adhered to the principle of harmonization while undertaking development interventions in Pakistan.

Lack of coordination and harmonization in the aftermath of the 2005 Kashmir earthquake

The PD principles for the effectiveness of aid are not applicable in normal circumstances only, but are equally relevant and critical for effective and efficient aid delivery during emergency and disaster situations. The declaration states that "enhancing the effectiveness of aid is also necessary in challenging and complex situations, such as the tsunami disaster that struck countries of the Indian Ocean rim on 26 December 2004" (OECD, 2005, p. 2). In times of natural calamities, the declaration has emphasized that "worldwide humanitarian and development assistance must be harmonized within the growth and poverty reduction agendas of partner countries … the principles of harmonization, alignment and managing for results" need to be adhered to (OECD, 2005, p. 2). Hence, the overall role of the PD is to enhance the effectiveness of aid in normal as well as in complex and emergency situations.

The October 2005 Kashmir earthquake in Pakistan was a natural disaster of unprecedented proportion in the history of the country, as over 74,000 people were killed, 70,000 injured, and more than 2.8 million people became homeless (ERRA, 2007). The financial cost was also substantial, as several villages had disappeared and only rubble was left behind. According to the post-earthquake Preliminary Damage and Needs Assessment survey carried out by the Government of Pakistan (GoP) in collaboration with the Asian Development Bank (ADB) and the World Bank (WB), across the province of Khyber Pakhtunkhwa (KP) and Azad Jammu and Kashmir (AJK), the earthquake destroyed 203,579 houses and damaged another 196,573 homes (Asian Development Bank & World Bank, 2005). Similarly, 7,669 education facilities were partially or fully destroyed and about 18,095 students and 853 teachers and educational staff died across the affected areas. In addition, 574 health facilities were fully or partially damaged, claiming the lives of 21 health officials on duty and injuring another 141. The overall financial cost caused by the earthquake was "estimated at approximately US$5.2 billion" (Asian Development Bank & World Bank, 2005, p. 2).

To respond to the enormity of the situation, the government established a new authority to effectively deal with the monumental task of rehabilitation and

reconstruction. Thus, the GoP created the Earthquake Reconstruction and Rehabilitation Authority (ERRA) on October 24, 2005 to take up the task of rebuilding in the earthquake-affected areas spread over 30,000 square kilometres. The main impetus behind the launch of a new organization in the form of ERRA was to bring all efforts and activities related to post-earthquake needs assessment and reconstruction under one umbrella, with a view to providing a fast-track, coherent and well-coordinated approach (ERRA, 2017a). ERRA's key responsibility was strategic planning, resource mobilization and monitoring reconstruction and rehabilitation activities in earthquake-affected areas in close coordination with international development partners. Thus, the primary objective behind ERRA's creation was to have a central implementing and oversight authority that could properly coordinate all post-earthquake interventions with a broad range of national and international actors involved in the reconstruction and rehabilitation (World Bank, 2014).

The government was successful in mustering the support of numerous donors as delegates from 75 donor countries and organizations participated in the donors' conference and pledged to provide a total of over US$5.8 billion for long-term reconstruction and rehabilitation efforts (World Bank, 2014). Saudi Arabia and the US were the largest bilateral donors, committing US$573 million and US$510 million respectively. Among others, China pledged US$320 million in grants and loans and Iran US$200 million in credit line, while the United Arab Emirates (UAE) promised US$200 million in grants (World Bank, 2014). Many other development partners, such as the UK, Germany, Norway, Turkey, Japan, Canada and various Arab countries including Kuwait and Qatar, also vowed substantial financing for reconstruction. The amount was in soft loans, cash and in-kind donations. Thus, an unprecedented number of aid agencies, INGOs and other philanthropic and charity foundations started arriving to take part in the recovery, relief and rehabilitation. An official in the ERRA stated that more than 85 bilateral and multilateral agencies and over 100 international NGOs participated in the rescue, relief, and reconstruction phase (personal communication). He explained that in the reconstruction phase, development actors carried out about 4,000 projects in the education, health, agriculture, housing, and water and sanitation sectors.

Absence of a "harmonized" approach: many donors with numerous projects

Because of the engagement of such a large number of diverse actors, aid coordination and harmonization posed a huge issue. The long-term rehabilitation and reconstruction process was afflicted by similar problems of aid coordination, as identified in the PD. In contrast to the PD principles of aid effectiveness, the ERRA officials stated that a majority of donors rarely showed serious concern for the PD commitments, particularly concerning an effective division of labour. The lack of harmonization and proper division of labour can be gauged from the fact that most donors focused too much on some areas, for example the education

sector. An official in the ERRA informed me that scores of donors and INGOs were carrying out activities in education and there was a clear lack of coordination and harmonization:

> About 89 INGOs were active in the education sector and a majority of them provided training and held workshops for teachers. There was no follow-up mechanism to assess the effectiveness of these training sessions concerning improvement in the quality of teaching at schools.
>
> (Personal communication)

In the earthquake area, USAID also carried out a four-year (2006–2010) US$13 million project in the education sector: Revitalising, Innovating and Strengthening Education (RISE). The monitoring and evaluation officer (MEO) of the project told me that the focus of this programme was on three areas consisting of teachers' training, community development with local partners, and capacity-building of education management at the district level in the earthquake-hit areas (personal communication). He explained that teachers from primary, middle and high schools have been trained in the four selected districts affected by the 2005 earthquake, and the capacity of the district education department has been enhanced with the provision of technical assistance and computers. Similarly, he said that RISE played a key role in reviving and strengthening the parent–teacher committees (PTCs), as every school had one PTC that identified the problems faced by their school and RISE provided them with a small financial grant worth PKR45,000.[2]

Although the government officials interviewed acknowledged the services of donors, including USAID in various areas, they had their own reservations concerning donors' harmonization. A senior official dealing with donors told me that the overall role of USAID was worthwhile in the reconstruction as it completed some very good work despite some failures. He said that USAID constructed schools and health units where they were required. He added that the formation of PTC was a good step as it resulted in the parents of students playing an active and direct role in the improvement of teaching and learning at schools (personal communication). However, the official stated that most donors were doing works according to their own plans and priorities, which resulted in the concentration of donors in certain areas at the cost of other sectors. Most importantly, the ERRA official stated that despite repeated requests from the GoP, a majority of donors did not share their financial matters with the government, particularly the cost of their specific activities and interventions in various areas. Consequently, this approach affected the planning of the GoP concerning the total amount of money required and funds needed for specific projects in different sectors. In the context of the education sector, the ERRA official stated that if all the donors and INGOs had coordinated their activities among them and had devised a comprehensive and holistic plan for these initiatives, in proper collaboration with the GoP, it would have led to increased school enrolment as well as improved quality of teaching and learning at a much lower cost. This was not

the case, as according to the GoP officials, a number of donors undertook a host of projects with little coordination and respective division of labour among themselves and with the GoP.

Lack of proper coordination and effective division of roles and responsibilities has remained a chronic issue in delivering aid, particularly in times of emergencies and disasters. According to Minear (2002, p. 20), "the continuing absence of effective coordination structures remains the soft underbelly of the humanitarian enterprise." Based on her personal experiences in the world of humanitarian and development activities spanning a period of three decades, Minear (2002, p. 19) asserts that "coordination is easier to advocate than to achieve". As in the aftermath of the 2005 earthquake in Pakistan, aid coordination and harmonization was a significant challenge after the 2004 Boxing Day Tsunami. In the post-tsunami relief, recovery and rehabilitation, according to Chia (2007, p. 27), "there were over 40 countries and 700 NGOs who contributed in various ways … [but] … coordination among the various parties was a major challenge". The author adds that "a framework on how to provide aid to the victims in the most expeditious way was lacking … each country or organization tried to help in their own way. This resulted in delays, provisions piling up, and more importantly, aid not reaching victims" (Chia, 2007, p. 29). In its evaluation report on the overall response of the international donor community, Oxfam International (2005, p. 2) pointed out that "the massive influx of international aid organizations led to competition among humanitarian agencies, lack of coordination, unplanned supply of assistance and unrealistic national and international expectations." In the same context, Huber et al. (2008, p. 17) found that "the lack of coordination within the numerous INGOs and local NGOs resulted in duplication and overlap of aid, partially inappropriate aid and not respecting local needs." In view of all this, the delivery of humanitarian aid along the lines of the PD guidelines remained an elusive undertaking, whether in the context of Pakistan or elsewhere.

In Pakistan, on the one hand, the involvement of a large number of actors led to the completion of numerous projects in various sectors. On the other hand, engagement of too many actors in too many activities created a huge challenge for the government to properly coordinate all post-earthquake reconstruction initiatives. Because of this fragmented and uncoordinated approach from a host of donors and aid agencies, the government has not been able to complete all activities, even after more than a decade. For example, out of the total 14,705 projects, 10,267 have been completed (about 70 per cent) while another 2,793 (19 per cent) are still ongoing and 1,645 (11 per cent) are yet to be initiated (ERRA, 2017b). Similarly, about 26 per cent of projects in the education sector, 16 per cent in the power sector and 14 per cent in the health sector are yet to be launched. A big example in this regard is the housing project of New Balakot City. After the earthquake devastated parts of the old city, a team of geologists and seismologists declared Garlat and Balakot union councils of Balakot tehsil as a red zone and suggested the government should shift the surviving families to safer places, as two active seismic fault lines passing beneath could trigger an

earthquake of high intensity. It was decided to rebuild a new city at a distance of 20 kilometres from the red zone. Former president Pervez Musharraf had inaugurated the New Balakot City Housing Project with an initial cost of PKR13 billion in 2007. It was stated that it would be completed in three years and would settle over 4,000 displaced families. While successive governments came and completed their tenures, the said project is still incomplete. In March 2017, it was reported in the media that plots to about 4,000 families from the red zone will be allotted in April (Dawn, 2017). The wait still continues, as it was reported last year again that allotment papers will be distributed in a couple of months (*News International*, 2017). Recently, it was stated again that the affected families are expected to get allotment documents in a week's time (Dawn, 2018). Similarly, there are a number of projects in transport, livelihoods, environment, and water and sanitation that are still incomplete or yet to be started (ERRA, 2017b). While there could be various other factors responsible for the delay in reconstruction initiatives, if there had been a holistic, coordinated and harmonized approach with proper division of labour among donors and GoP organizations, it would have led to the completion of the rehabilitation process earlier and with considerably less cost.

Donors' harmonization and the GoP health sector programme

Another example of the lack of harmonization, which is also closely related to alignment, can be witnessed in the GoP countrywide health programme: National Programme for Family Planning and Primary Health Care, also popularly known as the Lady Health Workers Programme (LHWP). This was started by the government in 1994 with the goal of reducing poverty and improving health indicators by providing essential primary health care services to local communities. The key objective was to "increase utilization of promotive, preventive and curative services at the community level particularly for women and children in poor and underserved areas" (Hafeez, Mohamud, Shiekh, Shah, & Jooma, 2011, p. 211). Officials in the Ministry of Health (MoH) in Islamabad stated that the government has been allocating billions of rupees in annual budgets to this programme and there has been no assistance from any donor towards this countrywide initiative in the health sector. A senior official explained:

> We have 100,000 lady health workers (LHWs) all over Pakistan. We give them training, equipment/aid box and essential medicines including contraceptives. It is the largest programme of the Ministry of Health. Not a single donor has been assisting in this programme.

As various donors carry out a number of projects in different areas, there are not only duplications of interventions but often a big mismatch between donors' priorities and the needs of the GoP. A senior official in the provincial Department of Health (DoH) in Peshawar stated that there was a huge mismatch between the amount of donors' funding coming for AIDS' programmes and other initiatives of the GoP in the health sector. He stated:

> The prevalence of AIDS is only 0.1 per cent in the country, while for one patient there are about US$11,000 for creating awareness and training and workshops etc about the disease. On the other hand, about 400,000 infants die due to diarrhoea every year. Overall, 18 per cent child mortality is due to diarrhoea. We can treat one diarrhoea patient with Oral Rehydration Salt (ORS) costing less than 10 cents and it is the most effective and least expensive method of managing diarrhoeal dehydration.

As explained earlier, USAID carried out numerous projects in different sectors, including health. However, as was revealed by the GoP officials at different tiers, rather than assisting the government in the programmes already planned and launched by the GoP, USAID designed new projects in these areas. A USAID official stated in an interview:

> Like all other donors, the USAID team conceives and designs a particular project. We have our priorities and specific themes to work on in different sectors. Our focus is mostly on maternal health, child health, tuberculosis (TB), AIDS and family planning.

The USAID official also acknowledged that AIDS has not been a major health issue in Pakistan compared with other health problems. However, she said that issues such as low use of condoms, homosexuality, use of drug injection, lack of awareness regarding safe sex and absence of significant preventive mechanisms are some of the problems that need to be addressed (personal communication). To sum it up, though USAID was active in various areas in the health sector, proper coordination, collaboration and harmonization among other donors in those sectors and with GoP institutions would have resulted in division of respective labour and a more effective utilization of development aid.

Two conclusions can be drawn from this discussion. On the part of the international donor community, these instances illustrate that there has been a lack of harmonization and respective division of labour among donors. The fact that there was excessive concentration of donors in some sectors at the expense of others is an indication that there is still a big mismatch and disconnect between donors' avowed policies and actual practices. Thus, despite their enormous capacity to do much better, excessive donor proliferation and concentration in some sectors led to the neglect of other areas. At the same time, these instances illustrate a lack of clear leadership on the part of the government in the country's aid-effectiveness paradigm. As discussed in the previous chapter, the GoP failed to formulate a comprehensive aid policy specifying a detailed index of key interventions to be funded by aid donors. Because of this, instead of a strong and uniform country-led approach around key development priorities, the government interacted with different donors on the basis of the nature of bilateral ties Pakistan has with these partners. Hence, lack of consistent government leadership, commitment and ownership coupled with donors' own interests in executing a multitude of small projects in the areas of their choice resulted in the

overall lack of coordination and harmonization, which consequently led to ineffective utilization of development aid, thus failing to address genuine socio-economic challenges faced by poor communities.

USAID and its development impact: managing for results

The fourth vital principle and commitment under the PD is aimed at increasing the effectiveness of aid to achieve results. Managing for results or managing for development results commits both aid donors and recipients to utilize aid in ways to achieve "the desired results" (2005, p. 7). Within the PD framework, the aim and indicator of the overall performance of aid donors and recipients was the attainment of the MDGs. The PD signatories committed to make efforts for the reduction of poverty and inequality and "achievement of the MDGs" (2005, p. 1). Besides the accomplishment of the MDGs, there could be other country-specific targets planned and agreed upon by governments giving and receiving aid.

At the turn of the current millennium, the global community, under the aegis of the UN, envisaged a set of interrelated development goals to be achieved by 2015. Known as the MDGs, the focus was to halve extreme poverty, achieve universal primary education both for girls and boys, reduce infant and maternal mortality, promote gender equality and ensure environmental sustainability (UN, 2000). The overall progress towards the MDGs has been mixed and uneven across different regions and various targets. For example, a number of countries have fared relatively well regarding certain MDGs, such as achieving universal primary education (Goal 2), promoting gender equality and empowerment of women (Goal 3), fight against diseases (Goal 6) and global partnership for development (Goal 8) (TAC Economics, 2016; UN, 2015). However, progress for a majority of countries has not been satisfactory in relation to targets including eradication of extreme forms of poverty (Goal 1), reducing child mortality rate (Goal 4), improving maternal health (Goal 5) and ensuring environmental sustainability (Goal 7). The 2015 MDG report acknowledges that there are "uneven achievements and shortfalls in many areas. The work is not complete, and it must continue in the new development era" (UN, 2015, p. 4).

Unfortunately during most of the 15-year period of the MDG framework, Pakistan was faced with numerous challenges that compounded the country's problems as it failed to accomplish the MDGs. Among these, the biggest challenge was terrorism and the deteriorating law and order situation, which essentially left Pakistan in a state of war. In terms of financial damage, the war has cost Pakistan over US$126 billion, as it has affected the country's exports, led to reduction in the inflows of foreign investment, caused massive additional security spending on numerous military operations, affected the tourism industry, damaged physical infrastructure and resulted in displacement of thousands of people from conflict-affected areas (Government of Pakistan, 2018). During this period, Pakistan was also severely affected by natural disasters. The 2005 Kashmir earthquake resulted in a financial cost of US$5.2 billion and the 2010 floods inflicted a "damage of US$10 billion on country's economic structure"

(Government of Pakistan, 2011b). Because of all of these events, the main focus of successive governments remained on relief and recovery, which hugely hampered the country's progress on the MDGs (LEAD Pakistan, 2017). The 2013 national MDG report also mentions these factors. The report states:

> Overall, Pakistan's journey towards the MDGs has been arduous and generally plagued by internal and external economic and other challenges, albeit with some periods of "smooth running". Pakistan's attempts to achieve the MDGs, as detailed in the rest of the report, cannot be appreciated or evaluated meaningfully without understanding the roadblocks experienced by the country in the last 13 years.
>
> (Government of Pakistan, 2013, p. 6)

After explaining the main factors behind the lacklustre performance of successive governments, the report states that Pakistan failed to achieve the MDGs in health, education, social welfare and other areas. It revealed that Pakistan was lagging behind on 25 key targets out of the total 33 for measuring performance in different social sectors, including eradication of poverty, reduction of illiteracy and mortality rates and provision of safe and clean drinking water (Government of Pakistan, 2013). The report highlights that the country was progressing slowly towards some targets while it was ahead on a few, including the proportion of women in parliament and the fight against AIDS. An official in the Ministry of Planning, Development and Reform told me that apart from immunization, nothing was on track. He stated that given the past failures of various governments on seriously addressing developmental challenges, some indicators cannot be achieved even by 2050 (personal communication).

From the PD perspective, it indicates that like various other countries and regions, Pakistan did not perform well on these fronts. It shows the inability primarily of the GoP, and to a lesser extent of its development partners, including USAID, for not being able to devise and implement sectoral approaches and achieve the intended results. As explained in the previous chapter, in the country PRSPs and other long-term development plans such as the MTDF, some of the MDGs and the required financial expenditures had been estimated. It implies that the GoP, along with the donor community, including USAID, which has been one of the largest bilateral donors to Pakistan, have not aligned and harmonized their aid efforts to achieve the intended results in relation to the attainment of the MDGs. Hence, seen within the PD framework, management of development results, particularly failure to achieve the MDG targets, is an indication that the US–Pakistan donor–recipient aid partnership has not produced significant results at the sector or macro level.[3]

Apart from the MDG targets, the overall developmental role or record of USAID in Pakistan is not as visible as most Pakistanis or Americans would like. Regarding the role of USAID in socio-economic development, most government officials as well as members of think tanks, analysts and academics were not very optimistic. It was commonly pointed out that though the US has been

allocating billions of dollars in aid, it has not produced tangible or visible impacts. Even ordinary Pakistanis can argue that they are unable to see some tangible impacts of US aid in Pakistan in the form of a modern hospital, university, dam, road or industry that has been built with US money. Similarly, both print and electronic media have remained quite critical of the developmental impact or role of USAID in Pakistan. This perception has been summarized by Dr Farrukh Saleem, a known researcher, analyst and columnist writing in the English daily *News International*. Among his various critical op-eds, it is relevant to produce an extract from one of his columns about the impacts and results of recent US aid in Pakistan:

> Where have all the billions gone? … 92 per cent of all USAID projects go to US NGOs. Research Triangle Institute, one of American government's favourite aid recipients, consumed $83 million for the education-sector reform. Impact on the ground: near zero. Chemonics International got $90 million to "Empower Pakistan". Development Alternatives Inc was furnished a $17 million purse for "Pakistan Legislative Strengthening Project". Winrock International is spending $150 million on "Community Rehabilitation Infrastructure Support Programme" (whatever that means!). Where have all the billions gone? Has anyone heard of the Maternal & Child Health Integrated Programme or Pakistan Health Management Information Systems Reform Project or Pakistan Initiative for Mothers and Newborns or Reproductive Health Response in Conflict? Does anyone know who has really benefited from all the billions doled out? Imagine; the US Agency for International Development's $150 million initiative called FATA Livelihood Development Programme. For $150 million they trained two-dozen truck drivers to read road signs. For $150 million they transported cattle from central Punjab to improve the breed in FATA. Imagine; for $150 million they distributed 278 Ravi Piaggio motorcycles, 10 tractors, 12 threshers, nine reapers, 10 trolleys, six MB Ploughs, six cultivators, 210 spray pumps and 20 auto sprayers. Imagine; with a $3.3 million wallet Pakistan HIV/AIDS Prevention and Care Project, according to its own Pakistan Final Report, has "provided services to 78 HIV-positive individuals and their 276 family members". Can Uncle Sam smell a rat? What is Uncle Sam really up to? Trying to buy trust as opposed to building trust? Repeating a failed experiment? More billions down the same rat hole?
>
> (Saleem, 2010)

A few days later, USAID's clarification was also published by the same newspaper, sent by its Mission Director. The rebuttal contradicted most of what the above columnist had reported:

> The fact is that Pakistani organizations received more than 70 per cent of USAID funding from 2002 to 2008 – including more than half directly to the government of Pakistan. The op-ed ironically singled out USAID's

> successful PAIMAN project as "unheard of" when, in fact, the programme has trained more than 10,000 health workers – 82 per cent women – to the benefit of more than 12 million women and children around the country. Skilled birth attendance is up 33 per cent, and utilization of obstetric facilities by 50 per cent – and this project helped make it happen. The article also picked out for ridicule several small-sounding items from our FATA project's activities that represented only a tiny fraction of the overall programme. We are aware that the visibility and popularity of US assistance are not as high as all of us would like, but we beg to differ that our programmes have made no discernible positive impact on millions of Pakistanis.
>
> (Wilson, 2010)

Similar opinions have been expressed by various USAID officials that I have interviewed from time to time during the course of my research. It has been pointed out that impact can be measured at the micro level but it would take time to get the actual impact regarding what benefits or changes USAID has brought. A USAID official working in the health sector stated that the maternal mortality rate (MMR) or child mortality rate (CMR) cannot be decreased in a short time but would take enough time to bring a change at the macro level (personal communication). For example, the US-funded Pakistan Initiative for Mothers and Newborns (PAIMAN), a six-year (2004–2010) US$93 million project in the health sector, concluded in 2010. At the concluding ceremony, the USAID Senior Deputy Mission Director claimed that the initiative has reduced neonatal mortality by 23 per cent in the targeted areas (USAID/Pakistan, 2010). The USAID news release pointed out that the programme achieved these results by focusing on training health workers and upgrading basic health facilities.

There is no doubt that USAID has contributed considerably to various sectors. In Pakistan, however, the opinion expressed by the columnist quoted earlier is a dominant perception – mostly disseminated via print and electronic media because of the overall anti-American sentiments caused by the implications of the "war on terror". Several academics, independent analysts and members of different Islamabad-based think tanks that I have interviewed believe that US aid is less effective and that its impacts and results are not known or visible in comparison with the works of other donors (such as Japan and China, which have targeted infrastructure projects having more visibility).

Nonetheless, based on my own research and interaction with a large number of government officials in different departments as well as local beneficiaries across KP and FATA, there is no doubt that USAID has executed numerous development projects. It has built many schools and health units in the earthquake-affected district of Mansehra and has provided small financial grants to people to restart their businesses to stand on their own feet. The US provided assistance that helped in repair or rebuilding over 1,210 kilometres of roads, as well as 29 bridges and two tunnels in FATA and KP (USAID/Pakistan, 2017c).

It assisted in rebuilding or renovating about 350 public facilities in FATA, such as health units and other utilities, to resume and improve the provision of basic services for tribal people. Similarly, USAID established classroom libraries in government schools in FATA and provided computers and arranged training sessions, which aimed at increasing the capacity of local departments and institutions. An official in the FATA Secretariat acknowledged services of USAID that it has delivered necessary medical equipment, furniture, more than 30 ambulances and has carried out capacity-building initiatives for local staff (personal communication). Likewise, a senior official in the Federal Directorate of Education (FDE) in Islamabad said that out of the total 415 schools in Islamabad Capital Territory (ICT), USAID was engaged in 70 targeted schools in establishing computer labs, carrying out in-service teacher training and sending students for two weeks to the US (personal communication).

Besides its role in education and health, the US has provided more than US$800 million to help Pakistan overcome its energy crisis. With the financial and technical assistance of US aid funds, major repairs and renovations have been undertaken in various power plants across the country. For example, USAID-funded renovations of Tarbela Dam in KP, the Jamshoro and Guddu Thermal Power Plants in Sindh, and the Muzaffargarh Thermal Power Plant in Punjab generated 978 MW of electricity. Additionally, with the help of over US$80 million, Gomal Zam Dam in South Waziristan Agency has been completed, which is a multipurpose dam generating electricity (35 MW) as well as storing and providing water for irrigation (WAPDA, 2016). Overall, more than 2,800 MW of electricity has been added to the national grid with the help of various projects carried out with US assistance (USAID/Pakistan, 2017b). This includes 1,013 MW from new or rehabilitated dams and thermal power plants, and 1,791 MW from improvements in the existing transmission and distribution system. According to the same USAID report, over 33 million people have benefited from USAID interventions in the energy sector since 2011 (USAID/Pakistan, 2017b). Hence, to believe in the generalization that USAID has not done any worthwhile work in Pakistan or that its development impact is near to zero is highly inappropriate and incorrect.

It is also appropriate to recall the statements of some of the local primary beneficiaries of USAID projects. A primary beneficiary of FATA Livelihood Development Programme (FLDP), one of the USAID projects in FATA aimed at creating jobs, revitalizing community infrastructure and basic services and supporting local enterprises, was full of praise for USAID. The youth, a Pashtun in his early twenties who had established a small poultry farm with the financial assistance of USAID, remarked that even if your enemy does some good work for you, it should be appreciated.

> There is no industry or other job opportunities in our area. The US can win the hearts and minds of poor Pakistanis by investing in them, giving them health, education and employment opportunities. By initiating and supporting these initiatives, the US can play a vital role in providing employment to

> unemployed youth. Good and positive work should be acknowledged and praised even if it is done for you by your enemies.
>
> (Personal communication with a primary beneficiary of FATA LDP)

A number of primary beneficiaries of different USAID projects expressed similar sentiments and opinions regarding US economic assistance. Overall, USAID has carried out development activities in various sectors and its impacts can be seen at the project, community or micro level. Hence, it will be unfair to negate all its work and developmental impact. However, the real issue of its tangible impact or visibility in the form of huge infrastructure projects, such as dams or highways, and so on, is perhaps beyond the scope of a single aid donor. And in Pakistan and perhaps in many other developing countries, common people also perceive physical infrastructure as a solid proof of development work rather than investment in education, health, governance, policy reforms or capacity-building, which are not visible to most people. Another conspicuous reason behind the unpopularity of the US as an aid donor is its real or perceived political role in Pakistan's internal affairs that overshadows all its development aid. This aspect is discussed in some detail in the next chapter.

USAID and the GoP: the concept of mutual accountability

The PD signatories have agreed "to enhance mutual accountability and transparency in the use of development resources" (2005, p. 8). However, as discussed in the previous chapter, unlike other principles the declaration has not set up any targets or mechanisms to achieve mutual accountability in practice. If there is no external evaluation, it seems hard to make both aid donors and recipients accountable to each other. On the part of recipients, the PD emphasizes the role of the parliament and civil society in formulating development plans and policies. From the donors' end, the PD commitment states that they need to provide timely and transparent information about aid flows to enable aid-receiving governments to report it in their budgets and to make their plans accordingly.

The question arises as to what extent the US or USAID and Pakistan have been mutually accountable in the use of aid and accomplishment of development goals? More importantly, in the absence of concrete accountability mechanisms, how can the two sides be held accountable to their respective constituencies: donors to their taxpayers and recipients to their citizens for whom aid is actually given? As the following example illustrates, in the absence of clearly drawn guidelines and mutually agreed accountability procedures, aid is going to be spent on activities that might not bring tangible improvements in the public sector service delivery. An official in the FATA Secretariat stated that at times a number of donors' initiatives fail to achieve the desired outcomes as they are not targeted at more relevant people and appropriate practices. Regarding USAID's US$43 million FATA Capacity Building Project (FCBP), the official disclosed:

> In most of the training sessions, secretary level higher officials participated while relevant technical staff were ignored. It was a kind of soft bribe. There has been huge wastage of funds in the name of seminars in USAID. Trips to places such as Dubai and Manila are taken in the name of capacity-building. Workshops and seminars are held in luxurious hotels while all these can be held and arranged locally.
>
> (Personal communication)

In circumstances when such practices prevail in the name of capacity-building and development resources are utilized on less productive endeavours, it seems difficult to accomplish the PD targets concerning the aid-effectiveness agenda. But donors are not to be blamed alone, as in a majority of cases, higher officials in developing countries such as Pakistan are also prone to these temptations. An official of a USAID project based in Islamabad was quite critical of corruption and malpractices among government officials. He showed dissatisfaction in the way huge aid was handled after the 2005 earthquake:

> A total of US$5–6 billion aid came to Pakistan after the 2005 earthquake. Who has the record of how it was spent? Institutions such as ERRA, PERRA etc were created but their performance has not been up to the mark. The GoP wants the money to be spent through them, government officials want to attend workshops to get extra allowances, enjoy trips and learn nothing to implement.
>
> (Personal communication with monitoring and evaluation officer (MEO), USAID project)

These are the kinds of perceptions that some of the GoP and USAID officials had about one another. As mentioned in the previous chapter, as well as earlier in this chapter, corruption has been a serious issue in Pakistan. There is considerable research that suggests that good governance and the presence of effective public financial management systems not only help in building trust between the state and its citizens, but also among international aid donors and private investors (Ali, 2017; Klingebiel & Mahn, 2011; PEFA, 2016; Riddel, 2014). It was largely because of the prevalence of corruption and lack of sufficient institutional capacity at the domestic level that USAID and other donors carried out projects through their own international implementing partners rather than GoP institutions.

At the same time, it is important to mention that not only government departments are plagued by corruption; this menace has also been found within donor agencies and their implementing partners. In November 2010, Ansar Abbasi, a well-known investigative journalist and editor (investigation) of the influential daily *News International*, broke a story in relation to corruption in USAID-funded US-based NGOs: the Academy for Educational Development (AED) and Sheladia (Abbasi, 2010). Quoting sources inside USAID, it was reported that there was corruption, misappropriation and embezzlement in two different

components of the FATA Livelihoods Development Programme (FLDP), for which USAID had contracted these two organizations. As mentioned earlier in the context of USAID interventions in FATA and KP, this project was meant to raise the income levels of the targeted population by creating jobs, improving community infrastructure and assisting local enterprises, but a huge amount of the fund was siphoned off by US NGOs. The report stated that USAID had subsequently approached the National Accountability Bureau (NAB), Pakistan's main anti-corruption government agency. In the case of the AED, out of US$3.5 million, US$1.5 million was spent on fake bids and proposals mainly in the procurement of food and other items. The other component of the project was the construction of the 21-kilometre Bareng Road. In this case, USAID awarded the contract to Sheladia, a US-based firm, for PKR350 million. According to the news report, it was USAID which found that there was embezzlement in the project and approached the NAB, which investigated the case and found an embezzlement of PKR80–100 million (Abbasi, 2010).

These instances jeopardize the credibility of USAID regarding on what basis it gave contracts of these projects to such parties, and whether relevant rules and regulations had been strictly adhered to or not. As mentioned earlier in this chapter, the audit report by the Office of the Inspector General/USAID (2010) had instructed USAID to ensure transparency or terminate the contract with DAI, a USAID implementing partner in FATA, on account of such practices. First, it was DAI, and later there were AED and Sheladia, USAID contractors primarily staffed and run by US nationals, involved in financial embezzlement and corruption. It is quite ironic that while USAID was reluctant to design and execute development projects through government departments because of the perception of corruption, the very partners it selected also proved to be corrupt. In view of such a situation of corruption in aid agencies, MacLachlan, Carr and McAuliffe, (2010, p. 34) argue that "corruption is also something that rich governments point to in poor governments, but rarely want to acknowledge in their own". They claim that "decisions about the procurement of goods or services provide scope for inclusion/exclusion on a list of tenders and the awarding of contracts, contingent on bribes" (p. 35). Therefore, questions can be raised on the processes and criteria on which USAID awards projects to its US-based partners in Pakistan.

As elaborated in the previous chapter, the commitment to mutual accountability is challenging for both aid recipients and donors. Even the OECD (2009, p. 5) acknowledges that "there is no simple formula for building mutual accountability". However, it has also mentioned that there are three key elements which make up a mutual accountability mechanism: a shared development vision or agenda, a joint monitoring framework, and a process characterized by regular dialogue and negotiation (OECD, 2009). Besides these, independent and strong domestic accountability systems, such as free media and transparent judiciary in the context of contemporary Pakistan, have the potential to make both donors and aid recipients transparent and accountable.

From the perspective of the PD principle of mutual accountability, the overall analysis indicates that there was corruption and a lack of transparency and

accountability from both ends. In relation to the prevalence of corruption in the field of aid and development, it is stated that corruption "is probably no greater or less than in any other sector, or within the societies in which aid is provided; or perhaps within the societies from which aid is given" (MacLachlan et al., 2010, p. 36). In theory it may look quite convincing that both donors and aid recipients need to be accountable, but the PD failed to enforce concrete monitoring mechanisms, such as independent reviews by the OECD or other jointly agreed procedures (Stern et al., 2008). In the absence of such accountability instruments, it is the responsibility of both donors and recipients to take appropriate measures for ensuring transparent utilization of development resources.

After the above developments, USAID also expressed serious concern over the challenge of corruption and took some initiatives aimed at ensuring more transparent utilization of US development aid in Pakistan. To this end, USAID signed a US$3 million agreement with Transparency International Pakistan (TIP) under which the entire US$7.5 billion KLB assistance was to be monitored and supervised by TIP (Transparency International Pakistan, 2010). The aim was to create awareness among citizens and civil society organizations regarding corruption and to enable them to report any malpractices in US-funded projects through the internet, fax and telephone or by post to an anti-fraud hotline.

Similarly under another initiative, USAID launched a five-year US$45 million Assessment and Strengthening Programme (ASP). The aim of ASP was to guarantee transparent and effective spending of US$7.5 billion disbursed under the KLB (*News International*, 2010). The project components included development of institutional assessment tools and capacity-building for institutional strengthening as well as compliance assessment and endorsement. USAID's chief financial officer stated that under this programme, capacity needs of local organizations would be assessed and their capacity would be increased in financial management, administration and procurement matters for effectively spending US aid funds.

In the context of the PD principle of mutual accountability, other essential elements could include access to information and increased transparency regarding the allocation of aid to different sectors, who is spending that aid on which particular activities, and what are the development results and outcomes of such schemes. All the interested stakeholders, particularly media, civil society, researchers and academics, need to be informed of what USAID and other donors are doing in Pakistan for the benefit of Pakistanis at the expense of their (donors') taxpayers. For mutual accountability and increasing the effective utilization of development aid, full sharing of, and access to, information and transparency are considered vital preliminary steps. It is also somewhat regrettable that during the course of my research on US aid and its utilization in Pakistan, both the GoP and USAID officials have mostly remained hesitant in relation to sharing a full range of data regarding USAID projects. For instance, when I asked a senior USAID official in Islamabad about the total number of USAID employees and their nationalities, or the ratio of foreigners to Pakistanis working on USAID projects in Pakistan, he said that he was unable to disclose

this as it was classified information. Such approaches lead to greater cynicism, suspicion and distrust, not only between Islamabad and Washington, but also among a multitude of other stakeholders such as academics, think tanks and researchers.

The role of USAID in post-disaster post-conflict situations in Pakistan

Apart from being the largest aid provider to Pakistan historically as well as during recent years, the US was also the largest provider of humanitarian assistance following three recent devastating natural and man-induced humanitarian crises. Contrary to overall public perception, rather than China, Japan, Saudi Arabia or any other donor, the US was the largest donor to Pakistan during three natural and man-made disasters. These include the 2005 Kashmir earthquake, the 2009 militants' insurgency and humanitarian crisis in Malakand Division in which over three million people were displaced, and the unprecedented 2010 floods that affected 20 million people across the country. On these three occasions, the US played a critical and prominent role in the rescue, relief, rehabilitation and reconstruction efforts and provided 17 per cent, 41 per cent and 28 per cent of the total aid Pakistan received from the international donor community. The following subsections examine the role of USAID in the aftermath of these events.

The role of USAID after the 2005 Kashmir earthquake

The US was the largest donor following the 2005 earthquake and, with funds provided by USAID, numerous reconstruction initiatives were carried out. It rebuilt many education and health facilities in the earthquake-affected districts of Mansehra in KP and Bagh in Azad Kashmir. A senior official of the USAID Reconstruction Unit told me in an interview that USAID had a grant of over US$200 million for the earthquake area and built 56 high schools, 19 health facilities including 15 basic health units (BHUs), three regional health centres (RHCs) and one district headquarters hospital in the affected areas (personal communication). Similarly, USAID established classroom libraries and science and computer laboratories in all government-run schools it reconstructed. About 18,000 students, both boys and girls, from 556 villages having a population of 800,000 people are now benefiting from these new educational facilities (Hagan & Shuaib, 2014). The same report adds that health units rebuilt with US funds serve more than 300,000 people in disaster-affected areas. I have visited several schools in the earthquake-affected areas and both teachers as well as students have always shown tremendous appreciation of the newly constructed buildings established with US aid funds. These facts and figures indicate that USAID played a critical role in post-earthquake rehabilitation and reconstruction efforts and provided generous aid, not only during the early phases of relief and recovery, but also during the long-term reconstruction process.

The role of USAID in the 2009 humanitarian crisis caused by militant insurgency

Pakistan was faced with another serious humanitarian crisis in 2009 when the Taliban continuously challenged the writ of the government in Swat and other parts of Malakand Division in KP. Under the control of Maulvi Fazlullah, the Taliban continued to strengthen their position during the government of Muttahida Majlis-e-Amal (MMA) – a coalition of religious parties that ruled KP from 2002 to 2007. After the end of the MMA government, the Taliban carried out numerous heinous acts of violence to intimidate and terrorize the local population between 2007 and 2009. In April 2009, they moved to neighbouring Buner district, which was portrayed by national and international media "as being on the verge of a siege of Islamabad" (Fleischner, 2011, p. 1). Eventually, under heavy pressure from the international community, the military started an intense operation against militants in the following month. After launching the military offensive, about 3 million people from Malakand Division (comprising Buner, Dir Lower, Dir Upper, Shangla and Swat districts) fled their homes and became internally displaced persons (IDPs) (International Crisis Group, 2009), leading to one of the biggest humanitarian crises and mass exodus in the history of Pakistan.

The militancy crisis and subsequent military operation affected every segment of society. For example, "more than 400 hotels and restaurants were shut down after the militants moved into the district in 2007" (International Crisis Group, 2009, p. 12). As a result, tourism in Swat "ceased entirely because of security concerns" (Government of Khyber Pakhtunkhwa and FATA Secretariat, 2010, p. 24). It affected not only those directly dependent on the tourism industry but also those people whose livelihood was linked to tourism indirectly, such as transporters, shopkeepers, farmers and fruit growers. During the crisis, infrastructure was severely affected. About 664 schools, 63 health facilities and 58 bridges were destroyed or damaged in Malakand region (Asian Development Bank & World Bank, 2009). According to the post-conflict survey conducted by the ADB and World Bank in collaboration with the GoP, the Malakand region suffered more than US$1 billion in losses because of the militant insurgency (Asian Development Bank & World Bank, 2009).

After the end of the military operation in July 2009, most of the IDPs started returning to their homes. To address their immediate needs as well as to restore their confidence in the government, the GoP spearheaded an early recovery process by facilitating the return of the IDPs through the provision of cash grants (PKR25,000), transport and basic food and non-food items. As data in Table 4.1 shows, among a host of bilateral and multilateral donors, the US was once again the largest donor and provided over 41 per cent of the total aid Pakistan received during the 2009 humanitarian crisis. In addition to this early emergency cash assistance, with the aid funds provided by the US as well as other donors (such as the UAE and Saudi Arabia) in the form of the Multi-Donor Trust Fund (MDTF), the GoP also provided an aid offer to help the IDPs in resettlement.

Table 4.1 Top 10 donors during the 2009 humanitarian crisis

Donor	*Amount of aid (in US$ million)*	*Percentage of total aid*
USA	328	41.9
United Arab Emirates	101	13.0
European Commission	72	9.2
United Kingdom	32	4.2
Japan	28	3.7
Germany	27	3.5
Norway	24	3.1
Canada	23	3.0
Australia	21	2.7
Central Emergency Response Fund (CERF)	17	2.2

Source: UNOCHA (2014a).

Under this plan, the GoP provided a uniform package to all affected house-owners consisting of PKR400,000 for completely damaged and PKR160,000 for partially damaged housing units (Government of Khyber Pakhtunkhwa & FATA Secretariat, 2010). As mentioned earlier, the cash grant enabled the affected population to reconstruct their homes while keeping in mind their own needs and priorities. It was a "homeowner-driven reconstruction through a cash grant-based, homeowner-driven model" (Asian Development Bank & World Bank, 2009, p. 10), putting the homeowners in full command to rebuild or repair their houses where and how they wanted. During several field visits to District Swat and while interacting with the beneficiaries of this programme, people praised the initiative of directly providing them a cash grant instead of providing aid in the form of in-kind support. However, most of the crisis-affected households complained that the amount was not enough to build a decent house. There is no doubt that because of unprecedented inflation of items of daily use and construction material, one cannot reconstruct a house with this amount, but at the same time it needs to be realized that it was a kind of support and compensation from the GoP and its development partners to enable the IDPs to stand on their own feet and bring life back to normal. Hence, funds provided by the US and other donors played an important role in enabling the people to resettle and restart their lives after they had been displaced during the crisis.

The 2010 floods, its aftermath, and the response of the US

Among various natural disasters, floods have been the most recurring hazards in Pakistan. However, the 2010 floods broke all previous records; these were the worst floods in the history of the country. The unprecedented torrential rains and flash floods of July and August 2010 not only resulted in the loss of numerous precious lives, but also caused significant destruction to livestock, crops and infrastructure throughout the country. Across the country, the floods affected 20

million people, damaged 1.6 million homes and rendered 7.3 million people homeless (Government of Pakistan, 2011a). While the overall loss to lives was nearly 2,000 people, destruction of property, livelihood and infrastructure was beyond imagination. The disaster inflicted heavy losses on agriculture and caused extensive damage to roads, bridges, irrigation, railways, electricity, gas lines and education, health, water and sanitation facilities. Submerging around 160,000 square kilometres of land, about a fifth of Pakistan's total land area (United Nations, 2011), "the floods surpassed the physical destructions ever caused by all the disasters in Pakistan" (Government of Khyber Pakhtunkhwa, 2011, p. 3).

This was the second major natural disaster in Pakistan following the 2005 Kashmir earthquake. Although the loss of life was less as compared with the 2005 earthquake, women and children were exposed to high health risks by the floods because of the large-scale destruction of infrastructure throughout the country. Despite the fact that Pakistan is vulnerable to a range of natural hazards, the country lacks an effective and efficient disaster risk management system and that is why "the extensive damages in both these disasters are being partly attributed to poor disaster risk management" (Government of Pakistan, 2011a, p. 9). Because of this, the floods caused unparalleled damage to infrastructure and affected almost every sector of the economy. The education sector was one of the worst hit as 10,348 schools, 23 colleges and 21 vocational training centres were fully or partially damaged (Government of Pakistan, 2011a). Consequently, nearly 7 million school-going children were affected for whom temporary tent schools were established. To sum it up, the floods inflicted "damage of US$10 billion on the country's economic structure" (Government of Pakistan, 2016, p. i).

In such a situation, the need for humanitarian assistance was acute and the response of the international donor community was also sizeable. A number of bilateral and multilateral donors provided substantial aid, both in grants as well as in terms of relief items including tents, water filtration plants, food items, medicine and blankets. More than 80 bilateral and multilateral donors provided a total of US$3.042 billion in aid – both in in-kind assistance as well as in grants, either directly to the GoP or through UN agencies and other organizations (NDMA, 2011; UNOCHA, 2014b). As data in Table 4.2 shows, the US was the largest donor once again.[4]

During the 2010 humanitarian crisis, there were numerous planes sent by donors containing various kinds of relief items. A total of 316 planes consisting of a variety of food and non-food items were received by the government from a number of international donors (NDMA, 2011). Similarly, more than 96 helicopters and 23 aircraft took part in the post-floods rescue and relief operations, including 24 US helicopters and five aircraft (NDMA, 2011). Engaging over 60,000 military personnel along with innumerable volunteers and workers of national and international organizations, a total of 1.4 million people were rescued in addition to providing the affected people with 409,000 tons of food rations, 488,000 tents and 1.9 million blankets (Government of Pakistan, 2011a). According to officials in the National Disaster Management Authority (NDMA) in Islamabad and Provincial Disaster Management Authority (PDMA) in Peshawar,

Table 4.2 Top 10 donors after the 2010 floods

Donor	*Amount of aid (in US$ million)*	*Percentage of total aid*
USA	911	28.8
Private (individuals and organizations)	357	11.3
Japan	335	10.6
United Kingdom	251	7.9
European Commission	234	7.4
Saudi Arabia	200	6.3
Australia	98	3.1
Canada	90	2.8
United Arab Emirates	77	2.4
Germany	60	1.9

Source: UNOCHA (2014b).

the role of the international community was commendable in the early rescue, relief and recovery phase as it helped the GoP to effectively respond to the crisis, which would not have been possible without international assistance (personal communication). In the following two sub-sections, the role of the US as a donor is specifically examined within the aid-effectiveness framework of the PD principles.

Cash transfer by donor(s): a viable post-crisis reconstruction strategy and the role of USAID

In both humanitarian crises, one of the preliminary steps was the provision of cash grants to the affected households in order to enable them to address their immediate recovery needs. In the post-militancy crisis in 2009, an aid package of PKR25,000 was offered to all cash-strapped returning IDPs so that they could address their immediate recovery needs. More than 248,250 families were paid "a total amount of 6.2 billion Rupees through a special arrangement", whereby Pakistan's National Database and Registration Authority (NADRA) maintained and verified the registration process and database of IDP families (Asian Development Bank & World Bank, 2009, p. 40). This early amount of funds to the returning IDPs played a critical role in enabling those needy people to spend the money where and how they wanted, giving them the freedom to purchase what was their foremost need and priority.

After the 2010 floods, the government followed a similar approach of cash transfer during the initial rehabilitation efforts. While the successful example of aid package in the form of cash grant during the 2009 militancy crisis was in the mind of the government, it was decided to launch a similar initiative under the Citizens' Damage Compensation (CDC) scheme. In the first phase, the GoP provided cash assistance through Watan Cards to all heads of the flood-affected households. In order to enable the flood victims "to meet their immediate

livelihood requirements", the government transferred PKR20,000 to each household: a total of 27.7 billion rupees to 1.6 million households (Government of Pakistan, 2011a, p. 1). Alongside this early assistance, under the CDC programme for the reconstruction of houses damaged during the floods, the government offered PKR100,000 each for 913,307 completely damaged and PKR50,000 each for 697,878 partially damaged houses, a total of PKR126 billion (Government of Pakistan, 2011a). All the cash grants were "distributed through Watan Cards to family heads, based on verification by provincial governments and authentication by NADRA to ensure transparency" (Government of Pakistan, 2011a, p. 49). There was a very simple and straightforward eligibility benchmark: "any head of household with an ID card stating residence in a flood affected area was considered eligible for registration and subsequent issuance of a Watan Card" (NDMA, 2011, p. 83).

The CDC scheme was primarily a government-funded programme but funds were also allocated by some donors. The major contributor was the US, which provided US$190 million to this initiative. According to a USAID report, money disbursed to the Citizens' Damage Compensation Program (CDCP) of the GoP sponsored 400,000 families affected by the 2010 floods (USAID/Pakistan, 2013b). As mentioned earlier, a total of over US$3 billion was provided by various donors led by the US, Japan, the UK, Saudi Arabia, Australia, Canada, the UAE and Germany. Out of more than 80 DAC and non-DAC donors, only the US provided the largest amount of aid in cash grants during both of the humanitarian crises. It also merits a mention that the US was the largest donor on both of these occasions: contributing 41 per cent and 28 per cent of the total aid Pakistan received during the 2009 militancy crisis and the 2010 floods respectively (UNOCHA, 2014a, 2014b).

In addition to the US contribution to the government CDC programme at the national level, in Khyber Pakhtunkhwa province alone USAID provided a total of US$65 million (equalling PKR5,850 million) as a uniform compensation to households whose houses had been destroyed or damaged by the 2010 floods. Under the USAID-funded Uniform Housing Assistance Subsidy Project, flood victims were provided a uniform compensation of PKR400,000 for a fully damaged house and PKR160,000 for a partially damaged house in the already conflict-affected areas of KP. A government official based in Swat stated during an interview that all the amount was disbursed very transparently and smoothly, which enabled more than 20,000 households to rebuild their houses damaged during the 2010 floods (personal communication).

In all of the above post-crises ventures, the GoP had strong ownership as it was leading the process of identifying and registering the most deserving and needy people and paying them an aid package in the form of a cash grant. Entrusting a leading role to GoP institutions was also a symbol of trust between the government and its development partners, a key element for aid effectiveness espoused in the Paris Agenda. The Paris accord states that "using a country's own institutions and systems, where these provide assurance that aid will be used for agreed purposes, increases aid effectiveness" (OECD, 2005, p. 4).

When aid-receiving countries exercise leadership concerning what modalities of aid they like most, aid is going to be effective in addressing the actual problems with which these countries are faced (Knack, 2013). To this end, joint sector-wide approaches (SWAPs) and direct budget or cash support modalities are more flexible initiatives which give developing countries more breathing space for the prioritization of their needs. It is argued that foreign assistance in the form of these modalities improves and enhances the capacity of recipient governments and places them in a better position to allocate appropriate funds to different sectors and programmes (Cox & Healey, 2003; Knack & Eubank, 2009).

As explained in the beginning of this section, one of the main advantages of this approach is empowering the affected population to utilize aid funds where and how they want. While the money is spent in the local market for purchase of construction and other material, it boosts economic activities and may also lead to the creation of more jobs for unskilled and semi-skilled labourers. For example, following the 2010 floods, Pakistan's National Disaster Management Authority (NDMA) appealed to the international community to purchase their relief goods from within Pakistan. Accordingly:

> countries such as US, Oman, Kingdom of Saudi Arabia, Kuwait, Libya and Japan and others agreed to do so where possible and this saved logistical costs of transport, strengthened the local economy and expedited the delivery of relief goods to the affected population.
>
> (NDMA, 2011, p. 28)

Also, if aid funds are provided directly to the affected population, there is minimal administrative cost of such development initiatives.

Similar advantages have been enumerated by a USAID report. The report, titled *USAID in Pakistan: Strengthening our partnership, continuing our progress*, states that "by applying the principles of host-country ownership, sustainability, and mutual accountability, USAID and our Pakistani partners are ensuring that civilian assistance to Pakistan achieves lasting and sustainable results" (USAID/Pakistan, 2013c, p. i). It further adds that "in Pakistan, more than half of USAID-funded programs are implemented directly by Pakistani government institutions or Pakistani private sector organizations – more than any other USAID mission in the world" (USAID/Pakistan, 2013c, p. 31). According to another USAID report, a total of US$4,135 million disbursed under the Kerry–Lugar Act between 2009 and 2013, US$549 million was in cash transfers for different programmes launched by the GoP, such as the Benazir Income Support Program (BISP), Citizens' Damage Compensation Program (CDCP) and cash support for IDPs (USAID/Pakistan, 2014b). Having an assessment of the overall US aid data and the way most aid has been channelled, although it may not present an ideal picture, analysis shows that somehow significant progress has been made in achieving the PD principles of ownership, alignment and harmonization. If not all or 100 per cent, a considerable amount of US aid has been channelled and utilized via government

departments in programmes launched by the GoP, particularly after the 2009–2010 humanitarian crises.

The above analysis illustrates that certain donors, particularly the US (and also the UAE), have shown significant trust in government institutions, particularly in agencies such as the NDMA, to channel and utilize aid funds through them. Also, when aid funds are utilized directly via government organizations, it leads to enhancing and improving their capacity, thus developing their financial and accounting systems to the standard and quality required by these donors. In view of this, it can be argued that not only was the response of the US generous during these humanitarian crises, but it was also quite progressive from the perspective of the PD principles of ownership, alignment and harmonization. In sum, in post-crises reconstruction initiatives in Pakistan in general and in Swat in particular, the GoP was somehow able to exercise effective leadership and assert ownership in the early phases of the rehabilitation. As a result, when aid was delivered according to the PD commitments, it was more effective, as it enabled the affected communities to address their pressing needs. Thus, aid would definitely be more effective if delivered in line with the PD parameters, particularly in post-crisis reconstruction initiatives where need for it is always greater and more urgent.

US-funded Khyber Pakhtunkhwa Reconstruction Program

Another major government-led donor-funded development initiative executed in Malakand Division including District Swat was the USAID-funded KP Reconstruction Program. The main objective of the project was to revitalize and rebuild key public infrastructure damaged during the 2009 conflict and the 2010 floods. The key aim was "to enhance the stabilization and development of Khyber Pakhtunkhwa by rebuilding public infrastructure for education, health, water and sanitation and increasing the capacity of the provincial government" (USAID/Pakistan, 2013a, p. 1). Working closely with the Provincial Reconstruction, Rehabilitation and Settlement Authority (PaRRSA), a key disaster management body of the Government of Khyber Pakhtunkhwa, this programme played an essential role in rebuilding government infrastructure throughout the Swat valley and the rest of Malakand Division.

In the education component of this project, USAID provided aid to rebuild schools damaged during the conflict and floods in Malakand Division. Out of the total target of 122 completely damaged schools, 117 were reconstructed with the financial help of USAID. In these 117 schools, the highest number of schools (both selected and completed) was in Swat (79) and most of them were completed, some in the far-flung hilly areas (personal communication with officials in the Department of Education). Following the completion of work, nearly 16,000 children receive education in these newly rebuilt educational facilities (USAID/Pakistan, 2013c). The PaRRSA official stated that the District Education Department provided them all the data about fully and partially damaged schools, which they shared with the PaRRSA/PDMA office in Peshawar. The

official further said that the formation of various clusters including health, education, water and sanitation, and food and shelter enabled the government to clearly identify and prioritize its needs in these areas. A senior PaRRSA official based in Peshawar informed me that they gave a presentation to different donors so that they (donors) could select projects of their choice in any sector they liked (personal communication). Accordingly, once projects were showcased and selected, a memorandum of understanding (MoU) was signed between the GoP and the particular donor. Under the MoU, the modus operandi was decided as to whether the donor would release funds to PaRRSA to carry out works through line departments or whether donors would decide to implement the project through UN agencies or its own partners. In the programme under discussion, funds were released to PaRRSA and most activities were carried out through government line departments. Regarding the capacity of PaRRSA and the level of trust USAID and other donors had in them, the chief planning officer stated that, unlike other government agencies, PaRRSA was very transparent in the process of bidding and award of contracts (personal communication). He added that PaRRSA released funds to line departments and other contractors only after their works were assessed and validated by reputed consultants. Also, the official stated that there has not been a single case of financial corruption or embezzlement against any employee of their department, which is why donors trusted them in the transparent utilization of aid funds.

Apart from the restoration of education, the KP Reconstruction Programme also targeted the tourism sector in Swat valley. Like education, health and communication infrastructure, tourism was badly affected during militancy and floods. While the sector had revived the hopes of the local population after peace was restored in the area following the military operation against militants in 2009, the 2010 floods dealt a severe blow to tourism, as rains completely washed away 24 hotels in Kalam and Madyan along with the destruction of roads and bridges. In Kalam, one of the most visited places in district Swat, having more than 150 hotels, 16 were completely washed away by floods and many others were damaged (personal communication with the president of the Kalam Hotels Association). He added that more than 5,000 people were dependent directly or indirectly on the hotel industry in Kalam and they mostly lost their main source of livelihoods after the floods destroyed hotels and key infrastructure in the area. For the revival of the hotel industry in Swat, in close coordination and collaboration with PaRRSA, USAID provided a grant of US$5.2 million in direct financial assistance, technical assistance and in-kind support to tourism businesses affected during the conflict and floods. To this end, in District Swat 239 hotels and 22 fisheries were supplied with furniture, equipment and other essential material along with financial assistance. As a result, according to a USAID report, these US-supported businesses increased revenues of the local hotel industry from US$454,000 in 2010 to US$4.8 million in 2012, generating over 2,000 new jobs (USAID/Pakistan, 2014a). However, contrary to the claims of USAID and PaRRSA administrators and official documents, representatives of the local hotel association had several complaints and reservations about this particular USAID-funded initiative. For example, although the

president of the All Swat Hotels' Association appreciated the venture and stated that USAID was the only donor that focused on the revival of the tourism industry, he also had his concerns about the modus operandi of the project. According to him, as the project was being executed by USAID through its own implementing partner, there were several issues comprising substantially inflated rates of items, substandard material, and delays in the delivery of furniture and other valuables provided to hotel owners (personal communication with the president of the All Swat Hotels' Association).

Along with USAID, various other bilateral donors and their aid agencies played their part in the rehabilitation efforts, though their funding seems insignificant when compared with the amount of aid the US alone provided for reconstruction initiatives in Swat. Nevertheless, one of the positive lessons is that most of the activities were carried out in proper coordination with host-country institutions, such as PaRRSA and other line departments, including education and health departments. When asked about donors' interventions in various sectors and the possibility of duplication (because of lack of harmonization), a senior PaRRSA official stated that there was no risk of duplication (personal communication with PaRRSA chief planning officer). The official corroborated that after showcasing their priority areas to different development partners, they themselves picked and selected a set of activities and schemes in certain areas and hence there was no possibility of duplication. Thus, to a large extent, the effective role of PaRRSA and other government departments to exercise leadership in the rehabilitation efforts greatly helped in convincing aid donors to select their (government) priority areas for funding. In this way, most aid was disbursed according to the PD commitments. Consequently, aid that was allocated according to the PD principles was aligned to local needs and priorities and was utilized where it was actually needed most. The GoP had visible ownership of the development agenda and reconstruction plan, as it either received aid directly from donors (ownership) or directed donors and their implementing partners where and how to use aid funds (alignment); and the principle of harmonization was followed as the GoP was actively coordinating with different donors about what they were doing in different areas and sectors. As the PD is equally relevant and applicable in post-crisis humanitarian contexts such as this, subsequently aid was effectively utilized because of adherence to the PD in Swat.

Conclusions

The main aim of this chapter was to investigate to what extent the aid-effectiveness commitments enshrined in the 2005 PD have been translated into actual practice while delivering US aid at the country level. To this end, the roles of USAID and GoP institutions have been examined in US-funded projects within the PD framework. The findings reveal that both partners made considerable progress towards the aid-effectiveness commitments, as there were prior consultations and discussions between USAID and GoP institutions concerning the utilization of aid in different areas. For instance, in KP and FATA, USAID

more closely involved government departments and institutions to address their needs. Hence, government ministries and departments, such as the FATA Secretariat and its line departments and the KP Department of Education, were fully engaged in USAID-funded projects in the education sector, which indicates that the overall level of ownership of development projects increased in these areas as local departments were more on board with USAID. However, seen within the PD framework in its entirety, the overall modus operandi of USAID remained more or less the same. Regarding the overall level of ownership, the findings illustrate that USAID mostly carried out projects together with international partners: INGOs or contractors. As a result, not only was the role of GoP institutions minimal, but administrative costs of USAID were also quite high.

Besides the issue of ownership or the degree of involvement of the government institutions in all stages of the project, which is critical for aid effectiveness, other principles of the PD are equally significant. For example, in relation to aligning aid with the needs and priorities of the GoP, the findings have demonstrated that it was primarily USAID which conceived, prepared and implemented development projects and activities of its choice. Instead of funding projects already identified and planned by the GoP under the PRSPs and PSDP or other long-term development plans, which are formulated bearing in mind the country's needs and priorities, USAID came up with its own projects outside the government system. Hence, for aid to be more effective as stipulated in the declaration, it is necessary to align aid with the needs, priorities and systems of the GoP. The findings have indicated that though USAID has been investing in the sectors prioritized by the GoP, it has targeted aid at projects and activities which are not aligned with the priorities and needs of the country.

The same can be said about the PD principle of harmonization. The findings have demonstrated that almost all donors carried out development works in Pakistan following their own approaches and procedures. This research has illustrated that there was hardly harmonization or effective division of labour among donors. It was noted that like other donors, USAID implemented interventions in different areas and there was no precedent where donors had common arrangements for planning, disbursement and reporting to the GoP regarding their practices and aid flows. As a result of the lack of harmonization and proper division of labour, there was either excessive fragmentation or unnecessary concentration of donors in different sectors.

Regarding development results, the fourth principle of the PD, it is largely because of the above factors, coupled with the lack of institutional capacity and the prevalence of corruption in government departments, that foreign assistance has not produced significant results, particularly in relation to the alleviation of poverty and the accomplishment of the MDGs. While the attainment of the MDGs is primarily the responsibility of the GoP, failure to achieve these is also an indication that along with the GoP, development partners also lacked a coherent and harmonized approach to bring visible improvements in certain areas. Because of the lack of GoP ownership as well as lack of alignment and harmonization, most aid was not

aligned with the development priorities of the GoP. Aid was spent on less urgent and less important activities and practices than those that could have actually benefited the poorest communities. Had there been proper coordination among donors as well as with the GoP, a more central role for GoP institutions, and had the GoP clearly indicated in the PRSPs, MTDF and PSDP where donors' assistance was actually required, the impacts and results of USAID and other donors' interventions would have been more tangible.

In relation to the PD principle of mutual accountability between aid donors and recipients, the findings and analysis have shown that there is a lack of transparency and accountability from both ends. From the GoP side, because of the absence of fully independent and powerful domestic accountability instruments, lack of transparency and incidence of widespread corruption continue to tarnish the image of the country. Annual reports of Transparency International, over the years, have ranked Pakistan among the countries which still need to do a lot to improve its ranking and image regarding corruption. At the same time, however, some implementing partners of USAID are no better, as US-based contractors such as the DAI, AED and Sheladia were also found to be involved in financial embezzlement, fraud and corruption. Hence, from the PD perspective of mutual accountability, both the GoP and USAID have failed to meet expectations. Although recent USAID steps show some positive indications for taking capacity-building measures and curbing corruption, they should not focus solely on training sessions, lectures or workshops by expatriates. This was because capacity-building strategies undertaken in the past, such as those focusing on improving the institutional capacity of the FATA Secretariat and line departments or those in the education sector, could not fully achieve the intended aims and objectives.

In contrast to USAID policies and practices during normal circumstances, its overall approach was more progressive and accommodating during the humanitarian crises, particularly after the 2009/2010 militant insurgency and floods. During the reconstruction and rehabilitation process, USAID not only provided a large amount of aid funds in the form of cash, but it also funded activities and projects identified and prioritized by government agencies. This was also facilitated by a leading and more transparent role of government agencies such as the NDMA and PaRRSA, which performed more efficiently than most public sector organizations in normal circumstances. As a result of a trust-based partnership, most aid was disbursed as per the PD principles of aid effectiveness. Thus, US aid was more aligned to local needs and priorities and was utilized where it was actually needed most, which swiftly aided the affected and displaced communities to restart their lives.

The overall findings have shown that there are a number of issues from the government as well as the USAID side that constrained the actual application of the PD commitments in the delivery and utilization of development aid. On the part of the GoP, the absence of a uniform and comprehensive aid and development policy as well as lack of institutional capacity and prevalence of corruption were among the key factors resulting in the lack of progress towards fully integrating and achieving the PD commitments. On the part of the US, contrary to its commitments under the

Paris accord, USAID continued to avoid giving a more central role to its Pakistani counterparts in the design and execution of development projects. Instead of GoP institutions, USAID's international partners and contractors formulated and carried out projects funded by USAID. On account of these factors on the part of both the GoP and USAID, they failed to fully implement the PD principles, resulting in less effective delivery and utilization of aid in certain projects.

Notes

1 As explained in Chapter 2, until May 2018, governance, development and administrative issues of FATA did not come under the provincial government of KP but directly under the President of Pakistan and the Governor of KP. Hence, FATA Secretariat and line departments dealt with law and order, administrative and planning and development matters in FATA.
2 About US$550 at that time.
3 It should not imply that the GoP and USAID or other donors have been doing nothing. To expect USAID or any other donor to play a key role in the attainment of the MDG targets is unrealistic, as achieving these is the responsibility of the GoP. The role of donors and their aid is only to fill some of the gaps; it is the recipient government that is required to allocate adequate resources for meeting its development outcomes.
4 Data in Tables 4.1 and 4.2 reports aid data of the largest donors only. For a complete list of how much aid each bilateral and multilateral donor allocated during these two events, see UNOCHA (2014a) and UNOCHA (2014b).

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5 Discussion and conclusion

An assessment of US aid allocation and delivery to Pakistan

The US–Pakistan alliance during the Cold War and its implications

The Afghan War decade of the 1980s is considered a landmark in the US–Pakistan relationship, as it witnessed massive allocation of US aid. It is evident from the USAID data (given in detail in Chapter 2) that in the 1980s the US sanctioned substantial economic and military aid to Pakistan in addition to providing arms worth hundreds of millions of dollars. As the data shows, both US economic as well as military assistance remained quite consistent, and almost US$500 million per year in most of the 1980s (see Table 2.4 and Figure 2.2 in Chapter 2 for detailed data). According to USAID (2010), almost all projects funded and implemented by USAID during this period were national in scope, with components in all the four provinces. In the same context, a senior USAID official of Pakistani origin told me during an interview in Islamabad that USAID funded numerous development initiatives in areas where even the GoP had not executed projects before. The official stated:

> USAID did excellent works in FATA and completed a number of infrastructure projects. Similarly, in Punjab, the canal system was remodelled, renovated and improved with funds provided by USAID. In KP, Transformation and Integration of Provincial Agricultural Network (TIPAN) was a large project in the agriculture sector that led to the expansion of Agricultural University Peshawar on a modern basis.
>
> (Personal communication)

Thus, on the one hand, US economic aid contributed to the country's economic growth and helped bridge a major hard currency deficit; on the other hand, US military assistance and arms' sales also tangibly improved the fighting capabilities of Pakistan's defence forces (Haqqani, 2013; Hilali, 2002). Apart from making some progress in socio-economic spheres and national security and defence, the Afghan War also provided the country an ample opportunity to pursue and accomplish nuclear capability, as the US unwillingly turned a blind eye to Pakistan's clandestine nuclear programme during this period.

Despite the fact that the US channelled significant development cooperation to Pakistan during this period, the alliance also brought immense problems for Pakistan and has had profound impacts on Pakistani society up to the present day. During the Afghan War decade, Pakistan absorbed the burden of more than 3 million Afghan refugees (Ali, 2008; Fielden, 1998), of whom about 2 million are still living in various Pakistani cities (Lodhi, 2011). Internally, the Afghan refugees not only created political, economic and socio-cultural problems for Pakistan, but the culture of drugs and Kalashnikovs was also largely a result of the prolonged Afghan conflict (Hilali, 2002). According to Ali (2008, p. 123), "the number of registered addicts in Pakistan grew from a few hundred in 1977 to over 2 million in 1987". Similarly, Rashid (2000, p. 122) claims that "Pakistan, which had no heroin addicts in 1979, had 650,000 addicts in 1986, three million by 1992 and an estimated five million by 1999." Thus, the ongoing war in neighbouring Afghanistan and the presence of millions of registered as well as unregistered refugees in the country brought its own challenges for Pakistan.

In addition to the growth of the heroin trade, the Afghan War also fuelled ethnic and sectarian extremism and Islamic fundamentalism in the country, which were largely alien to most Pakistanis before this period. In this context, the most significant development was the mushrooming of "*madrassas*" (religious seminaries) that continued to supply fresh recruits during the Afghan War and then to the Taliban regime in Afghanistan. These *madrassas* multiplied exponentially during the first Afghan War, with ample funding from the US as well as various Arab monarchs. In the early years of the country's history, Pakistan had a few hundred such institutes, while in the 1990s the total number reached more than 8,000 (Nasr, 2000). According to Rashid (2000, p. 89), "in 1971 there were only 900 *madrassas*, but by the end of the Zia era in 1988 there were 8,000 *madrassas* and 25,000 unregistered ones, educating over half a million students." Stern (2000) puts the total number of *madrassas* to be approximately 40,000–50,000 and claims that the US and Saudi Arabia channelled US$3.5 billion to these *madrassas* during the first Afghan War in the 1980s. In the years 2001–2002, there were about 58 religious political parties and factions and more than 20 armed military groups in Pakistan, generally known as "*jihadi*" groups having links with various *madrassas* (Abbas, 2005).

It is now an open secret that *jihadis*, or "*mujahedeen*" (holy warriors), were encouraged and facilitated to come to Pakistan from 43 Islamic countries during the first Afghan War (Rashid, 2000). These freedom fighters were supported and trained in collaboration with the Central Intelligence Agency (CIA) and Pakistan's premier intelligence agency, the Inter-Services Intelligence (ISI), with enormous funding from the US, Saudi Arabia and other Western and Arab states. The total number of these *mujahedeen* is estimated between 200,000 and 500,000 (Brown, 2006; Usher, 2007). By the mid-1980s when the Cold War was at its height, the CIA office in Islamabad was second in size and staff only to its main headquarters in Langley, Virginia (Woodward, 1987). In the words of Hanif (2008, p. 66), who has described this scenario in somewhat humorous

vein: "Islamabad was a whirl of conspiracies and dinner parties; there were more CIA subcontractors and cooks per household than meals in a day." The same author, who is a well-known journalist working with the BBC, asserts that "the CIA was running the biggest covert operation against the Soviets from Pakistan since their last biggest covert operation against the Soviets from somewhere else" (p. 67).

Stephens and Ottaway (2002) stated that during the period 1984–1994, USAID sanctioned a grant of US$51 million to the University of Nebraska-Omaha for preparing special books in Dari and Pashto languages exhorting and glorifying *jihad* (holy war). A report by the International Crisis Group (2002) points out that 13 million copies of these books and pamphlets were distributed in Pakistani *madrassas* and Afghan refugee camps to indoctrinate and inculcate the values and virtues of *jihad* in youth. In view of this, there is little doubt that the seeds of militancy were sown during the Afghan War in the form of *madrassas*, not all for religious education but for creating "the Mujahideen to fight back the 140,000 Soviet 'infidel' troops who by then had occupied Afghanistan" (Murphy & Malik, 2009, p. 26), which ultimately led to unbridled sectarianism and militancy in the country. Before this period, Pakistan was not "receptive to extremism and violence perpetuated in the name of Islam" (Murphy, 2009, p. 133). According to noted historian Ayesha Jalal (2011, p. 14), "for all the lip service paid to Islam, Pakistan remained a relatively liberal and moderate Muslim state until the 1970s." Bruce Riedel, a former CIA officer who also remained senior advisor to four US presidents on Middle East and South Asian issues, concurs in his book *Deadly Embrace: Pakistan, America and the Future of the Global Jihad* that "Pakistan is a complex and combustible society undergoing a severe crisis, which America helped create over the years," particularly during the first Afghan War (Riedel, 2012, p. 118). As a result of this engineered societal transformation during much of the Cold War period, Pakistan was a different country after the end of the Cold War. It was a country faced with "the proliferation of weapons, drugs, terrorism, sectarianism and the black economy" (Rashid, 2000, p. 215), resulting in near bankruptcy and diplomatic isolation in the region. It can be summed up that despite considerable tangible gains in the form of US military aid and armaments and USAID developmental works across the country, Pakistan also paid a heavy price for allying with the US during this period.

Repercussions of the contemporary US–Pakistan alliance

Prior to 9/11, General Musharraf was to the Clinton and Bush administrations what General Zia was to the Carter administration before 1979: "a squalid and brutal military dictator" (Ali, 2008, p. 117). If the 1979 Soviet invasion of Afghanistan transformed General Zia "into a necessary ally defending the frontiers of the free world against the godless Russians" (Ali, 2008, p. 117), the 9/11 events baptized General Musharraf and transformed him into a staunch US ally in the "war on terror". While Musharraf's Pakistan was a pariah state prior to

9/11, it was no longer the case after 9/11. Pakistan's alliance with the US brought several advantages to Pakistan, particularly in the form of substantial US economic and military assistance. As illustrated in Table 2.5 and Figure 2.3 in Chapter 2, along with economic aid, the US also restarted considerable military aid as well as arms' sales to Pakistan after it agreed to become a front-line US ally in the "war on terror".

However, like the alliance during the first Afghan War, the recent coalition between the two countries is also not an outright bonanza for Pakistan. The protracted war in neighbouring Afghanistan has dreadful spillover effects and consequences for the country. After the fall of the Taliban regime in late 2001, capitalizing on factors such as the proximity of the border, inhospitable terrain, semi-autonomous nature of the region, old Afghan War ties, and common religious beliefs and socio-cultural traits, many Taliban and al-Qaeda operatives fled Afghanistan and made sanctuaries in Pakistan's tribal areas bordering Afghanistan. Because of its alliance with the US, and also under pressure from the Bush administration, for the first time in the country's history Pakistan mobilized troops in the region. To this end, more than 100,000 army personnel were deployed along the 2,500-kilometre-long Pakistan–Afghan border to eradicate al-Qaeda and Taliban-linked militancy (Hussain, 2011). With the passage of time, however, the influence of the Taliban and their radical ideologies spread from the tribal areas to other settled districts in the Khyber Pakhtunkhwa province. In the tribal belt alone, hundreds of pro-government tribal elders have been killed by the Taliban since 2005 (Rashid, 2008). The continued presence of the US and NATO mission in Afghanistan, which is viewed by the Taliban and their sympathizers in Pakistan and beyond "as part of a global offensive against Islam led by the US" (Murphy, 2009, p. 149), and the loss of innumerable civilian lives in the ongoing Afghan conflict significantly contributed to enhanced militancy in Pakistan.

Since 2002, Pakistani military forces have launched a number of military operations against the Taliban and al-Qaeda operatives in the tribal areas and beyond, resulting in significant casualties on both sides. During these years, Pakistan has held numerous top-ranked al-Qaeda and Taliban leaders and handed them over to the US authorities. In his autobiography *In the Line of Fire*, then president General Musharraf (2006, p. 237) claims that "we have captured 689 and handed over 369 to the United States". More than a dozen of al-Qaeda's key operatives were arrested and handed over to the US. These include: then operational chief Abu Zubaidah (2002), Ramzi Binalshibh (2002), Khalid Sheikh Mohammad (2003), Yassir al-Jaziri along with three others (2003) (he was then described as the seventh most important al-Qaeda member), Khalid bin Attash or Walid bin Attish (2003) (the prime suspect in the October 2000 attack on the American naval ship *USS Cole* at Aden), Khalfan Ghailani (2004) (a Tanzanian national wanted for his involvement in the 1998 attacks on the US embassies in Kenya and Tanzania), and Abu Faraj al-Libi (2005) (who was number three in the al-Qaeda hierarchy). Because of these developments, though Pakistan under Musharraf tried to please the US as much as it could, it invited the wrath of the

extremists. General Musharraf himself suffered two assassination attempts and was lucky to survive.

Perceiving Pakistan an ally of the US and their adversary in the US-led "war on terror", Taliban militants wasted no opportunity to inflict damage on the personnel of law enforcement agencies and destroy government infrastructure. Although every major city of the country has been targeted, FATA and KP have remained most vulnerable, where schools, hospitals, bridges, roads, grid stations, electricity towers and dispensaries have been destroyed and damaged in grenade assaults, bomb blasts and suicide attacks. According to a detailed report prepared by Planning and Development Department of FATA Secretariat (2009), the conflict cost FATA alone a total of US$2.146 billion. It is an unprecedented loss and the impact is severe when seen from the perspective of the already poor state of the economy in FATA.

The conflict and its costs are not restricted to only FATA, as the spillover of the "war on terror" has severely affected other parts of the country as well. The Swat valley, a popular and peaceful tourist destination, and the rest of the Malakand region in KP, are other prime examples affected by the Taliban-linked militancy and insurgency due to Pakistan's alliance with the US. The inhabitants of these areas suffered at the hands of the extremists and then during the military operation in 2009. Hundreds of houses were either blown up by Taliban militants or destroyed by bombardment and indiscriminate shelling carried out by security forces. Like FATA, infrastructure such as bridges, health facilities and hundreds of schools were destroyed and damaged in the attacks by militants. As the Swat valley is a famous tourist spot, tourism and business sectors also suffered because of militancy and the subsequent army operation. After launching the military offensive against the Taliban in March 2009, about three million people from Buner, Swat and Dir Lower districts fled their homes and became internally displaced persons (IDPs), leading to the biggest humanitarian crisis and mass exodus in the history of Pakistan. According to the post-conflict survey conducted by the Asian Development Bank and World Bank in collaboration with the GoP, the Swat valley and other districts in the Malakand region suffered

Table 5.1 Losses caused by the "war on terror" in FATA

Sector	*Tentative cost (in millions)*	
	(Pak Rs.)	*(US $)*
• Infrastructure losses	8,270	103
• Human losses	4,405	55
• Economic costs	9,505	119
• Social costs	88,725	1,109
• Environmental costs	15,000	188
• Security and IDP costs	45,766	572
Grand total	**171,671**	**2,146**

Source: FATA Secretariat (2009).

more than US$1 billion in losses because of the militants' insurgency and the subsequent military action (Asian Development Bank and World Bank, 2009). Data in Table 5.2 shows that Pakistan has suffered more than US$126 billion in total because of the "war on terror" since 2001.

In terms of human losses, the internal repercussions of the "war on terror" are unparalleled for common citizens as well as security personnel. It is evident from data presented in Table 5.3, showing the number of fatalities, that the "war on terror" has affected Pakistan more than any other US allies. There is hardly any major city in the country that has not been targeted by terrorists. Suicide attacks have been carried out on security installations and against law enforcement agencies, and public places have not been spared either. The province of KP, and particularly the capital city of Peshawar, has been targeted more than any other place in the country, as its proximity to tribal areas makes it more vulnerable to militants' assaults. Alongside common people, Pakistani armed forces have also suffered huge losses in the conflict. The Pakistani military has suffered more casualties in attacks by the Taliban inside Pakistan than the combined fatalities of the coalition forces in Afghanistan under the banner of the International Security Assistance Force (ISAF). While until December 31, 2014, the US had lost a total of 2,216 soldiers in Afghanistan (US Department of Defense, 2018), data in Table 5.3 shows that security forces in Pakistan have suffered more than three times this number of casualties. High-ranking military officials including lieutenant generals and brigadiers have been killed by insurgents/militants. All this indicates that Pakistan has been the worst victim of the "war on terror".

Table 5.2 Cost of the "war on terror" for Pakistan

Year	*Pak. Rs (billions)*	*US $ (billions)*
2001–2002	163.90	2.67
2002–2003	160.80	2.75
2003–2004	168.80	2.93
2004–2005	202.40	3.41
2005–2006	238.60	3.99
2006–2007	283.20	4.67
2007–2008	434.10	6.94
2008–2009	720.60	9.18
2009–2010	1,136.40	13.56
2010–2011	2,037.33	23.77
2011–2012	1,052.77	11.98
2012–2013	964.24	9.97
2013–2014	791.52	7.70
2014–2015	936.30	9.24
2015–2016	675.76	6.49
2016–2017	407.21	3.88
2017–2018	223.32	2.07
Total cost	**10,762.64**	**126.79**

Source: Government of Pakistan (2018).

Table 5.3 Annual fatalities of the "war on terror" in Pakistan

Year	*Civilians*	*Security forces*	*Terrorists/militants*	*Total*
2003	140	24	25	189
2004	435	184	244	863
2005	430	81	137	648
2006	608	325	538	1,471
2007	1,522	597	1,479	3,598
2008	2,155	654	3,906	6,715
2009	2,324	991	8,389	11,704
2010	1,796	469	5,170	7,435
2011	2,738	765	2,800	6,303
2012	3,007	732	2,472	6,211
2013	3,001	676	1,702	5,379
2014	1,781	533	3,182	5,496
2015	940	339	2,403	3,682
2016	612	293	898	1,803
2017	540	208	512	1,260
2018*	313	127	135	575
Total	**22,504**	**7,014**	**34,036**	**63,554**

Sources: South Asia Terrorism Portal (SATP) (2018b) and various Annual Security Reports of the Pakistan Institute for Peace Studies (PIPS).

Note
* Data until September 2018.

The preceding discussion illustrates that despite substantial gains in the form of US economic and military assistance as well as availability of US arms to the country's armed forces, Pakistan has paid a heavy price for allying with the US in the "war on terror". The anti-terrorism campaign has not only led to an increased budget for law enforcement agencies, slashing of development expenditures, increased unemployment in the affected areas, deteriorating law and order situation and huge displacement of local populace, but it has also given Pakistan the reputation "of being a dangerous country at the mercy of religious extremists" (Murphy, 2009, p. 149). The multitude of crises consisting of economic, political, security, law and order, and an increased militant insurgency as a result of the "war on terror" have put the country in a warlike situation. As the data in Table 5.2 shows, because of a fall in investment, trade and tourism and other war-related costs in the post-9/11 period, the country has suffered a loss of over US$126 billion (Government of Pakistan, 2018). On the other hand, it is clear from the USAID data quoted in Chapter 2 that the country has received a total of about US$33 billion in economic aid and military assistance since joining the US-led "war on terror".

It can be inferred from the overall discussion that Pakistan has suffered a lot more in the "war on terror" than what it has received from the US in the form of economic and military aid as well as in the shape of the Coalition Support Fund (CSF). In view of the mounting challenge of militancy and terrorism coupled with economic stagnation and the absence of good governance in the country, both the

government of Pakistan and its key ally the US failed to address the full costs of the conflict to civilians. There can be little doubt that the government does not have the capacity to compensate the people and tackle the myriad problems single-handedly. The report *Afghanistan and Pakistan on the Brink: Framing US Policy Options* (Barton, Hippel, Irvine, Patterson, & Samdani, 2009), prepared by former US government officials and academics, suggested that Pakistan needed a billion-dollar multi-year aid package to help in surmounting domestic economic and institutional challenges. The report stated that economic assistance needs to be employed as a means to defeat al-Qaeda and Taliban extremists by offering the local population something they really need – education, health, better infrastructure, economic opportunities and employment. It was perhaps in view of this that the US came up with a long-term aid package in the form of Kerry-Lugar Bill. However, as this book has examined, because of multiple reasons the aid programme could not deliver up to the expectations of both countries.

US drone strikes inside Pakistani territory and their impact on public perceptions

There is another key factor that has overshadowed the US's developmental role in Pakistan. It is US policy to carry out airstrikes inside Pakistan using unmanned air vehicles (UAVs), or drones. While the US aims to target al-Qaeda and Taliban operatives inside Pakistani territory, these strikes have resulted in the deaths of innocent civilians. Although Pakistan has deployed over 100,000 troops along the Pakistan–Afghan border and has carried out a number of military operations against militants, it has not been able to completely defeat them and clear all areas of the tribal belt. The US argues that cross-border infiltration emanating from the tribal belt of Pakistan has been a matter of grave concern, as the Taliban ambush US and NATO forces in Afghanistan from there. Pakistan, on the other hand, perceives the US policy of using drones to hit targets inside Pakistani territory a violation of its sovereignty and argues that because of a significant number of innocent tribal people being killed, it leads to more and more domestic extremism and anti-Americanism.

There are conflicting claims and reports regarding the actual number of drone strikes, the resulting casualties, and the number of terrorists vis-à-vis innocent civilians killed. According to figures based on media reports compiled by the South Asia Terrorism Portal (SATP) since 2005, there have been a total of 333 attacks by US drones inside Pakistani territory, killing 2,857 people (South Asia Terrorism Portal, 2018a). The Bureau of Investigative Journalism, a London-based organization, claims that so far a total of 2,515 to 4,026 people have been killed in about 430 drone strikes in Pakistan, including 424 to 969 civilians and 172 to 207 children (Bureau of Investigative Journalism, 2018). Pakistani officials and media reports claim that in addition to high-value al-Qaeda and Taliban figures, a large of number civilians are also killed in these strikes. For example, it was reported that of the 1,184 persons killed by US drones in 124 attacks in 2010, the year when such strikes were very frequent, around 59 per cent were

innocent civilians, while the remaining 41 per cent were terrorists belonging to various militant groups (Mir, 2011). On the other hand, a report by the New America Foundation claims that of the 114 drone strikes inside Pakistani territory from 2004 to 2010, between 830 and 1,210 people were killed (Bergen & Tiedemann, 2010). The report says that of these, around 550 to 850 were militants, averaging two-thirds. In this way, these authors put the overall civilian casualty rate at about 32 per cent. Whatever the level of precision, the fact is that drone attacks are extremely unpopular among Pakistanis. The country has repeatedly argued that such counterterrorism strategies contribute to turning public opinion against the US and undermines Pakistan's role in defeating extremism at home. According to Gallup surveys, these are among the important causes of anti-Americanism in Pakistan. A majority of Pakistanis view them as a violation of national sovereignty, as only 9 per cent consider these to be effective in counterterrorism (Bergen & Tiedemann, 2010). Drone attacks get high coverage in Pakistani print and electronic media and undermine the efforts of the US to placate public sentiments through the provision of development aid. The only people aware of the role of USAID are either intended primary beneficiaries of USAID or linked with USAID as employees or civil society. On the other hand, however, a huge majority of Pakistanis are aware of drone attacks and their repercussions. People believe that the deteriorating law and order situation, and frequent bomb blasts and suicide attacks by Taliban militants, are consequences of Pakistan's role in the "war on terror", and of US drone attacks. As a result of this, irrespective of the fact that the US has provided Pakistan billions of dollars in aid, a majority of Pakistanis think that the US–Pakistan alliance has done more harm to the country than good.

US aid to Pakistan and its role in strengthening/weakening democracy

The question arises why the US has always embraced military dictators in Pakistan, unlike the civilian leadership? It is a dominant perception that "military coups in Pakistan are rarely, if ever, organized without the tacit or explicit approval of the US embassy" (Ali, 2008, p. 113). However, the available evidence challenges this assumption. Barring the first coup by General Ayub in 1958, the US was initially not supportive of either General Zia or General Musharraf. In the beginning of their rule, the US did impose sanctions on both the dictators. It was a matter of coincidence that the USSR invaded Afghanistan during the Zia regime and the events of 9/11 happened when once again a military ruler was in power in Pakistan. In both these cases, the US needed all-out support from Pakistan. Therefore, the primary reason behind substantial US aid during military regimes and negligible assistance during civilian rule is that the former coincided with events when US security interests were at stake in the region: first during the concluding years of the Cold War in the 1980s, and second in the "war on terror" period. When Pakistan's assistance was no longer required after the downfall of the USSR, the US enforced sanctions under the Pressler Amendment on account

of Pakistan's nuclear programme and cut off all aid, both economic as well as military, to the democratic regime in 1990. Ironically, the US had ignored Pakistan's pursuit of nuclear technology during most of the Cold War period. It shows that the US has supported a dictator in Pakistan when its own geo-strategic interests required it to do so. Thus, Haqqani, Pakistan's former ambassador to the US, has appropriately stated that "US assistance appears to have influenced the internal dynamics of Pakistan negatively, bolstering its military's praetorian ambitions" (Haqqani, 2005, p. 324). The overall analysis of US aid to Pakistan clearly illustrates that instead of strengthening democracy, US assistance has led to a strengthened and prolonged military rule in the country.

On the whole, the preceding discussion shows that to be eligible for US aid, it hardly matters whether a country has a democratically elected leader or a dictator, but it needs to be in a position to safeguard and promote US geo-strategic and security interests. The history of US foreign aid to developing countries reveals that a majority of the largest US aid recipients except Israel have had long dictatorial regimes and still managed to receive substantial US ODA during these regimes. It implies that the promotion of democracy is not an important determinant in the allocation of US foreign aid, especially if the aid-receiving country is vital for US geo-strategic and security aspirations.

Comparing the allocation of US economic and military aid with democratic and dictatorial regimes in Pakistan (in terms of total, average annual, and per capita per year), data reveals that US aid shows a consistent pattern of high flows for military dictatorships and low or negligible flows for democratic governments, indicating that US aid has not been used to promote democracy in Pakistan; in fact, it has undermined it. An analysis of US economic and military aid to Pakistan over the last 60 years shows that the US has given more aid to Pakistan during military regimes and less aid during civilian tenures. Also, as mentioned earlier, it is also down to coincidence that in most cases when the US needed Pakistan, it was under military rule. During the military regimes, comprising 32 years in total, the US has given Pakistan an aggregate of US$24.993 billion in economic assistance and US$6.646 billion in military aid. During the democratic regimes, aid under these categories amounted to US$8.612 billion and US$2.286 billion respectively (Ali, 2009). Similarly, on the basis of per capita, the US has provided Pakistan US$15.71 per capita per year during military rule compared with US$6.83 during civilian rule. In terms of annual averages, during military regimes, the US has provided Pakistan US$781.02 million per year in economic aid and US$207.69 million per year in military aid. In comparison, democratic regimes have been provided US$296.98 million per year in economic aid and US$78.83 million per year in military aid. Coming back to the central argument, because of its foreign policy compulsions, the US has mostly embraced dictatorial regimes in Pakistan at the cost of long-term weakening of democracy in the country.

From this analysis of US economic and military aid to Pakistan under different regimes, it can be concluded that the US has hardly shown any concern for democracy in Pakistan when its security and geo-strategic goals have been at stake. US economic and military aid was high in the mid-1950s and 1960s when Pakistan

was under military rule. The main purpose of most US aid during these years was to contain communism and keep Pakistan from joining the communist bloc. The same trend can be observed during the military regime of General Zia ul Haq, when Pakistan was a close US collaborator in the first Afghan War against the USSR. The post-9/11 era of the "war on terror" seems to be identical to the Cold War period: despite military rule and serious human rights abuses, the US allocated ample aid to Pakistan because of its alliance with the military-led regime of General Musharraf. This analysis underlines the widely held perception that, on every occasion the US required Pakistan's support to achieve its own geo-political goals in the region, it showed no hesitation in embracing military dictators in Pakistan.

Are Democrats better friends of Pakistan or Republicans? An assessment of US aid to Pakistan during their respective tenures

There is another interesting and relevant dimension of the US–Pakistan aid relationship that warrants some attention. It relates to whether historically Democrats have remained better friends of Pakistan or Republicans. This aspect acquires considerable attention in Pakistan during every US presidential election, which catches the attention of both the Pakistani government as well as the general public. Similarly, when a particular US administration adopts a different approach or policy towards Pakistan than its predecessor, and if the previous administration was from a different political party, it generally leads to heated policy discussions in Pakistan regarding whether one political party is more pro-Pakistan than the other. In view of this, this section briefly analyses US annual as well as aggregate economic and military aid to Pakistan during the respective regimes of various Democrat and Republican presidents since 1948. The overall assessment of aggregate and annual US bilateral aid to Pakistan shows that the country has received a total of US$18,787 million economic and US$4,874 million military aid in the tenures of different Democrats. Similarly, Republican administrations have provided a total of US$22,353 million and US$8,975 million security assistance to Pakistan in their respective administrations. Further analysis of US aid illustrates that Pakistan has received US$587 million annually in economic and US$152 million per year in military aid during the tenures of Democrats. Similarly, during various Republican administrations, Pakistan was allocated US$638 million per year in economic and US$256 million per year in military aid.

The overall analysis of US economic and military aid to Pakistan illustrates that there are many fluctuations and several ups and downs during the administrations of both political parties. There is not a huge difference in the aid figures of both political parties, although Democrats have proven to be more stringent based on these figures. Based on their foreign aid policies, it becomes obvious that both Democrats and Republicans have neither remained entirely pro-Pakistani nor anti-Pakistani. Rather, both Democrats and Republicans have tended to formulate their foreign aid policies vis-à-vis Pakistan keeping in view their own political, security and geo-strategic objectives. The overall analysis

illustrates that there are several fluctuations during the administrations of both Democrats and Republicans. While Pakistan may complain of disloyalty or infidelity, the reality is that in international relations, friendship between countries changes with varying interests and circumstances. As long as countries have converging interests, the alliance will remain intact and will likely continue to flourish. Once there are divergent interests and significant frictions develop between old allies on certain policy matters, friendship between countries is unlikely to continue for long under such circumstances. Hence, one conclusion is that there could be rarely a permanent friendship between countries. Although considerable research has been done on the US–Pakistan bilateral relationship, mostly this aspect has not been appropriately highlighted. Thus, this book is the first study that empirically shows the disbursement of US foreign aid to Pakistan during the administrations of both Democrats and Republicans and clearly illustrates varying volume of aid during their respective administrations.

The allocation of US aid: what does this book contribute?

This book has made two major contributions concerning the allocation of US aid to Pakistan. First, it has clearly delineated the hitherto empirically obscure and untested role of geo-strategic factors in the provision of US aid to Pakistan. Previous studies focusing on the US–Pakistan relationship have not exclusively focused on "aid", that is, the "aid" aspect of the relationship has not been thoroughly and analytically examined. Previous scholarship on the subject also lacked robust empirical backing and analysis in relation to the major determinants of the US aid distribution to Pakistan. The distinctive contribution of this study is that it has examined the US aid allocation to Pakistan through a holistic empirical analysis covering three distinct periods: the Cold War, the post-Cold War and the "war on terror" since 2001. Analysing the US aid regime in three distinct periods over a span of 70 years, the study informs readers that the US foreign assistance architecture, both historical as well as contemporary, has been standing on and sustained by vital US foreign policy goals: political, security and geo-strategic orientations. Though it has always remained a dominant and common perception that US foreign assistance to Pakistan is politically motivated, this is the first study that has empirically demonstrated this argument.

The second distinguishing characteristic and contribution of this book is that along with empirical investigation of historical and contemporary US aid policies, it has attempted to bridge the gap between the quantitatively oriented scholarship and qualitative literature on aid allocation. The former generates cross-national trends and observations and often does not endeavour to explore country-specific contexts and complexities in detail. Similarly, qualitative studies often rely solely on specific country situations at the expense of robust empirical investigation and analysis that have their unique qualities of generalization to other countries, cases and regions. The distinctive contribution of this book is that it has drawn upon both of these: quantitative data and material and qualitative analysis. Thus, to have a comprehensive analysis and understanding of

the ebb and flow of US aid to Pakistan, this study has combined the universally applicable and comparable empirical observations with more nuanced, detailed and specific country-focused scholarship. To this end, this research also contradicts widely held notions in Pakistan that because of the political nature of US aid and on account of somewhat divergent foreign policy goals of the two countries, the developmental role of US aid is minimal in the country. Exploring numerous US-funded initiatives in various sectors, this book challenges that dominant Pakistani assumption that US aid has done no good in Pakistan. Rather, it has explained that the developmental significance of US aid has been mostly overshadowed by thorny bilateral issues related to the "war on terror", such as unabated drone attacks inside Pakistani territory, the Raymond Davis incident, the hunt for Osama bin Laden, and repeated tirades of US officials against Pakistan, such as the latest spat on Twitter (in November 2018) between US President Donald Trump and Pakistan's Prime Minister Imran Khan regarding the role and services of Pakistan in the "war on terror" and peace process in Afghanistan. Consequently, because of bilateral differences and somewhat divergent strategic objectives, a huge majority of Pakistanis believe that US aid has been very ineffective and has done nothing of value in the country. This research posits that although the US may not be a popular donor in Pakistan on account of its hegemonic policies, to assume that US-funded projects have not benefited Pakistanis is belittling US generosity, as the US was the largest aid-provider to the country during three shocking natural and man-made disasters. In sum, the book provides a comprehensive and objective analysis of why and how the US has provided aid to Pakistan and how this development cooperation has been utilized in the country.

The aid-effectiveness discourse, GoP and USAID: has the paradigm shift occurred?

In relation to the delivery and utilization of US assistance, a key theme of the book was to examine USAID practices in Pakistan in the framework of aid-effectiveness discourse. Specifically, it has investigated the role of GoP institutions and USAID in US-funded development interventions within the 2005 PD framework, which is considered the essence of the new aid paradigm. The new aid regime advocates "a more equal partnership between developing countries and aid donors" (Gore, 2000, p. 795), and the PD states that effective and inclusive partnership "will increase the impact aid has in reducing poverty and inequality, increasing growth, building capacity and accelerating achievement of the MDGs" (2005, p. 1). At the same time, the Paris agenda has clearly stipulated that for the implementation of the PD commitments, recipients need to improve and enhance the quality and capacity of state institutions (Fritz & Menocal, 2007; Manning, 2006). As signatories to the Paris agenda, aid donors and recipients have committed to focus on issues such as recipient-country ownership of the development interventions; donor alignment with the goals and priorities identified by recipient governments; and increased reliance on national

institutions and more coordinated and harmonized procedures among numerous donors. Within this conceptual framework and the corresponding parameters, the book has investigated the relationship between the GoP institutions and USAID and their respective roles in the identification, selection and implementation of development projects. It has uncovered how these institutions are supposed to work in collaboration and partnership after signing the PD, and how they have been performing their respective roles in reality. The research has demonstrated that there is a considerable gap between what both aid recipients and donors have committed to in Paris in 2005 and what they have actually been practising.

The GoP as an aid recipient

From the recipient end, the government's long-term development strategies as well as aid-effectiveness initiatives were examined in some detail in Chapter 3. The analysis has shown that the government has taken some steps aimed at achieving aid effectiveness in the post-PD setting by formulating comprehensive development plans and establishing new institutional arrangements, including the Aid Effectiveness Unit, Development Assistance Database and Working Groups on Aid Effectiveness. Despite these efforts, the overall approach of the government was still half-hearted and lacked consistent leadership and commitment. The GoP neither had a comprehensive aid policy nor did it have an efficient, fully staffed and more effective aid coordination agency functioning as a single source of complete information concerning sector-level aid requirements and priorities. Instead, the government aid-effectiveness architecture was found to comprise a loose and uncoordinated set of institutional structures which had yet to be transformed into a meaningful aid-effectiveness forum having the requisite skills and information related to sectoral aid requirements and priorities of the government. For example, while the GoP-Partner Aid Effectiveness Steering Committee existed, meetings were often held on an ad hoc basis and there was a clear lack of continuous and systematic preparation as well as little follow-up. The actual role of the Aid Effectiveness Unit within the EAD was also not very effective, as it was neither fully resourced nor staffed with individuals armed with knowledge and skills to perform the assigned tasks. Consequently, neither of these had the capacity or mandate to negotiate with donors and enforce a common standard of engagement in line with the PD commitments to be followed by donors and their implementing partners.

Another significant issue constraining progress towards the attainment of the PD commitments from the GoP side was that of the prevalence of corruption. The Paris accord has clearly stated that "corruption and lack of transparency … erode public support, impede effective resource mobilization … it inhibits donors from relying on partner country systems" (2005, p. 2). As explained in this book, rather than taking concrete steps for curbing corruption and improving and enhancing the capacity of state institutions, Transparency International annual reports are a clear testimony that the overall situation has not improved much in the country. In circumstances where institutions lack capacity and there

is a visible dearth of development-oriented political leadership and where public sector organizations are plagued by bureaucratic inefficiencies and corruption, it is naive to expect donors to use country systems per se. In this context, Booth (2012, p. 540) has aptly remarked: "that development does not occur without country-owned efforts remains one of the most solidly established propositions in the aid business, as well as an obvious lesson from the comparative history of the world". Hence, without strong country ownership, it is highly unlikely to utilize development resources more effectively for the greater welfare and benefit of the masses. That is why, in the case of Pakistan, a majority of donors, including USAID, avoided disbursing development funds through government ministries and departments and implemented projects through their own agencies and partners. Therefore, keeping in view one of the basic tenets of the PD, also espoused in the subsequent Busan declaration to improve institutional capacity and take measures to eliminate corruption, the GoP has largely failed to fulfil its commitments.

The US/USAID as a donor

Along with the GoP, USAID's approaches and performance were equally disappointing when viewed from the perspective of the PD commitments. As this book has illustrated, although there was more coordination between some GoP institutions and USAID in certain cases, the overall modus operandi of USAID remained more or less the same as in the past. Contrary to what the Paris accord has stipulated, the USAID protocol concerning the identification and execution of development programmes was the opposite of what was expected. This is because USAID projects were primarily carried out by USAID's international partners and contractors, with a minimal active role on the part of GoP institutions. It was USAID rather than the GoP which came up with the plans to establish school libraries and to send school-going students to the US for short trips (Chapter 4). While the new aid regime advocates a more central and active role for aid recipients regarding how aid is to be managed, in the context of Pakistan, government institutions had little say in the formulation and execution of US-funded projects. Hence, in relation to the selection and implementation of development interventions, the procedures of USAID have not changed significantly under the new aid paradigm and after signing the PD.

Where to from here? Policy recommendations for enhancing aid effectiveness

In the context of the PD, it has been argued that "aid will be more effective if the actions and behavioural changes listed as commitments under the five headings are undertaken, and less if they are not" (Booth & Evans, 2006, p. 4). At the global level, the 2008 OECD survey cautioned that "meeting the targets will require not only an acceleration in the pace of progress but also a significant change in how we do business" (2008, p. 12). This can precisely be said about

the GoP as well as USAID in the context of Pakistan. To make aid more effective and to integrate what both Islamabad and Washington have committed to in Paris in 2005, there is a greater need for behavioural changes from both sides in relation to the way aid is currently delivered and managed. The PD states in very plain words that making progress towards achieving the targets "will involve action by both donors and partner countries" (2005, p. 2). Thus, responsibility lies with both the GoP as well as USAID to take serious and consistent steps towards the attainment of the PD principles. Based on the lessons learned in light of the research findings, I will offer some recommendations both for the GoP and USAID. I am self-consciously normative and aspirational here, as given the realities on the ground, it is highly unlikely that the situation can dramatically change for the better in a short time.

These recommendations are equally applicable across a broad range of donors and recipients engaged in the business of aid delivery who are faced with a similar situation. Specifically, following the universal recognition of the UN 2030 Agenda and the 17 SDGs by all UN member states in 2015, it is critical for both aid providers and countries receiving development cooperation from many DAC and non-DAC donors to come up with concrete, measurable and monitorable targets to work for the qualitative improvement of aid. As explained in Chapter 3, development aid has been identified to be a key financing tool for implementing the 2030 Agenda, particularly in countries lacking capacity to generate sufficient domestic resources. In view of its significance for the SDG era, the UN has also underscored that "further improving ODA quality must be seen as part and parcel of a renewed global partnership's effort to maximize the development impact of aid" (United Nations, 2014). Therefore, whether it is in the case of the US–Pakistan development partnership or any other aid provider and receiver, it is critical to take tangible steps to provide development cooperation in line with aid-effectiveness principles so that it could catalyse the development process and help in achieving the SDGs. Some of the key recommendation are outlined and explained below.

To the GoP/aid recipients

- a comprehensive aid and development policy
- a more capable and resourceful institution working as aid coordination agency or organization
- elimination of widespread corruption

For enhancing the effectiveness of aid, one of the central arguments is to actively engage a wide range of relevant stakeholders in the formulation of development plans and policies (Allen & Leipziger, 2005; Booth, 2012; Cox & Healey, 2000; Fritz & Menocal, 2007). It is because "participating actively in poverty reduction strategies and reflecting on their own problems and needs, poor communities can release considerable energies and create local ownership, leading to more appropriate, sustainable solutions" (Halvorson-Quevedo, 2000,

p. 15). Within the new aid paradigm, the government PSDP and long-term plans such as the PRSPs and MTDF need to prioritize issues faced by poor communities and need to have an accurate assessment of their urgent, short-term and long-term needs. This research has found that the PRSPs and other long-term development plans of the GoP were not as participatory as is required from truly effective participatory strategies. There is, therefore, a need for a comprehensive long-term aid plan or policy, incorporating the inputs of a diverse range of stakeholders, particularly poor communities and other vulnerable groups. Such policy documents need to have clear sector-level priorities and requirements of the GoP and need to articulate the level, nature, extent and timing of donors' support required in particular areas for particular interventions. Such an exercise could play an important facilitating role to convince donors to align and harmonize their aid efforts with the GoP needs and systems.

Second, in addition to the need for a comprehensive aid and development policy to work as a single source of reliable and up-to-date information, there is also a need for a more effective single-country aid agency or aid coordination agency. While the GoP has one in the form of DAD, it only contains data and information about foreign-funded projects. The capacity of DAD needs to be enhanced and it needs to perform three basic functions. First, it needs to be a source of complete and up-to-date information regarding ongoing and planned projects and programmes in the country, not only those funded by donors but also those initiated by the GoP itself in various sectors. This will lead to proper division of labour between the GoP and its various bilateral and multilateral development partners and will minimize duplications. Second, the DAD needs to compile data from all other government departments and ministries. This will result in two key advantages: first, more coordination among numerous GoP institutions; and second, the creation of a single list of projects and programmes to inform numerous DAC and non-DAC donors what they can do in particular sectors and geographical areas, keeping in view their comparative advantage. Third, this agency needs to have appropriate decision-making authority and mandate to discuss, adopt and put into effect a basic standard for all donors and their implementing partners. Thus, rather than several structures, there is a need for one institutional set-up in the EAD which is properly committed, legally mandated and fully staffed with well-informed and qualified individuals to drive the aid-effectiveness paradigm ahead. This could also play a key role in ensuring transparency and prevention of corruption, misuse of resources and discouragement of waste as well as a common platform for all aid providers to approach for any complaints and issues. Similarly, it will result in increased coordination and effective delivery and utilization of aid in sectors and areas where it is needed most.

Last, the issue of corruption needs to be tackled earnestly, as the Paris agenda has unequivocally stated that "corruption and lack of transparency … erode public support … it inhibits donors from relying on partner country systems" (2005, p. 2). Therefore, to encourage aid donors to use country systems, the declaration has emphasized that recipients need to improve their institutional

capacity and take measures to eliminate corruption. This research has shown that public accountability and anti-corruption bodies do exist in Pakistan, such as the Federal Investigation Agency (FIA), National Accountability Bureau (NAB), Anti-Corruption Establishments (ACE) as well as the Auditor General of Pakistan (AGP), Wafaqi Mohtasib (Ombudsman) and Public Accounts Committees. In view of this, it is argued that Pakistan has one of the largest anti-corruption establishments in the form of these bodies (Ali, 2017). Hence, one of the lessons learned from the Pakistani case is that although public accountability and anti-corruption laws and bodies do exist, their efficacy and efficiency is highly questionable. A Transparency International report concurs that in Pakistan, "laws against corruption are comprehensive and strict, [but] implementation is very weak" (Transparency International Pakistan, 2014, p. 8). Thus, there is a need to make these institutions stronger, autonomous and free from political interference so that they can take measures to carry out across-the-board accountability for the eradication of fraud and corruption. There is a need for political willpower to allow these institutions to play an effective role in creating an environment characterized by greater transparency and accountability regarding how, where and by whom the government spends and manages public funds. The recent trend of judicial activism against corruption, well supported by an open media playing a key role in unmasking financial scams and embezzlement, is also a positive step to curb corruption. The roles of these two important institutions, free media and transparent judiciary, also need to be encouraged in raising awareness about corruption and increased transparency. Other civil society groups need to play their role in creating awareness about corruption and how it undermines the domestic economy and hampers the process of development. Without improving its image in relation to corruption, it is hard to convince donors to disburse aid through government systems and implement projects through government institutions.

To USAID/aid agencies

In order for US aid to be more effective in assisting the GoP to address the development challenges of Pakistan and showing real progress towards accomplishing the PD targets, USAID and any other aid agencies working anywhere in the world need to address the following three issues:

- funding development plans already identified by the GoP
- active and effective involvement of GoP institutions in development interventions
- increased transparency.

In relation to country ownership, the PD states that to "exercise effective leadership over their development policies and strategies" (2005, p. 3), aid recipients need to be at the forefront in the formulation of development strategies based on their own needs and requirements. Viewed within the PD framework and in light

of this recommendation, this study has illustrated that the current modus operandi of USAID is flawed, as it comes up with its own plans in different sectors. Such approaches have resulted in the mismatch of what the actual needs of the primary beneficiaries are and what they receive. To minimize this mismatch and align its aid efforts with those of the GoP, USAID needs to revisit its current procedures. Instead of coming up with preconceived projects, USAID needs to assist in the execution of development strategies already envisioned by the government in the PSDP or other long-term development plans. Thus, US aid will be spent precisely on activities that the GoP prioritizes but is unable to execute because of insufficient resources.

Another key issue is that USAID needs to work in close collaboration and partnership with GoP institutions. For implementing the PD principles, the 2010 OECD report reiterated that donors need to entrust more responsibility to partner-country institutions in all stages of the project – identification, design, implementation and evaluation (OECD, 2010). Hence, USAID needs to carry out activities in collaboration with government institutions rather than INGOs or other external partners. This research has found that one of the primary reasons for not using the GoP systems was corruption. However, the 2010 OECD report asserts that even donors' "stand-alone projects are not immune to corruption" (OECD, 2010, p. 49). This can specifically be said of certain US-funded projects discussed in the previous chapter, where some USAID implementing partners were involved in financial mismanagement. Therefore, as the above-mentioned OECD report has stated in general, bypassing GoP institutions is not the appropriate solution for USAID. Rather, USAID needs to use existing institutions in ways to strengthen these by means of demand-driven capacity-building measures and appropriate reforms. This is critical for long-term socio-economic development, as eventually it is these GoP institutions that are responsible for carrying out development activities and providing public services. Therefore, instead of bypassing and ignoring them, it is imperative that USAID works towards making GoP departments more capable, efficient and accountable by means of greater engagement and collaboration.

Last, this study has shown that there is also a considerable lack of transparency concerning how much aid the US provides in particular areas and what its tangible impacts are. While USAID officials were sceptical about GoP officials, the latter had equally cynical perceptions about the former for want of transparency in the delivery and utilization of aid funds. The lack of transparency also generates public distrust in both countries, as the one thinks it has been giving too much and the other thinks it has been receiving too little. That is why the PD requires donors to "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" (OECD, 2005, p. 8). Therefore, the US ought to show greater commitment towards increased transparency. As discussed in Chapter 4, this can be realized by means of greater access to information concerning the funds that are coming to different sectors for particular activities and who is contributing and spending most aid: GoP institutions, USAID contractors

or INGOs. In both the US and Pakistan, all relevant stakeholders, such as media, civil society, and researchers and academics, need to have access to a wide range of data and information concerning how much USAID has been spending in Pakistan and what its developmental impacts are.

Limitations of this research

One of the factors which may limit the overall scope and generalization of this study is related to methodology concerning USAID aid delivery modalities and mechanisms in Pakistan. During the course of data collection in Pakistan, I interacted with senior government and USAID officials in Islamabad, Peshawar and at different sites where USAID projects were under implementation. My first fieldwork in 2009 coincided with the military operation against Taliban militants in the Malakand region in KP province. Because of severe security issues and a worsening law and order situation, visiting government officials and obtaining policy documents was a daunting challenge. In an environment in which I was collecting data on potentially controversial USAID projects, there was an additional layer of suspicion and confidentiality. This was because information related to USAID-funded projects in different regions/areas was considered a matter too sensitive to be disclosed, mainly for security reasons. Therefore, initially it was very difficult for me to interview government officials. However, thanks to my consistent and best possible efforts, I was able to interview a broad range of government officials in various departments. In this way, though not complete, however, a representative sample of various GoP institutions and their roles in the identification, selection and execution in USAID-funded interventions was compiled. Also, a research grant in 2014 provided me an excellent opportunity to further explore the role of USAID in Pakistan in post-conflict post-disaster situations. Thus, data from a wide range of stakeholders and the subsequent findings and analysis provided an additional insight into how USAID disbursed humanitarian aid and implemented development interventions in post-crises circumstances.

Future research

This research has examined two aspects of US aid to Pakistan: allocation and delivery. It has not specifically focused on the developmental impacts of US aid in different sectors and areas. The impact or developmental role of US aid has been discussed in general in light of the informed opinions of researchers and academics based at different think tanks, and also in relation to the accomplishment of the MDGs. While analysing USAID procedures concerning the selection and implementation of projects within the PD framework, references are made to the education and health sectors; however, it was beyond the scope of this research to thoroughly examine the role of US aid and its utilization in different sectors. Hence, future research could focus on the role of USAID specifically in sectors such as education, health, energy, irrigation, infrastructure and economic growth.

Future research can also explore the relationship between the developmental role of US foreign aid during different military and civilian regimes in Pakistan. Although this study has found that the US has allocated more development assistance to the country when military dictators were in office, the developmental impact of US aid could be different under different regimes. Kosack (2003) has found that aid is effective when combined with democracy and ineffective in the alleviation of poverty in autocracies. His analysis suggests that aid would be more effective if it was coupled with efforts to encourage the promotion of democratization in developing countries. Hence, in the context of Pakistan, it could also generate interesting analysis and results regarding the effectiveness of US aid to the country under military and democratic tenures.

Future research can also look at the way corruption in Pakistan has undermined the effectiveness of foreign aid. Based on the Transparency International annual reports, the book has noted that Pakistan, along with many other states in the Asia Pacific region, has been ranked among countries where there is a high incidence of corruption. Regarding the issue of corruption in the Asian economies, Wei (1998) has pointed out that Pakistan's GDP per capita would be substantially higher if corruption were to be reduced in the country. In the same context, the TI chief in Pakistan once stated that if the Public Procurement Authority Rules are applied across the board and all procurements are done on merit by the government, it could result in saving up to US$5.5 billion, which constitutes about 30 per cent of the country's development budget (Transparency International Pakistan, 2009). In view of this, it is not surprising that respondents from Pakistan prioritized these issues in the UN-led global consultation process for the formulation of the 2030 Agenda. In a comprehensive report titled *A Million Voices: The World We Want*, the UN Development Group (UNDG) selected 11 principal areas for global consultations for the formulation of the 2030 Agenda (United Nations Development Group, 2013). Pakistani participants at the national level stressed that "good governance underpinned by the principles of transparency, accountability and the rule of law is the second most pressing priority for the people of Pakistan", after peace and security (United Nations Development Group, 2013). Thus, it is beyond any doubt that the prevalence of corruption and the lack of an enabling environment characterized by strong and capable institutions are considered principal hurdles in the path of economic development and prosperity. In view of this, future research could well investigate the effects of widespread corruption on aid ineffectiveness and overall development process at the country level.

Along the same lines, future research can also explore how much foreign aid Pakistan actually needs and over what period of time. Research into the gap between domestic resources and expenditures can reveal whether the country is actually in need of aid. Even if Pakistan needs aid, as it has been facing several challenges for quite some time, is there any timeframe in which the country could become self-sufficient so as to meet its own requirements? The answer to this question is important, as it was nearly three decades ago when Hancock (1989, p. 74) argued in relation to the aid industry in general: "over almost fifty

years they should have dealt systematically with the problems they were established to solve, closed up shop and stopped spending tax-payers' money." Hence, in the context of Pakistan, future research needs to focus on areas where the country actually needs foreign assistance, how best it can be used, and when ultimately the country could graduate from the status of an aid recipient.

Conclusions

This study has addressed two important dimensions of US foreign aid to Pakistan: first, the primary motivations behind its allocation; second, its delivery and utilization within the 2005 Paris Declaration framework. Regarding key factors in the policy and practice of aid-giving, this book has shown that the US foreign assistance regime has continued to be swayed by security and geo-strategic factors. There is a continuum in US aid policies, as in the past key determinants were political and security intentions, and today the US aid programme is also guided largely by US foreign policy goals, particularly towards its close strategic partners such as Pakistan. Hence, the dominant hypothesis that aid is more an instrument and tool for bilateral donors to further their interests holds true today as much as it did during the Cold War period.

What does this foretell about the future of development aid? If the past is any guide to the future, the nature of the donor–recipient relationship and the way aid has been allocated over the past 70 years does not augur well for the future aid regime. As this study has argued, in the past as well as at present, the policy and practice of aid allocation has continued to be driven largely by donors' self-interest, sometimes for developmental objectives, but mostly for advancing donors' own set of objectives. That said, and in view of the past seven decades of the aid and development industry, it is naive to expect extraordinary improvements and transformations resulting in an aid regime where donors truly give aid for the alleviation of poverty rather than the promotion of their own political, security and trade interests. Hence, as it was in the past and as it is today, the distribution of aid is likely to be influenced and determined by donors' foreign policy endeavours unless there is a clear compartmentalization between aid for development and aid for diplomacy.

In relation to the delivery and utilization of aid in recipient countries, given the current disconnect between policy statements and actual practices of governments giving and receiving aid, the question arises whether the PD is merely empty rhetoric and will ever be fully implemented. In view of the prevailing practices, whether in the context of USAID and the GoP or donors and aid recipients elsewhere, it appears that the PD is largely an aspirational narrative and is far removed from on-the-ground realities. Contrary to expectations, there have been fewer on-the-ground radical changes and reforms in donor–recipient aid dealings in the post-PD period. The existing gap between what donors and recipients have stated, pledged and agreed upon and what they have actually been practising puts a big question mark on the real nature of the PD commitments. Starting from the 2000 UN Summit and the Millennium Declaration emphasizing the attainment of the MDGs, the 2002 Monterrey consensus urging for donor–recipient partnership and

enhancement of recipient-country ownership, the 2003 Rome Declaration on Harmonisation, the 2004 Marrakech roundtable on aid harmonization and managing for results, the 2005 Paris Declaration, the 2008 Accra High Level Forum, and the 2011 Busan HLF on Aid Effectiveness, too much has been promised but too little achieved. Keeping in view the current state of affairs in the context of USAID in Pakistan as well as other examples referred to in this book, it appears that in these international fora, notions such as ownership, alignment, harmonization, achieving results and mutual accountability are used and reused, more solemn pledges are made, targets are set and new dates and venues for future forums are agreed upon, and the business carries on. If judged from on-the-ground impacts of these declarations, the reality is that too little has changed for the poorest communities – those in whose name all the aid and development industry thrives. To sum it up, an aid regime characterized by greater donor–recipient equality based on partnership instead of patronage, where aid is more responsive to the needs and priorities of poor populations, has so far remained an elusive and unrealizable dream, particularly in the case of the US–Pakistan bilateral aid relationship.

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Appendix I

Chronology of key developments in the history of aid

June 1947, the announcement of the Marshall Plan for the reconstruction of Europe. Under this initiative, the US provided about US$13 billion to Europe during 1948–1953.

1949, US President Truman's Point Four Program, calling for a bold new programme like the Marshall Plan. It led to the start of aid from developed to low-income states.

1949, establishment of the Expanded Programme of Technical Assistance (EPTA) by the UN General Assembly, laying the foundation of technical assistance programmes to enhance institutional capacity in developing countries.

1950, the US Congress passed the Act for International Development, and established the International Co-operation Administration (ICA) for coordinating aid efforts and development works in developing countries.

1960, establishment of the International Development Association (IDA) of the World Bank. It provides soft loans, credits and grants for development programmes to poor countries to boost their economic growth, reduce inequalities and improve living standards.

1961, establishment of the OECD, taking over from the Organisation for European Economic Co-operation (OEEC), which was responsible for administering US aid to Europe under the Marshall Plan. Since then, the OECD has been engaged in the field of aid and development.

1961, Foreign Assistance Act (FAA) of the US Congress. The Act reorganized US aid programmes, separated military and civilian assistance, authorized the creation of an agency for the administration and overseeing of ODA. Subsequently, USAID was established the same year for this purpose.

1969, the Pearson Report. The first major report under the auspices of the World Bank to scrutinize and assess aid and its role in the past two decades, and to give future recommendations. As well as other things, the Commission called for a quantitative and qualitative increase in aid. In terms of quantity, the report urged the international community to raise the amount of aid to reach 0.7 per cent of GNP by 1975. For enhancing aid efficiency, it asked donors to let the recipients lead the process of development by having a maximum role in the formation and execution of development policies based on their own needs.

1970, the famous UN General Assembly resolution, asking all developed countries to increase ODA to 0.7 per cent of their GNP by the middle of the decade.

1980, the Brandt Report. The second major report on foreign aid, prepared by the Independent Commission on International Development Issues, under the former German Chancellor Willy Brandt. It was followed by the second Brandt Report in 1983. The principal concept of both the Brandt reports was that both the developed and underdeveloped worlds were interdependent, and hence the wealthier nations had to help the poor ones for their own good. The Brandt Reports, echoing the Pearson Report, called for doubling of ODA to reach the target of 0.7 per cent by 1985.

1990/1991, the World Bank report on attacking poverty, giving a new multi-dimensional approach to poverty. From here onward, poverty alleviation became the central aim of aid and development organizations/agencies.

1995, World Summit for Social Development in Copenhagen, under the UN auspices. The international community pledged to recognize social development and human well-being, and commit to global poverty eradication.

1996, the OECD report *Shaping the 21st Century: The Contribution of Development Co-operation*. It introduced various themes and concepts such as recipient-owned and -led development process, effective partnership between donors and recipients, coordination and harmonization of aid by donors.

1997, the World Bank report titled *The State in a Changing World.* A more visible shift from the minimal role of recipient states to an active role was pronounced in the report, which pointed out that the state has an important role to play in economic and social development as a partner, catalyst, and facilitator, and an effective, not a minimalist, state is needed to provide goods and services to its people.

1998, the World Bank report on the assessment of aid. The study pointed out that aid can be more effective if coupled with stable macro-economic environments, open trade regimes, efficient public bureaucracies and sound institutions.

2000, the UN Summit and the Millennium Declaration, emphasizing achieving the International Development Targets (IDTs) and the Millennium Development Goals (MDGs) by 2015. These targets and goals include halving extreme poverty, achieving universal primary education, both for girls and boys, reducing infant and maternal mortality, and gender equality and empowerment of women.

2002, the Monterrey consensus. In Monterrey, Mexico, heads of the UN member states agreed on the Monterrey consensus on aid. At Monterrey, rich industrialized countries once again pledged to achieve the 0.7 per cent target of ODA. It also emphasized the role of donor–recipient partnerships and urged for aid harmonization, untying of aid, and enhancement of recipient-country ownership.

2003, the Rome Declaration on aid Harmonisation. In 2003, the heads of the major multilateral development banks and bilateral organizations, and representatives of donor and recipient countries gathered in Rome for the High Level Forum (HLF) on Harmonisation. They pledged to take practical measures to improve the management and effectiveness of aid. The Rome Declaration on

Harmonisation states to make sure that harmonization efforts are adapted to the country context, and that donors' assistance is aligned with the development priorities of the recipients, to review and identify means to adapt institutions' and countries' policies, procedures, practices to facilitate harmonization.

2004, Marrakech, the Roundtable in Morocco brought together representatives from developing countries and aid agencies and discussed issues related to aid harmonization and managing for results. Participants evaluated the past efforts and progress and discussed ways to strengthen country and agency commitments to harmonize monitoring and evaluation around national strategies and systems.

2005, the Paris Declaration on Aid Effectiveness. Following the 2003 Rome Declaration and 2004 Marrakech, the Paris Declaration is recognized to be distinctive because of the unprecedented number of countries and international organizations putting their signatures to the joint commitments contained in the accord. It was signed by 61 bilateral and multilateral donors, and 56 recipient countries.

2008, Third High Level Forum on Aid Effectiveness at Accra, Ghana. Donors committed to accelerate efforts to implement Paris Declaration commitments. At Accra, donors agreed to the Accra Agenda for Action. The agenda consists of increased predictability of aid flows, governments in developing countries to take a leading role in development polices, more inclusive and effective partnership between all stakeholders, and greater steps for untying of aid and relaxation of conditionality.

2011, Fourth High Level Forum on Aid Effectiveness, Busan, South Korea. All stakeholders committed to take urgent steps for achieving the MDGs. The Declaration reiterated that the promotion of good governance, human rights and democracy as well as gender equality and the empowerment of women are vital for sustainable development. Also, at Busan, the existing aid architecture became more complex with the establishment of the Global Partnership for Effective Development Cooperation (GPEDC), where governments of emerging economies also became signatories to the document as donors on a voluntary basis.

2015, the UN 2030 Agenda, where all UN member states agreed upon the 17 Sustainable Development Goals (SDGs) to be achieved by 2030.

Appendix II

US economic and military aid and arms' sales to Pakistan

Year	*Economic aid (US$ millions)*	*Military aid (US$ millions)*	*Arms' sales (US$ millions)*
1948	0.76	0.00	0
1949	0.00	0.00	0
1950	0.00	0.00	36
1951	2.85	0.00	0
1952	73.18	0.00	0
1953	737.37	0.00	0
1954	154.69	0.00	53
1955	722.06	261.98	135
1956	1,049.23	1,069.75	155
1957	1,062.43	430.62	242
1958	952.64	524.55	168
1959	1,344.91	360.64	323
1960	1,662.15	226.61	42
1961	973.00	256.12	69
1962	2,295.30	539.77	88
1963	2,031.99	287.39	198
1964	2,185.20	184.38	81
1965	1,897.63	76.12	16
1966	802.81	8.26	6
1967	1,192.98	25.89	0
1968	1,476.12	25.54	11
1969	532.70	0.49	0
1970	951.28	0.85	0
1971	465.97	0.72	0
1972	680.84	0.41	0
1973	702.66	1.22	31
1974	375.01	0.94	95
1975	603.63	0.90	51
1976	632.72	1.26	24
1976TQ	194.26	0.30	0
1977	313.48	0.90	24
1978	211.13	1.49	200
1979	126.53	1.17	46
1980	135.17	0.00	194
1981	161.44	0.00	36
1982	393.96	1.18	93

Year	*Economic aid (US$ millions)*	*Military aid (US$ millions)*	*Arms' sales (US$ millions)*
1983	525.24	491.41	254
1984	558.57	546.62	479
1985	597.10	573.76	549
1986	613.06	536.63	134
1987	589.26	525.79	97
1988	756.99	423.89	79
1989	550.88	361.26	608
1990	539.24	278.87	55
1991	147.23	0.00	28
1992	26.74	7.09	25
1993	73.05	0.00	26
1994	67.35	0.00	25
1995	22.76	0.00	25
1996	22.43	0.00	188
1997	56.33	0.00	135
1998	35.80	0.00	25
1999	100.71	0.22	8
2000	45.06	0.00	11
2001	224.74	0.00	15
2002	921.41	347.63	44
2003	371.75	304.18	24
2004	399.32	95.65	74
2005	482.47	341.41	171
2006	681.94	324.72	109
2007	678.80	319.37	395
2008	605.36	358.09	303
2009	930.70	505.22	146
2010	1,068.50	964.23	1027
2011	349.40	690.53	269
2012	919.70	849.23	276
2013	640.50	361.13	151
2014	608.40	353.27	198
2015	561.30	343.20	73
2016	246.20	322.10	39
2017	223.40	303.20	21
Total	**42,339.77**	**14,817.88**	**8,503**

Sources: USAID (2018) and SIPRI (2018).

Notes
TQ: In 1976, the US government changed the fiscal year from July–June to October–September. The Transition Quarter (TQ) reports the three-month adjustment period.

Appendix III

Chronology of major events affecting US–Pakistan bilateral aid relationship

1954, Mutual Defence Assistance Agreement between Pakistan and the US, commencement of US military aid the following year.

1954, establishment of the South East Asia Treaty Organization (SEATO) under the aegis of the US. Members included Pakistan, Thailand and the Philippines, with the military umbrella extended to Cambodia, Laos, South Vietnam, Australia and New Zealand. Significant US economic and military aid started to Pakistan.

1955, the US-sponsored Baghdad Pact (in 1958 its name changed to CENTO) was signed between Iran, Iraq, Turkey, Pakistan and Britain to contain Soviet influence.

1965, Pakistan–India war. The US cut off military aid to Pakistan and imposed an arms' embargo.

1971, another Pakistan–India war. The US cut off military aid to both countries, but being a SEATO/CENTO member, Pakistan felt betrayed. The war ended with the break-up of Pakistan and creation of Bangladesh. Pakistan left SEATO in 1973.

1977, General Zia's military coup in Pakistan. The US imposed sanctions.

April 1979, the imposition of the Symington Amendment on Pakistan because of the country's quest for a nuclear programme, asking for the curtailment of all economic and military aid to Pakistan.

December 1979, Soviet invasion of Afghanistan. Dramatic shifts in US aid policies, beginning of new era in the US–Pakistan aid relationship.

1989, withdrawal of the USSR from Afghanistan. After the US accomplished its objectives, Pakistan's assistance was no longer required.

1990, the US imposed the Pressler Amendment because of Pakistan's nuclear programme; aid was cut off and the USAID Mission shut down.

1998, Pakistan conducted nuclear tests to counterbalance India's threats. The US imposed sanctions.

1999, military coup by General Musharraf. The US imposed additional sanctions.

2001, terrorist attacks on the US and beginning of the "war on terror". Pakistan joins the US-led war as a frontline ally and the US restarts substantial aid.

2009, the Enhanced Partnership with Pakistan Act, known as the Kerry–Lugar Bill (KLB). While the US was already providing substantial aid to Pakistan, the bill tripled non-military aid and authorized the provision of US$1.5 billion to Pakistan annually for five years (2010–2014).

2011, the discovery and killing of Osama bin Laden in a compound in Abbottabad, Pakistan. The role of Pakistan as a US ally came under increasing scrutiny and the US administration questioned the provision of aid to Pakistan. The episode created a vast fissure and trust deficit between Washington and Islamabad and led to a series of reciprocal policy measures affecting bilateral ties.

2018, President Trump's decision to suspend military aid to Pakistan, alleging it has links with the Haqqani Network.

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