
PAKISTAN

INTRODUCTION

PAKISTAN graduated to lower-middle income status in 2010. It has a gross national income (GNI) of USD 1 050 per capita (2010) which has grown at an average rate of 3% per annum since 2005 (WDI, 2011). It has a population of approximately 173 million, 23% of whom (39 million people) currently live under the 1.25 dollar-a-day income poverty line (WDI, 2010).

Since the Paris Declaration in 2005, a number of major events have redefined the social, political, and economic landscape of Pakistan. The “security paradigm” has overshadowed the “development paradigm”. Consequently, efforts to implement aid effectiveness reforms have been overshadowed by competing priorities.

Net official development assistance (ODA) to Pakistan in 2009 totalled approximately USD 2 781 million (OECD, 2011a). Since 2005, net ODA has averaged 1% of GNI and 9% of central government expense (WDI, 2010). The top five donors provided 83% of Pakistan’s core ODA (OECD, forthcoming). ■

SUMMARY OF PROGRESS

PROGRESS ON THE PARIS DECLARATION INDICATORS depends on improvements by both donors and partner governments. In 2010, the aid effectiveness picture in Pakistan was mixed. Pakistan did not participate in the 2006 and 2008 surveys, and therefore the results from 2010 set a baseline; the resulting data can be used for future analyses. Targets have been met for 5 of the 10 indicators which had targets, while a further 5 remained unmet. Four indicators have been measured continuously since 2005; indicator 2a on Public Financial Management (PFM) systems has not changed since 2005 and the target of 4.0 has not been met; however progress on untying aid since 2005 means the target of more than 84% has been met in 2010. Similarly, there has been progress on operational development strategies and results-oriented frameworks, both of which met the target with a B rating in 2010, having improved from C in 2005 and 2007.

The target for the mutual accountability indicator has been met. The targets for harmonisation and some targets for alignment were not met in 2010, however, the Government of Pakistan and its development partners are currently formulating guiding principles and aid effectiveness joint priorities through its Pakistan Foreign Assistance Policy Framework. The focus of the framework is on making progression those Paris Declaration and Accra Agenda for Action (AAA) commitments which are lagging, notably in strengthening national ownership and alignment, reducing fragmentation and increasing harmonisation. ■

TABLE 1:
Baselines and targets
for 2010

INDICATORS		2005 REFERENCE	2007	2010 ACTUAL	2010 TARGET
1	Operational development strategies	C	C	B	B or A
2a	Reliable public financial management (PFM) systems	3.5	3.5	3.5	4.0
2b	Reliable procurement systems	Not available	Not available	Not available	No Target
3	Aid flows are aligned on national priorities	--	--	60%	85%
4	Strengthen capacity by co-ordinated support	--	--	80%	50%
5a	Use of country PFM systems	--	--	75%	No Target
5b	Use of country procurement systems	--	--	28%	No Target
6	Strengthen capacity by avoiding parallel PIUs	--	--	32	No Target
7	Aid is more predictable	--	--	86%	No Target
8	Aid is untied	84%	76%	88%	More than 84%
9	Use of common arrangements or procedures	--	--	31%	66%
10a	Joint missions	--	--	17%	40%
10b	Joint country analytic work	--	--	60%	66%
11	Results-oriented frameworks	C	C	B	B or A
12	Mutual accountability	Not available	Not available	Y	Y

TABLE 2:
Learning from success
and challenges

	ACHIEVEMENT OR CHALLENGE	LESSON OR PRIORITY ACTION
Ownership	Achievement: Broad public consultations on the Framework for Economic Growth and the 10th Five-Year Plan have been enhanced via an online service on Ministry of Planning and Development website	Lesson: The 2011 review of aid management policy through the Foreign Assistance Policy Framework might broaden participation at sector level.
Alignment	Achievement: The Pakistan Development Assistance Database (DAD) provided an alternative aid management system that captured all donor flows and can be used to support planning as well as to promote alignment and monitoring. Challenge: Internal auditing, legislative scrutiny and oversight on public expenditures remains relatively less well developed.	Priority action: The sector working group structure will be developed and put in place in 2011-12 to ensure a forum for active dialogue on sector alignment.
Harmonisation	Achievement: Programme-based approaches (PBAs) ensured a coherent sector strategy where donors can harmonise capacity assessments and align to government-led capacity development planning.	Lesson: Capacity development activities have often taken the form of piecemeal projects, which has led to duplication and fragmentation.
Managing for results	Achievement: The Common Results Framework should further strengthen the linkages between external and internal inputs to outputs and eventually to development outcomes.	Priority action: Ensure that data is reliable and collected from primary and secondary sources in a timely fashion.
Mutual accountability	Achievement: Consultation on the upcoming (10 th Five Year Plan) and the recently approved Framework for Economic Growth has been broadened by an online system whereby citizens can directly comment and voice an opinion on the strategy.	Priority action: Implement both the evaluation system developed in 2006 by the Planning Commission and also the Development Partner Scorecard to annually rank donors against a set of 15 indicators.

ABOUT THE SURVEY

This chapter assesses progress against the quantitative indicators provided by the Survey on Monitoring the Paris Declaration, drawing on data provided by the government and donors, the OECD and the World Bank. In addition to this, it draws on qualitative evidence submitted to the OECD by the national government which incorporates feedback from donors and other stakeholders. Stakeholders note that it is possible that in places definitions and concepts were interpreted differently by survey respondents in 2011 compared with previous years. A degree of caution should be taken when analysing the trends shown by some of the indicators.

The 2011 survey responses cover 21 donors and 91% of Pakistan's core ODA. Pakistan did not participate in the 2006 and 2008 surveys so no comparison can be drawn. The country report was developed by the Economic Affairs Division of Government of Pakistan with UNDP and OECD support. The 2011 Survey is considered to have been a useful exercise to gather evidence of progress and identify obstacles and opportunities for further progress on these targets. The findings will also inform Pakistan's Foreign Assistance Policy Framework, which is currently under development. ■

OWNERSHIP

AID IS MOST EFFECTIVE when it supports a country-owned approach to development. It is less effective when aid policies and approaches are driven by donors. In the context of the Paris Declaration, ownership concerns a country's ability to carry out two, inter-linked activities: exercise effective leadership over its development policies and strategies; and co-ordinate the efforts of various development actors working in the country.

Indicator 1 assesses the operational value of a country's development strategy. In particular, it looks at the existence of an authoritative country-wide development policy (*i.e.* a unified strategic framework), the extent to which priorities are established, and whether these policies are costed and linked with the budget. All of these features are important to harness domestic resources for development, and to provide a basis for the alignment of aid to development priorities. Each country has provided evidence against these criteria, and this has been translated into a score by the World Bank using the same methodology as in the 2006 and 2008 surveys. A five-point scale runs from A (highest score) to E (lowest score). The Paris Declaration targets 75% of partner countries achieving a score of A or B by 2010.

In 2005 and 2007 Pakistan received a rating of C for the extent to which it has an operational development strategy. This indicates that some progress was being made but that more was required. For the 2011 Survey Pakistan received a rating of B which indicates an improvement by the Government of Pakistan and donors in the operational value of a country's development strategy; therefore the target has been met.

The government expects to further improve its operational development strategies, deriving development objectives in Pakistan from the long-term development strategy – Vision 2030, whose preparation was carried out by six thematic groups, with broad-based citizen participation. Pakistan has also institutionalised a broad-based high-level national consultation mechanism on national development strategies with donors, which evaluates and monitors national budget with key stakeholders including line ministries, provincial governments, and administrations of special areas on a regular basis.

Pakistan's Framework for Economic Growth (FEG) has a monitoring and evaluation (M&E) framework. The M&E cells in all ministries are responsible for data collection, analysis and reporting on the development activities in their respective areas. The projects wing in the Planning Commission co-ordinates overall M&E activities amongst the development projects of all ministries. The data collected in support of this framework is of sufficient quality to track the target indicators identified in the FEG. Furthermore, stakeholder access to information is good and improving.

INDICATOR 1

Do countries have operational development strategies?

A few targeted donor initiatives are also focusing on gender parity and civil society involvement in the formulation and monitoring of the national development strategy. The current structures are considered to be effective at the national level. The 2011 review of aid management policy is expected to broaden participation at the sector level through the Foreign Assistance Policy Framework, which will establish sector working groups in 2011 that will ensure greater participation by Civil Society Organisations in results setting, monitoring and evaluation at the sector level. ■

ALIGNMENT

AID THAT IS DONOR DRIVEN AND FRAGMENTED IS LESS EFFECTIVE. For aid to be effective, it must make use of national development strategies, use and help strengthen capacity in national systems, such as those for procurement and public financial management. The Paris Declaration envisions donors basing their support fully on partner countries' aims and objectives. Indicators 2 through 8 of the Paris Declaration assess several different dimensions of alignment.

Pakistan has made progress in several of 2010 targets associated with alignment: two out of the eight indicators associated with alignment have met the target, five of them did not have a target for 2010 and one indicator has not changed since 2005. Indicator 4 (strengthening capacity through co-ordinated support) scored 81%, well above the 50% target. The past five years have seen an improvement in untied aid, increasing from 84% to 88%. Indicators on the use of countries' PFM systems, procurement systems, strengthening capacity by avoiding parallel PIUs and aid is more predictable did not have targets in 2010.

Indicator 2 covers two aspects of country systems: public financial management (PFM) and procurement. Do these systems either adhere to good practices or are there plans for reform? If countries have reliable systems, donors are encouraged to use them for the delivery and management of aid. This helps to align aid more closely with national development strategies and enhances aid effectiveness.

Indicator 2a of the Paris Declaration assesses whether PFM systems meet broadly accepted good practices or whether credible reform programmes are in place. The assessment is based on the World Bank's Country Policy and Institutional Analysis (CPIA) score for the quality of PFM systems, which uses a scale running from 1 (very weak) to 6 (very strong).

To score highly, a country needs to perform well against all three of the following criteria: a comprehensive and credible budget linked to policy priorities; an effective financial management system to ensure that the budget is implemented as intended in a controlled and predictable way; and timely and accurate accounting and fiscal reporting, including timely and audited public accounts with effective arrangements for follow up. Meeting the global 2010 target requires half of partner countries to move up at least one measure (*i.e.* 0.5 points) between 2005 and 2010.

Reliable PFM systems did not meet the target in 2010 and the country did not improve on previous assessments. A score of 3.5 indicates an average quality of PFM systems within the country. However, improvements on reliable PFM systems can be expected due to actions taken by the government and donors in Pakistan. The strengthening of PFM systems will rely on the pace of implementing the Project to Improve Financial Reporting and Auditing (PIFRA). Diagnostic reviews of Financial Management Systems Harmonisation and Procurement complement the current work being undertaken by the PIFRA. However, a number of challenges remain, including internal auditing and legislative scrutiny and oversight on public expenditures. To address the challenges of strengthening internal audit, efforts are being made to strengthen the Auditor General of Pakistan under the Project to Improve Financial Reporting and Auditing (PIFRA). The Public Accounts Committee (PAC) is also fully functional and is headed by the leader of the opposition party. The PAC, which sits in the National Assembly, provides an effective oversight role to all public

INDICATOR 2
Building reliable country systems

INDICATOR 2a
How reliable are country public financial management systems?

expenditure. In the long term, Technical Assistance should support the development of Standard Operating Procedures for internal audit and executive/legislative scrutiny of project related expenses.

Indicator 2b was first measured in 2008 by 17 countries. The process is one of self-assessment, using the Methodology for the Assessment of National Procurement Systems developed by the OECD-DAC Task Force on Procurement. The methodology includes baseline indicators to compare a country's systems to internationally-accepted good practice, as well as a new set of indicators. These indicators assess overall performance of the system, compliance with national legislation and standards and whether there is a reform programme in place to promote improved practices. The results are expressed as grades on a four-point scale running from A (the highest) to D (the lowest). The 2010 target is for a third of partner countries to move up at least one measure (*i.e.* from D to C, C to B or B to A) although not all countries will perform an assessment.

No data is available for indicator 2b, but there have been efforts to improve Pakistan's procurement systems. In particular the promulgation of the Public Procurement Regulatory Authority (PPRA) Ordinance in 2002 and subsequent Public Procurement Rules 2004 and PPRA Regulations 2008 are having an increasing impact. As part of broader procurement reforms to strengthen transparency, efficiency and value-for-money, the PPRA will review the laws, rules, regulations, policies and procedures in respect to inspection and quality management of goods, works and services. The reform is also designed to enhance the capacity of project executing agencies and stakeholders through seminars, workshops and conferences. The government suggests that donors will also need to agree on one procurement platform for all co-funded projects to enhance a better division of labour.

Comprehensive and transparent reporting on aid, and its use, helps ensure that donors align aid flows with national development priorities. When aid directed to the government sector is fully and accurately reflected in the national budget it indicates that aid programmes are well connected with country policies and processes. This also allows partner country authorities to present accurate and comprehensive budget reports to their parliaments and citizens.

As a proxy for alignment, indicator 3 measures the percentage of aid disbursed by donors for the government sector that is included in the annual budget for the same fiscal year. The indicator reflects two components: the degree to which aid is aligned with government priorities, and the extent to which aid is captured in government's budget preparation process. Budget estimates can be higher or lower than disbursements by donors and are treated similarly for the purpose of measuring indicator 3 despite the different causes.

The 2010 target is to halve the proportion of aid flows that are not currently reported on government budgets, with at least 85% of aid reflected in the budget.

In 2010, 60% of Pakistan's incoming aid was aligned with the government's national priorities. All the major donors except the UN performed relatively well; the average weighted by donor is much lower reflecting very poor performance from the minor donors. For some donors, the amount of aid distributed is less than the government's estimates. The results presented at the table above show a slight discrepancy between the data included in the budget and data reported by donors. The discrepancy is in both directions – some budget estimates are higher than the donor disbursements, some are lower.

In their inputs, stakeholders participating in the survey identified that some modalities are more aligned with government priorities than others. However, there are practical issues regarding donors' preferred method of delivery, resulting in support sitting outside the annual budget estimates. Recent disasters have also increased the volume of humanitarian aid, which traditionally sits outside the national budget. The Pakistan Development Assistance Database (DAD) provides an alternative aid management system that captures all donor flows and can be used to support planning as well as to promote alignment and monitoring. Pakistan Development Cooperation Report (PDCR) an annual development report based on DAD data, is expected to be a handy tool for reliability and accuracy of aid flow to Pakistan.

INDICATOR 2b

How reliable are country procurement systems?

INDICATOR 3

Aligning aid flows on national priorities

TABLE 3
Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows in 2010 (USD m) a	Aid disbursed by donors for government sector in 2010 (USD m) b	2005		2007		2010*		Total aid disbursed through other donors (USD m)
			(for reference)	(for reference)	(for reference)	(for reference)	c = a / b (%)	c = b / a (%)	
Asian Dev. Bank	390	979	--	--	--	--	40%		0
Australia	0	11	--	--	--	--	0%		0
Canada	3	0	--	--	--	--		0%	21
EU Institutions	12	11	--	--	--	--		92%	1
Finland	0	0	--	--	--	--	--		5
France	0	0	--	--	--	--	--		0
GAVI Alliance	0	48	--	--	--	--	0%		0
Germany	25	52	--	--	--	--	48%		13
Global Fund	0	10	--	--	--	--	0%		0
IFAD	--	32	--	--	--	--			0
IOM	--	0	--	--	--	--			0
Isl.Dev Bank	13	1	--	--	--	--		7%	0
Italy	0	0	--	--	--	--	--		5
Japan	132	161	--	--	--	--	82%		45
Korea	0	3	--	--	--	--	11%		1
Netherlands	0	16	--	--	--	--	0%		12
Norway	3	5	--	--	--	--	52%		0
Switzerland	0	0	--	--	--	--		0%	0
Turkey	0	12	--	--	--	--	0%		0
United Kingdom	136	138	--	--	--	--	99%		0
United Nations	50	237	--	--	--	--	21%		0
United States	216	239	--	--	--	--	90%		25
World Bank	640	799	--	--	--	--	80%		0
Average donor ratio			--	--	--	--	35%		
Total	1 621	2 691	--	--	--	--	60%		127

* Ratio is $c = a / b$ except where government's budget estimates are greater than disbursements ($c = b / a$).

INDICATOR 7
Providing more predictable aid

For many countries, aid is a vital source of revenue and resources. Being able to predict aid disbursements – both in terms of how much aid will be delivered and when – is important to enable countries to manage public finances and undertake realistic planning for development. The Paris Declaration calls on donors to provide reliable, indicative commitments of aid over a multi-year framework, and to disburse aid in a timely and predictable manner according to agreed schedules.

Indicator 7 examines the in-year predictability of aid for the government sector by measuring the proportion of planned disbursements (as reported by donors) that are recorded by governments in their accounting system as having been disbursed. Indicator 7 therefore assesses two aspects of predictability. The first is the ability of donors to disburse aid according to schedule. The second is the ability of government to record disbursements for the government sector as received in its accounting system. Indicator 7 is designed to encourage progress in relation to both, with the aim of halving the proportion of aid not disbursed (and not captured in the government's accounting system) within the fiscal year for which it was scheduled by 2010. The ultimate goal is to improve not only the predictability of disbursements, but also the accuracy with which they are recorded in government systems – an important element to support ownership, accountability and transparency.

The gap between aid disbursements recorded by the government (USD 1 474 million) and aid scheduled for disbursement by donors (USD 1 714 million) was 14% in 2010. The Asian Development Bank, Korea and United States are the only countries for which aid disbursements recorded by the government were higher than aid scheduled for disbursement by donors. For the majority of donors aid disbursement recorded by the government was lower than was actually scheduled. There was no target for this indicator in 2010.

TABLE 4
Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in 2010 (USD m) a	Aid scheduled by donors for disbursement in 2010 (USD m) b	2005		2007		2010*		For reference: Aid disbursed by donors for government sector in 2010 (USD m) d	For reference: % of scheduled aid disbursements reported as disbursed by donors in 2010**	
			(for reference)	(for reference)	(for reference)	(for reference)	c = a / b (%)	c = b / a (%)		e = d / b (%)	e = b / d (%)
Asian Dev. Bank	346	100	--	--	--	--	29%	831		12%	
Australia	0	18	--	--	--	--	0%	0	0%		
Canada	1	0	--	--	--	--	0%	0	0%		
EU Institutions	18	27	--	--	--	--	65%	18	66%		
Finland	0	0	--	--	--	--	--	0	--		
France	0	4	--	--	--	--	0%	1	14%		
GAVI Alliance	0	54	--	--	--	--	0%	48	90%		
Germany	19	44	--	--	--	--	43%	40	90%		
Global Fund	0	8	--	--	--	--	0%	19		43%	
IFAD	0	42	--	--	--	--	0%	20	48%		
IOM	--	16	--	--	--	--	--	16	100%		
Isl. Dev Bank	14	0	--	--	--	--	0%	2		0%	
Italy	0	0	--	--	--	--	--	0	--		
Japan	88	157	--	--	--	--	56%	157	100%		
Korea	13	3	--	--	--	--	20%	3		95%	
Netherlands	0	22	--	--	--	--	0%	19	86%		
Norway	6	5	--	--	--	--	83%	5	100%		
Switzerland	0	0	--	--	--	--	--	0	--		
Turkey	0	0	--	--	--	--	--	12		0%	
United Kingdom	131	140	--	--	--	--	93%	145		97%	
United Nations	37	256	--	--	--	--	14%	278		92%	
United States	443	185	--	--	--	--	42%	400		46%	
World Bank	358	632	--	--	--	--	57%	446	71%		
Average donor ratio			--	--	--	--	28%			58%	
Total	1 474	1 714	--	--	--	--	86%	2 461		70%	

* Ratio is c=a/b except where disbursements recorded by government are greater than aid scheduled for disbursement (c=b/a).

** Ratio is e=d/b except where disbursements recorded by donors are greater than aid scheduled for disbursement (e=b/d).

The Government of Pakistan has made efforts to meet the various requirements for timely execution of projects and disbursement of funds, and fully capture disbursements in its accounting systems. However, due to the complex issues such as expenditure on the fight against extremism, the 2010 floods and conditionalities imposed by some donors, Pakistan has seen a divergence between aid disbursements recorded in the annual budget and actual disbursements received.

The Project to Improve Financial Reporting and Auditing (PIFRA) and the separation of the Auditor General and Accountant General positions have ensured greater efficiency in project and funds execution. Both PIFRA and the establishment of the Auditor General online system have improved the rate of disbursement captured in its accounting systems. To decrease the gap donors are asked to provide projection and disbursement data on a quarterly basis in the Development Assistance Database (DAD). Data entry growth has increased substantially over the last five years. Due to constraints in the DAD system, the mid-term financial commitments cannot be recorded in the ODA database. According to the country report, there is a clear indication of the increasingly proactive steps donors are making to provide full and timely information to Government of Pakistan. However, some major donors still resist providing timely data. Also major donors such as World Bank, ADB, EU, USAID, and DFID have developed country assistance programmes of three to five years for Pakistan. After the launch of Pakistan Development Cooperation Report (PDCR), data recording and quality is expected to improve a lot and ensure mutual accountability.

INDICATOR 4

Co-ordinating support to strengthen capacity

Capacity constraints, both those relating to aid management capacities (the ability of partner countries to capture, co-ordinate and utilise aid flows more effectively) and also more broadly to design and implement the policies and services needed to foster development and poverty reduction, seriously undermine progress.

Under the Paris Declaration donors committed to providing technical co-operation that is co-ordinated with partner country strategies and programmes. This approach aims to strengthen capacities while also responding to the needs of partner countries. Successful capacity building is led by the partner country.

Indicator 4 focuses on the extent to which donor technical co-operation (an important input into capacity development) is moving towards a country-led model. It measures the degree of alignment between donor technical co-operation and the partner country's capacity development needs and strategies. The Paris Declaration 2010 target is that 50% of technical co-operation flows are implemented through co-ordinated programmes that are consistent with national development strategies.

TABLE 5

How much technical co-operation is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m)	Total technical co-operation (USD m)	2005 (for reference)	2007 (for reference)	2010 (%) c = a / b
	a	b			
Asian Dev. Bank	0	11	--	--	0%
Australia	0	0	--	--	0%
Canada	8	15	--	--	53%
EU Institutions	10	11	--	--	87%
Finland	0	0	--	--	--
France	1	1	--	--	100%
GAVI Alliance	0	0	--	--	--
Germany	27	27	--	--	99%
Global Fund	0	0	--	--	--
IFAD	0	0	--	--	--
IOM	16	16	--	--	100%
Isl.Dev Bank	1	1	--	--	100%
Italy	0	0	--	--	0%
Japan	22	22	--	--	100%
Korea	1	1	--	--	100%
Netherlands	8	14	--	--	60%
Norway	5	6	--	--	75%
Switzerland	11	21	--	--	53%
Turkey	0	1	--	--	0%
United Kingdom	43	43	--	--	100%
United Nations	119	156	--	--	76%
United States	31	40	--	--	78%
World Bank	51	54	--	--	93%
Total	354	441	--	--	80%

The share of technical co-operation disbursements through co-ordinated programs in Pakistan for 2010 is 80%, easily meeting the target of 50%. Although technical co-operation is small in comparison to total aid disbursed for most donors, donors have been supportive of ensuring harmonisation through co-ordinated programmes in support of capacity development. Of the USD 441 million in supports to technical co-operation USD 354 million was disbursed through co-ordinated programmes in support of capacity development. This ratio is expected to increase with the roll out of programme-based approaches.

One of the main challenges in supporting capacity development is that capacity development activities have often taken the form of piecemeal projects. Often these activities are uncoordinated which has led to duplication and fragmentation. Programme-based approaches will ensure a coherent sector strategy where donors can harmonise capacity assessments and align to government-led capacity development planning.

Steps are being taken by country authorities to identify clear objectives and strategies for capacity development. In particular the Foreign Assistance Policy Framework (FAPF) further outlines principles to ensure co-ordinated technical co-operation at the sector level. In their qualitative inputs, stakeholders participating in the survey noted a few principles of the framework including focus on capacity development and ownership of the technical co-operation process. The Government of Pakistan should be actively involved in the design of programme implementation arrangements, harmonised and aligned technical co-operation and use of locally and regionally based technical co-operation support, as highlighted in the Accra Agenda for Action.

Donor use of a partner country's established institutions and systems increases aid effectiveness by strengthening the government's long-term capacity to develop, implement and account for its policies to both its citizens and its parliament. The Paris Declaration commits donors to increase their use of country systems that are of sufficient quality, and to work with partner countries to strengthen systems that are currently weak. Indicator 5 is directly linked to indicator 2 on the quality of public financial management (PFM) and procurement systems.

INDICATOR 5

Using country systems

	Aid disbursed by donors for government sector (USD m)	Public financial management						Procurement			
		Budget execution (USD m)	Financial reporting (USD m)	Auditing (USD m)	2005 (for reference)	2007 (for reference)	2010 (%)	Proc. systems (USD m)	2005 (for reference)	2007 (for reference)	2010 (%)
	a	b	c	d			avg(b,c,d)/a	e			e / a
Asian Dev. Bank	831	831	831	831	--	--	100%	0	--	--	0%
Australia	0	0	0	0	--	--	--	0	--	--	--
Canada	0	0	0	0	--	--	100%	0	--	--	100%
EU Institutions	18	18	18	18	--	--	100%	18	--	--	100%
Finland	0	0	0	0	--	--	--	0	--	--	--
France	1	0	0	0	--	--	0%	0	--	--	0%
GAVI Alliance	48	0	0	0	--	--	0%	0	--	--	0%
Germany	40	15	29	29	--	--	60%	29	--	--	72%
Global Fund	19	0	0	0	--	--	0%	19	--	--	100%
IFAD	20	20	20	20	--	--	100%	20	--	--	100%
IOM	16	0	0	0	--	--	0%	0	--	--	0%
Isl.Dev Bank	2	2	2	2	--	--	100%	0	--	--	0%
Italy	0	0	0	0	--	--	--	0	--	--	--
Japan	157	89	89	89	--	--	57%	89	--	--	57%
Korea	3	0	0	0	--	--	0%	0	--	--	0%
Netherlands	19	0	0	0	--	--	0%	0	--	--	0%
Norway	5	5	5	5	--	--	94%	5	--	--	96%
Switzerland	0	0	0	0	--	--	--	0	--	--	--
Turkey	12	0	0	0	--	--	0%	0	--	--	0%
United Kingdom	145	95	95	95	--	--	66%	108	--	--	74%
United Nations	278	21	21	32	--	--	9%	2	--	--	1%
United States	400	334	334	334	--	--	83%	334	--	--	83%
World Bank	446	436	437	298	--	--	87%	56	--	--	12%
Total	2 461	1 868	1 882	1 753	--	--	75%	679	--	--	28%

TABLE 6

How much aid for the government sector uses country systems?

Indicator 5a measures the extent to which donors use partner country PFM systems when providing funding for the government sector. It measures the volume of aid that uses partner country PFM systems (budget execution, financial reporting and auditing) as a proportion of total aid disbursed for the government sector. The 2010 target is set relative to indicator 2a on the quality of PFM systems. For partner countries with a score of 5 or above on indicator 2a scale the target is for a two-thirds reduction in the proportion of aid to the public sector not using the partner country's PFM systems. For partner countries with a score between 3.5 and 4.5 on indicator 2a, the target is a one-third reduction in the proportion of aid to the public sector not using partner country's PFM systems. There is no target for countries scoring less than 3.5.

INDICATOR 5a

Use of country public financial management systems

Seventy-five percent of aid disbursed to Pakistan, as expressed in the donor questionnaires, used national budget execution, financial reporting and auditing procedures. The Report on Financial Management concludes “that there are tremendous opportunities to support the case of extending PFM country systems to development systems.” Although challenges remain regarding internal auditing and legislative scrutiny and oversight, some donors continue to operate using parallel financial management systems. The report on procurement demonstrates that the Government of Pakistan has much to do to strengthen central and provincial procurement systems before they can be fully adopted. In the recent past, the federal as well as provincial governments have established public procurement authorities and have adopted procurement rules and regulations in line with international best practices. Programme-based approaches with common capacity assessments of public institutions will allow for greater support and adoption of indigenous systems.

In response to their AAA commitments, donors’ comments on the FAP showed that many would need to see “full accountability and transparency of the use of the funds within the national budget process” before moving forward.

INDICATOR 5b
Use of country
procurement systems

Indicator 5b follows a similar graduated target to indicator 5a which is set relative to indicator 2b on the quality of procurement systems. For partner countries with a procurement score of “A”, a two-thirds reduction in the proportion of aid for the public sector not using the country’s procurement systems and for partner countries with a procurement score of “B” to reduce the gap by one-third.

Use of Pakistan’s procurement system was 28% in 2010. This number is relatively low. The Working Group Report on Harmonisation of Procurement Systems concludes that “country procurement systems are by and large not ready to be used effectively for donor funds/aid flows”. Main donors like the Asian Development Bank, GAVI Alliance, the Islamic Development Bank, France and the Netherlands use country procurement systems for 0% of their aid.

Areas for improvement include the need to produce detailed process guidelines and standard bidding documents, and improve capacity in procuring agencies and regulatory authorities. In the short term, efforts can be made to strengthen the legislative and regulatory framework. This would enable donors to use Pakistan’s procurement legislation rather than imposing their own.

There are some examples of progress; several multilateral development banks have made important steps towards harmonisation and alignment of procurement systems. One of the main donors, EU Institutions, has made important amendments to its rules to allow better usage of the rules of one implementing partner in cases of joint intervention.

INDICATOR 6
Avoiding parallel
implementation
structures

When providing development assistance, some donors establish dedicated project management units or implementation units (PIUs) – to support development projects or programmes. A PIU is said to be “parallel” when it is created by the donor and operates outside existing country institutional and administrative structures. In the short term, parallel PIUs can play a useful role in establishing good practice and promoting effective project management. However, in the long run, parallel PIUs often tend to undermine national capacity development efforts, distort salaries and weaken accountability for development.

To make aid more effective, the Paris Declaration encourages donors to “avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes.” Indicator 6 counts the number of parallel PIUs being used in partner countries. The target is to reduce by two-thirds the number of parallel PIUs in each partner country between 2005 and 2010.

There are 32 parallel PIUs currently in Pakistan, Efforts are being made to strengthen fiduciary and accountability systems and the recent joint Working Group Report on Financial Management showed that there was sufficient scope to extend the use of government systems to development activities. It is expected that donors will move away from using parallel implementation structures, as a risk-mitigating measure, and strengthen national systems by increasing their use.

TABLE 7
How many PIUs are parallel to country structures?

	Parallel PIUs		
	2005 (for reference)	2007 (for reference)	2010 (units)
Asian Dev. Bank	--	--	0
Australia	--	--	0
Canada	--	--	8
EU Institutions	--	--	0
Finland	--	--	0
France	--	--	0
GAVI Alliance	--	--	0
Germany	--	--	0
Global Fund	--	--	0
IFAD	--	--	0
IOM	--	--	0
Isl.Dev Bank	--	--	13
Italy	--	--	0
Japan	--	--	0
Korea	--	--	0
Netherlands	--	--	0
Norway	--	--	0
Switzerland	--	--	0
Turkey	--	--	0
United Kingdom	--	--	5
United Nations	--	--	5
United States	--	--	1
World Bank	--	--	0
Total	--	--	32

Donor sponsors and government have taken steps to avoid creating new parallel PIUs in Pakistan. PBAs will not only ensure that projects are aligned to government priorities, they will also ensure that country system capacity is strengthened at the sector level. Ongoing efforts are also taking place through the Project to Improve Financial Reporting and Auditing (PIFRA). The Working Group on Financial Management and Procurement, Country Systems Strengthening reports also propose a capacity development plan to strengthen procurement and an action plan to strengthen financial management at both central and provincial levels.

Aid is “tied” when restrictions are placed on the countries that goods and services may be purchased from, typically including the donor country and/or another narrowly specified group of countries. Untied aid not only improves value for money and decreases administrative burdens, but also supports the use of local resources, country systems and the harmonisation of donor support provided through pooled or joint aid instruments and approaches.

INDICATOR 8
Untying aid

Data on the extent to which aid is tied are based on voluntary self-reporting by donors that are members of the OECD’s Development Assistance Committee (DAC). The Paris Declaration target is to continue progress towards untying all aid between 2005 and 2010.

There has been progress towards untying aid and the 2010 target of more than 84% of aid untied has been met. In 2005, 84% of the incoming donor aid was untied, while in 2007, this declined to 76%. Almost all donors, except France (3%) and Korea (0%), have met the target.

The issue of untied aid is being addressed in the FAP. However, comments on the first draft demonstrate varying views on the value of this indicator. Although many partners agree on the principle of untying aid, others believe that untying grant assistance can cause certain deterioration of outputs, particularly with regards to infrastructure projects such as hospitals and bridges. Furthermore, the decision to untie aid stems from the donor headquarters with little flexibility for country offices to enhance commitments towards untying aid.

TABLE 8
How much bilateral aid is untied?

	Total bilateral aid as reported to the DAC in 2009	Untied aid	2005 (for reference)	2007 (for reference)	Share of untied aid
Australia	13.3	13.3	86%	100%	100%
Austria	0.0	0.0	25%	100%	100%
Belgium	2.5	2.5	100%	100%	100%
Canada	25.1	25.1	64%	31%	100%
Denmark	5.7	5.7	100%	100%	100%
Finland	5.3	5.3	100%	100%	100%
France	100.6	2.8	95%	94%	3%
Germany	88.3	88.1	11%	98%	100%
Greece	0.7	0.7	21%	0%	100%
Ireland	3.2	3.2	100%	100%	100%
Italy	7.8	6.7	0%	3%	86%
Japan	136.6	136.6	100%	100%	100%
Korea	0.8	0.0	--	0%	0%
Luxembourg	1.5	1.5	100%	100%	100%
Netherlands	68.7	68.5	98%	93%	100%
New Zealand	0.8	0.8	97%	100%	100%
Norway	59.0	59.0	100%	100%	100%
Portugal	0.0	0.0	100%	--	--
Spain	11.8	11.8	75%	99%	100%
Sweden	10.8	10.8	100%	100%	100%
Switzerland	10.1	10.1	100%	100%	100%
United Kingdom	369.3	369.3	100%	100%	100%
United States	1325.5	1162.3	73%	78%	88%
Total	2 247	1 984	84%	76%	88%

Source: OECD Creditor Reporting System.

Donors and the Government of Pakistan agreed to link conditions to the poverty and growth strategy – PRSP II, which indicates progress in agreeing a limited set of conditions drawn from the country's national level. There are no unified explicit policies for untying aid. Therefore it is recommended by the government that a strategy targeting levels of untied aid is implemented among all donors. ■

HARMONISATION

POOR CO-ORDINATION OF AID increases the cost to both donors and partner countries and significantly reduces the real value of aid. Harmonisation of aid delivery procedures and the adoption of common arrangements help reduce duplication of effort and lower the transaction costs associated with aid management. The Paris Declaration focuses on two dimensions of aid as a proxy for assessing overall harmonisation: the use of common arrangements within Programme-Based Approaches (PBAs) and the extent to which donors and partner countries conduct joint missions and co-ordinate analytic work.

Aid effectiveness is enhanced when donors use common arrangements to manage and deliver aid in support of partner country priorities. A good mechanism for aid co-ordination can be described as one that has shared objectives and integrates the various interests of stakeholders. Indicator 9 assesses the degree to which donors work together – and with partner governments and organisations – by measuring the proportion of total ODA disbursed within programme-based approaches (PBAs). In practice, there are many different approaches and modalities which can use PBAs and harmonisation takes place at various levels.

At one level, the partner country is responsible for defining clear, country-owned programmes (*e.g.* a sector programme or strategy) and establishing a single budgetary framework that captures all resources (both domestic and external). At another level, donors are responsible for taking steps to use local systems for programme design and implementation, financial management, monitoring and evaluation. Finally, partner

INDICATOR 9

Using common arrangements

countries and donors are jointly responsible for donor co-ordination and harmonisation of donor procedures. The 2010 target is that two-thirds of aid flows are provided in the context of PBAs.

	Programme-based approaches			Total aid disbursed (USD m) d	2005 (for reference)	2007 (for reference)	2010 (%) e = c / d
	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c = a + b				
	Asian Dev. Bank	0	0				
Australia	0	11	11	0	--	--	--
Canada	0	0	0	17	--	--	1%
EU Institutions	0	0	0	43	--	--	0%
Finland	0	0	0	1	--	--	0%
France	0	0	0	1	--	--	0%
GAVI Alliance	0	0	0	48	--	--	0%
Germany	0	13	13	46	--	--	28%
Global Fund	0	0	0	25	--	--	0%
IFAD	0	20	20	20	--	--	100%
IOM	0	16	16	16	--	--	100%
Isl. Dev Bank	0	0	0	3	--	--	0%
Italy	0	0	0	1	--	--	0%
Japan	53	82	135	160	--	--	84%
Korea	0	0	0	3	--	--	0%
Netherlands	0	0	0	24	--	--	0%
Norway	2	0	2	21	--	--	11%
Switzerland	0	21	21	21	--	--	100%
Turkey	0	0	0	12	--	--	0%
United Kingdom	84	44	128	167	--	--	77%
United Nations	33	133	166	297	--	--	56%
United States	185	25	210	740	--	--	28%
World Bank	0	196	196	446	--	--	44%
Total	357	562	919	2 944	--	--	31%

TABLE 9
How much aid is
programme based?

Thirty-one percent of funds were delivered through programme-based approaches (PBAs) in Pakistan in 2010, significantly below the target of 66%. There were big differences between the different donors' performances. The World Bank, United States and United Nations provide 62% of all programme-based aid, while Asian Development Bank, one of the other main donors, did not provide any of its aid through PBAs. The Government of Pakistan acknowledges that donors are sometimes constrained by their headquarters' approach to implementation modalities.

The draft Foreign Assistance Policy Framework sets out to address this issue and to further develop and refine the PBA concept at the country-level. Essentially, this involves providing support to sectors in articulating comprehensive policy and financing frameworks and harmonising donor support around common capacity assessments and plans. There are also challenges in channelling a greater proportion of aid in support of PBAs. A common misconception is that PBAs are linked to pooled arrangements and trust funds. The Foreign Assistance Policy Framework seeks to articulate PBA components and their contribution to sector level aid effectiveness. The challenge will be to effectively manage the change process across the soon to be established Sector Working Groups.

A common complaint of partner countries is that donors make too many demands on their limited resources: country authorities spend too much time meeting with donor officials and responding to their many requests. The Paris Declaration recognises that donors have a responsibility to ensure that, to the greatest extent possible, the missions and analytical work they commission are undertaken jointly *i.e.* that the burden of such work is shared. The 2010 target is that 40% of donor missions to the field are conducted jointly.

INDICATOR 10a
Joint missions

TABLE 10
How many donor
missions are
co-ordinated?

	Co-ordinated donor missions* (missions) a	Total donor missions (missions) b	2005* (for reference)	2007* (for reference)	2010* (%) c = a / b
Asian Dev. Bank	18	34	--	--	53%
Australia	0	3	--	--	0%
Canada	1	10	--	--	10%
EU Institutions	0	3	--	--	0%
Finland	1	1	--	--	100%
France	0	20	--	--	0%
GAVI Alliance	0	0	--	--	--
Germany	0	15	--	--	0%
Global Fund	1	4	--	--	25%
IFAD	11	11	--	--	100%
IOM	0	1	--	--	0%
Isl.Dev Bank	8	8	--	--	100%
Italy	0	8	--	--	0%
Japan	0	12	--	--	0%
Korea	0	6	--	--	0%
Netherlands	0	2	--	--	0%
Norway	0	6	--	--	0%
Switzerland	2	70	--	--	3%
Turkey	0	10	--	--	0%
United Kingdom	19	38	--	--	50%
United Nations	29	104	--	--	28%
United States	0	0	--	--	--
World Bank	38	121	--	--	31%
Total	83	487	--	--	17%

* The total of coordinated missions has been adjusted to avoid double counting.
A discount factor of 35% is applied.

At 17%, the score for joint missions is 23% away from the target of 40%. Out of 21 donors, United Nations, World Bank and United Kingdom provided the vast majority of all the co-ordinated missions; however none of them managed to co-ordinate more than half of their missions. The variation in donor performance suggests that there is an opportunity for the government to better initiate donor co-ordination. Finland, IFAD and the Islamic Development Bank all co-ordinated 100% of their missions.

INDICATOR 10b
Joint country analytic
work

Country analytic work is the analysis and advice necessary to strengthen policy dialogue, and to develop and implement country strategies. It includes country or sector studies and strategies, country evaluations and discussion papers. The Paris Declaration foresees that donors should conduct analytic work jointly where possible as it helps curb transaction costs for partner authorities, avoids unnecessary duplicative work and helps to foster common understanding. Indicator 10b measures the proportion of country analytic work that is undertaken jointly. The 2010 target is that 66% of country analytic work is carried out jointly.

In 2010, 60% of donor analytic work was co-ordinated, not far from the 2010 target of 66% for this indicator. However, there are mechanisms available now in Pakistan to rationalise and co-ordinate country analytic work, either by theme or sector. The D-10 is a donor group which meets monthly under the leadership of the Pakistani government. This group is used to rationalise and co-ordinate country analytical studies. The Pakistan Development Forum, Friends of Democratic Pakistan (FoDP) and bilateral reviews, donor portfolio meetings on DAD data validation and consultations are other vehicles for discussion on country analytic work. The sector working groups to be established in 2011-12 will provide a regular forum where line ministries can ensure that analytic needs are met. Donors would then harmonise their support around these government-led requests, which suggests the possibility that the 66% target will be met in the next five years.

	Co-ordinated donor analytic work* (units) a	Total donor analytic work (units) b	2005* (for reference)	2007* (for reference)	2010* (%) c = a / b
Asian Dev. Bank	4	6	--	--	67%
Australia	0	0	--	--	--
Canada	1	3	--	--	33%
EU Institutions	3	3	--	--	100%
Finland	0	0	--	--	--
France	0	0	--	--	--
GAVI Alliance	0	0	--	--	--
Germany	5	8	--	--	63%
Global Fund	1	3	--	--	33%
IFAD	2	2	--	--	100%
IOM	1	1	--	--	100%
Isl.Dev Bank	1	1	--	--	100%
Italy	0	0	--	--	--
Japan	1	6	--	--	17%
Korea	0	1	--	--	0%
Netherlands	0	0	--	--	--
Norway	0	3	--	--	0%
Switzerland	5	9	--	--	56%
Turkey	0	0	--	--	--
United Kingdom	11	17	--	--	65%
United Nations	123	134	--	--	92%
United States	0	0	--	--	--
World Bank	5	7	--	--	71%
Total	122	204	--	--	60%

* The total of coordinated missions has been adjusted to avoid double counting. A discount factor of 25% is applied.

TABLE 11
How much country analytic work is co-ordinated?

AID FRAGMENTATION

Fragmented aid – aid that comes in many small slices from a large number of donors – creates high transaction costs and makes it difficult for partner countries effectively to manage their own development. Aid fragmentation also increases the risk of duplication and inefficient aid allocation among donors. A pilot analysis on fragmentation of country programmable aid carried out at the country level by the OECD in collaboration with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) reveals that aid fragmentation increased from 2005-09 alongside an increase in country programmable aid (OECD, 2011b).

Actions undertaken or planned to reduce the fragmentation of aid and improve the complementarity of donors' efforts and division of labour at the country level have taken place. Programme-based approaches will be used to manage all partners, reduce fragmentation and duplication. Although the Pakistani government promotes the use of sector and national budget support, the PBA concept accommodates and promotes all forms of co-operation modalities. The Foreign Assistance Policy Framework also stresses the government's preference for division of labour and delegated co-operation arrangements. ■

MANAGING FOR RESULTS

BOTH DONORS AND PARTNER COUNTRIES should manage resources according to well-defined, desired results, measuring progress toward them and using information on results to improve decision making and performance. Achieving this implies strengthening capacity to undertake such management and emphasising a focus on results. Countries are expected to develop cost-effective and results-oriented reporting and performance assessment frameworks, while donors commit to use them and refrain from requiring separate reporting.

INDICATOR 11
Do countries have results-oriented monitoring frameworks?

Indicator 11 assesses the quality of a country's results-oriented frameworks. In particular, it considers the quality of the information generated, stakeholder access to information, and the extent to which the information is utilised within a country level monitoring and evaluation system. The government provides evidence against these criteria through the survey, and this is translated by the World Bank into a score running from A (highest score) to E (lowest score).

The Paris Declaration 2010 global target is to reduce the proportion of countries without transparent and monitorable performance assessment frameworks by one-third. The target of A or B has been met for the results-oriented framework indicator for 2010, with a rating of B from the World Bank. This indicates improvement since 2005, when Pakistan received a rating of C. However, there are challenges remaining, in operationalising results-oriented frameworks; and that the Framework for Economic Growth includes an outcome-based results framework. Maximum effort is made to ensure that data is reliable and collected from primary and secondary sources in a timely fashion. Geographical and Sectoral coverage is broad and comprehensive. Outcome-based monitoring has become a standard feature of the national project document (PC-I) since 2008. The Common Results Framework, an integral feature of the Foreign Assistance Policy Framework, will further strengthen the linkages between external and internal inputs to outputs and eventually to development outcomes. The Common Results Framework will be developed with donors as a mutual accountability tool for managing results. ■

MUTUAL ACCOUNTABILITY

INDICATOR 12 Mutual accountability

STRONG AND BALANCED MECHANISMS that support accountability are required at all levels for aid to be most effective. Donors and partner country governments should be accountable to their respective publics and to each other for implementing their commitments on aid, its effectiveness, and the results to which it contributes.

Indicator 12 examines whether there is a country-level mechanism for mutual assessment of progress on partnership commitments, including on aid effectiveness. There are three criteria that must all be met: the existence of an aid policy or strategy agreed between the partner country government and donors; specific country-level aid effectiveness targets for both the partner country government and donors; an assessment towards these targets undertaken by both partner and donors in the last two years, and discussed in a forum for broad-based dialogue.

The 2010 target is for all partner countries to have mutual assessment reviews meeting these criteria in place. The target for mutual accountability for 2010 has been met in Pakistan. The country's aid policy and strategies undergo a long series of consultations with donors and parliament. Consultation on the recently approved Framework for Economic Growth was broadened by an online system whereby citizens can directly comment and voice an opinion on the strategy. Some donors have developed their own country-specific aid effectiveness targets.

The Foreign Assistance Policy Framework will set the platform for strengthened mutual accountability by institutionalising sector and national level dialogue structures, through sector working groups and the Pakistan Development Forum, and by incorporating a Common Results Framework and joint targets on aid effectiveness through a Joint Action Plan. A key focus of the policy framework will be the establishment of sector working groups. Sector Working Groups will be a multi-stakeholder forum (central and provincial governments, donors and civil society representatives) to discuss common results, as defined through the Common Results Framework and aid effectiveness actions as articulated in the Joint Action Plan.

In addition, a Development Partner Scorecard has been prepared that will ensure that donors are accountable for improving aid delivery practices. Donors will be ranked on the basis of globally accepted indicators. Each year, donor progress against the indicators and ranking will be analysed and reported in Pakistan

Development Co-operation Report and shared in the Pakistan Development Forum. Moreover, Pakistan's parliament is involved in the preparation of the national development plan. Comprehensive co-ordination architecture will be put in place, following Cabinet's approval of the FAPF, to ensure stronger linkages between donor inputs and activities with nationally defined outcomes. ■

NOTES

The quantitative information presented in this chapter is taken from data provided by national co-ordinators up to 31 July 2011, following the data validation process with stakeholders at the country level. It was not possible to modify or correct any data received after this date.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

REFERENCES

OECD (2011a), DAC Statistics, <http://stats.oecd.org/Index.aspx>.

OECD (2011b), Country aid fragmentation tables. Pilot analysis of aid fragmentation at the partner country level drawing on evidence sourced from the OECD-DAC Creditor Reporting System. WP-EFF Task Team on Division of Labour and Complementarity, OECD, Paris.

OECD (forthcoming), OECD Report on Division of Labour: Addressing Cross-country Fragmentation of Aid, www.oecd.org/document/46/0,3746,en_2649_33721_46022446_1_1_1_1,00.html.

World Development Indicators, The World Bank Group, 2011. Available at <http://data.worldbank.org/indicator>, accessed 23 May 2011.

