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**The politics of development aid: the allocation and
delivery of aid from the United States of America to
Pakistan**

**A thesis submitted in fulfilment of the requirements for
the degree of
Doctor of Philosophy**

in

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New Zealand**

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Abstract

This thesis investigates two aspects of the United States of America (USA) foreign aid to Pakistan: allocation and delivery. Regarding the former, the study explores the principal determinants of USA foreign aid to Pakistan during three distinct periods: the Cold War, the post-Cold War of the 1990s and the 'war on terror' since 2001. In order to have a comprehensive, in-depth and balanced analysis of the primary motivations behind the USA aid disbursement to Pakistan, the study also examines the provision of USA aid to other important USA allies including Egypt, Israel and Turkey. The focus has been to explore to what extent USA foreign aid policies are driven by USA geo-strategic ambitions, and to what extent widely espoused international principles such as poverty reduction as well as democracy and respect for human rights determine USA aid allocations. This research has found that the USA aid regime, both historical as well as contemporary, has largely been motivated and sustained by USA geo-strategic, security and political goals. In the context of USA aid to Pakistan, the thesis finds that the contemporary USA-Pakistan alliance in the 'war on terror' has striking similarities with the Cold War period. Then, the primary objective of USA aid to Pakistan was anti-communism; now it is anti-terrorism.

In relation to the second aspect of the study, the thesis examines the delivery and utilization of USA aid in Pakistan within the 2005 Paris Declaration (PD) framework that contains five interrelated principles aimed at enhancing ownership, alignment, harmonisation, management for development results and mutual accountability between donors and partner countries. Both Pakistan and the USA are signatories to the PD; hence the respective roles of different ministries and departments of the Government of Pakistan (GoP) and the role of United States Agency for International Development (USAID) are examined in USA-funded projects. The aim is to investigate to what extent the PD commitments are being implemented in actual practices during the selection, design and execution of development projects. The study has found that there are issues from both the GoP and USAID ends that hinder the actual implementation of the PD commitments. On the part of the former, lack of institutional capacity and corruption are the key challenges. Concerning the latter, USAID still does not delegate authority to GoP institutions to design and implement projects and instead comes up with its own plans and executes these through its international partners working as substitutes for GoP institutions. As a result, almost half of the aid is being consumed by USAID's international contractors on the management and administration of USA-funded projects. Furthermore, most aid is being spent on activities which do not address the actual problems of the targeted population.

The thesis contributes to the body of knowledge concerning the allocation and delivery of aid from 'rich' to 'poor' countries. Its two-fold contribution is, first, it has uncovered the primary determinants of the historical as well as contemporary USA aid provision to Pakistan. Second, it is one of the very few in-depth studies that has looked into the implementation of the PD principles at the country level and has uncovered the constraints responsible for the lack of progress towards achieving the PD partnership commitments in the context of USA aid to Pakistan.

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LIST OF ABBREVIATIONS

AEU	Aid Effectiveness Unit
AI	Amnesty International
AQI	Aid Quality Index
AusAID	Australian Agency for International Development
CPIA	Country Policy and Institutional Assessment
CPI	Corruption Perception Index
CRPRID	Centre for Research on Poverty Reduction and Income Distribution
DAC	Development Assistance Committee
DCC	Donor Coordination Cell
DE	Directorate of Education
DFID	Department for International Development
DG	Director General
DHS	Directorate of Health Services
DODG	Director Office of Democracy and Governance
DoE	Department of Education
DS	Deputy Secretary
EAD	Economic Affairs Division
EC	Education Chief
EC	European Community
EU	European Union
FAO	Food and Agriculture Organisation
FATA	Federally Administered Tribal Areas
FDA	FATA Development Authority
FDE	Federal Directorate of Education
FDI	Foreign Direct Investment
FR	Frontier Region
GDP	Gross Domestic Product
GNI	Gross National Income
GNP	Gross National Product
GoP	Government of Pakistan
IMF	International Monetary Fund
IPS	Institute of Policy Studies
IPRI	Islamabad Policy Research Institute
ISSI	Institute of Strategic Studies Islamabad
IDF	Israel Defence Force
JS	Joint Secretary
ICJ	International Court of Justice
KLB	Kerry Lugar Bill
KP	Khyber Pakhtunkhwa
LLDC	Least Developed Countries
MB	Muslim Brethren
MEO	Monitoring and Evaluation Officer
MoF	Ministry of Finance
MoFA	Ministry of Foreign Affairs
MoH	Ministry of Health
NATO	North Atlantic Treaty Organisation
NGO	Non-governmental organisation
NWFP	North West Frontier Province
ODA	Overseas Development Assistance
OECD	Organisation for Economic Co-operation and Development
PD	Paris Declaration
PERRA	Provincial Earthquake Reconstruction and Rehabilitation Authority
PMS	Project Management Specialist
PQLI	Physical Quality of Life Index

SEATO	Southeast Asia Treaty Organisation
SO	Senior Official
SSI	Semi-Structured Interview
TI	Transparency International
TL	Team Leader
UK	United Kingdom
UN	United Nations
UNCHR	United Nations Commission on Human Rights
UNDP	United Nations Development Programme
UNGA	United Nations General Assembly
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
USSR	Union of Soviet Socialist Republics
WB	World Bank
WHO	World Health Organisation

Chapter 1 Introduction

1.1 Prelude

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. 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 is 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). A bit 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 USA-led 'war against terrorism' to dismantle al Qaeda and the Taliban regime in Afghanistan, Pakistan's alliance with the USA has led to the resumption of USA bilateral aid¹. USAID, the USA 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, 2010b).

Since then, the country has been receiving substantial USA official aid due to its role as a frontline USA ally in the so-called 'war on terror'. On June 16, 2009, while I was in Pakistan

¹ After the end of the Cold War 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 due to 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' attacks and Pakistan's alliance with the US in the 'war on terror', the latter lifted all sanctions and restarted aid to its old ally.

carrying out fieldwork for this thesis, the USA Senate's Foreign Relations Committee passed the Enhanced Partnership with Pakistan Act, known as the Kerry Lugar Bill (KLB), and on October 15, President Obama signed the bill into a law. The bipartisan bill tripling non-military aid to the country authorises 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 USA 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 USA-Pakistan relations (Baabar, 2009). She told reporters that terrorism remained a very high priority but the USA also recognised 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 is going to be delivered and whether it will address the actual needs of Pakistanis. In this context, it is imperative 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 USA aid delivery policies and practices remain disconnected from actual Pakistani needs.

1.2 What is development aid?

Development aid, or as it is formally termed, Overseas Development Assistance (ODA) in its current form, is six 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 thesis². According to this, aid includes grants or loans to developing countries which: (i) are undertaken by the official sector of the donor country, (ii) aim at promotion of economic development and welfare in the recipient country as the main objective, and (iii) are at concessional financial terms having a grant element of at least 25 percent. In addition to these financial flows, technical co-operation 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

² Expressions such USA ODA, USA aid, USA economic assistance, USA civilian aid or USA development aid are interchangeably used in this thesis. It does not include USA military aid. When reference is made to USA military or security assistance, it relates specifically to aid given for military and security goals.

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, this thesis also illustrates that the practice of aid giving is inherently a political process driven by political motives either alongside or without developmental objectives.

1.3 Origin and evolution of international aid

As explained later in the context of USA aid to Pakistan, the very idea of foreign aid is quite political in nature: the USA utilized aid to make alliances with friendly countries, such as Pakistan, that could work as a stalwart opponent of communism in the Cold War, and more recently against extremism in the 'war against terrorism'. Valentine (1950, p. 60) predicted more than half a century back that aid "shall be part of American foreign policy - a policy which is and must be primarily political". What Valentine said decades back, former USAID administrator Natsios (2006) reiterated in the 21st 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, initially against communism.

Alongside political motives, the origin of ODA is also linked to other coincidental processes: the reconstruction of Europe and decolonisation. In the immediate post-World War II landscape, the USA 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 USA provided US \$13 billion assistance to Europe to rebuild its war-battered economy. According to Raffer and Singer (1996, p. 59), "after approval by Congress in 1948 the US spent 2-3 per cent (excluding military aid) of its GNP 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 and its success led to the USA President Truman's 'Point Four Programme' that he outlined in his historic inaugural address in 1949. Rist (2002) points out that President Truman had in mind the unprecedented triumph of the Marshall Plan that 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 USA 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 WWII, particularly between colonisers 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 decolonisation 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 decolonisation, 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 USA and the Union of Soviet Socialist Republics (USSR) and the success of the Marshall Plan persuaded the USA 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 modernisation 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; Rosentain-Rodan, 1961). Lewis (1954, 1955) and Rostow (1956) proposed that developing countries needed capital, investment and savings to maximise 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 focussing 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 prioritise 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). Issues related to the allocation of foreign aid by donors are discussed in detail in the second chapter.

After the end of the Cold War, strategic and security interests of major bilateral donors changed as there was no longer any threat of communism, hence donors and aid organisations shifted

focus to a new set of issues. These new themes include poverty reduction, democratisation, human rights, control of corruption, misuse of power and authority, good governance, the rule of law and freedom of the press (Crawford, 2001; Neumayer, 2003a, 2003b, 2003c; Raffer, 1999). Recent scholarship indicates that the priority agenda of most bilateral donors and aid agencies in the decade of the 1990s was democratisation and good governance (Burnell, 1994; Carapico, 2002; Carothers, 1997a; Chakravarti, 2005; Neumayer, 2003c).

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. Due to 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 crystallised the calls for greater aid effectiveness are the Rome Declaration on Harmonisation (2003) and the Paris Declaration on Aid Effectiveness (2005). 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 harmonisation for greater aid effectiveness. Signed by 61 donors including the US, and 56 recipient countries including Pakistan, with 14 civil society organisations acting as observers, the Paris Declaration (PD) is recognised 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 co-ordinated, streamlined and harmonised procedures among multiple donors. Due to 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.

1.4 The allocation and delivery of USA aid to Pakistan and the rationale and significance of this research

Since its independence in 1947, while Pakistan’s relations with the USA have been cordial at times, they have also been fraught with difficulties and troubles. In fact, the overall bilateral ties between the two countries can best be described as tortuous or love-hate: oscillating between engagement and estrangement (Sattar, 2011), due to varying USA geo-strategic and security intentions in the region. 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 like the Cold War and the USA-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 USA were aware that due to its distinctive location of geographical proximity to Soviet Union as well as China - two Cold War USA 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 (McMohan, 1988; Spain, 1954; Stephens, 1967). Elsewhere, particularly in Eastern Europe, the expansion of Soviet influence rang the alarm bell throughout Western Europe, resulting in the formation of North Atlantic Treaty Organisation (NATO) as a bulwark against a possible Soviet aggression. To this end, in 1954, the USA also established the Southeast Asia Treaty Organisation (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 USA-sponsored Baghdad Pact (in 1958 its name was changed to CENTO) was signed between Iran, Iraq, Turkey, Pakistan and Britain to contain Soviet influence.

Following these developments, as shown by the USAID (2010c) data in Appendix II, the USA 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 (2010c) data (Appendix II

containing both USA economic and military aid in constant 2008 US\$ value) that between 1948 to 2008, Pakistan has been among the largest recipients of USA economic assistance. The data also illustrates that there are inconsistent trends of USA aid flows. There are intervals when Pakistan was among the largest USA aid recipients along with Israel, Egypt and Turkey. At other times, however, bilateral relations between the two countries have been quite tense and at a low ebb, hence the USA allocated meagre or no aid to Pakistan. This research explores the causes and consequences of these issues that have affected USA aid flows to Pakistan over different time periods.

Although studies have dealt with the USA-Pakistan relations during the Cold War period (Kux, 2001; Malik, 1990; Paul, 1992; Thornton, 1982; Wriggins, 1984) and also in the post-9/11 years (Cohen & Chollet, 2007; Huacuja, 2005; Tellis, 2005), they have not exclusively focused on the 'aid' aspect of the relationship. The USA-Pakistan relationship has been researched in a piecemeal fashion, addressing sporadic events and issues in the context of USA aid. At the same time, previous scholarship in the field has not focused on the 'allocation' and 'delivery' mechanisms of USA aid. Thus, to have a comprehensive analysis of the historical as well as contemporary USA 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, firstly, to explore the comparative record of USA official aid allocations to its closest allies over time. In addition, the overarching motivating factors in formulating and sustaining USA aid policies and programmes need to be explored. As such, the study investigates whether USA aid is purely motivated by geo-strategic, security and political interests or whether there are also considerations about poverty needs of aid recipients. Secondly, and importantly, there is a need to examine whether USA 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, and from a comparative perspective, there is a significant dearth of systematic empirical analysis of USA aid to the country.

The contribution of this study to the literature on aid allocation is, thus, distinctive for three reasons. First, it aims at exploring USA 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'. Second, the study examines USA foreign aid policies towards Pakistan from a comparative perspective, comparing and contrasting USA aid policies towards other important USA allies comprising Egypt, Israel and Turkey. The third distinctive feature of this study is to bridge the gap between the quantitative and qualitative scholarship on aid allocation. The aid allocation literature reviewed in the second chapter mainly focuses 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 USA aid

disbursement to Pakistan, the thesis draws upon both the universally comparable quantitative data and specific country-focused qualitative scholarship.

Regarding the second aspect of the USA-Pakistan aid relationship – delivery and utilization of USA aid in Pakistan – the contribution of this thesis 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, characterised by renewed geo-strategic goals of the USA 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 USA 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 PD partnership commitments are implemented in the actual course of development, and the key factors that constrain the actual application of these commitments at the country level. While the USA-Pakistan aid relationship forms the case study, this research also has broader implications for the donor-recipient relations in the post-PD landscape elsewhere. To unpack the complex and multidimensional nature of the aid landscape, this thesis addresses two principal research questions: one deals with the motivations behind the allocation of USA aid to Pakistan and the other relates to the delivery and utilization of USA aid on the ground.

1.5 Research questions

The two main research questions are:

What have been the predominant determinants of USA aid to Pakistan over time? Has the USA-Pakistan aid relationship shifted away from narrow geo-strategic concerns so dominant during the Cold War or is the current USA-Pakistan alliance in the ‘war on terror’ a continuation of the past?

To what extent have USAID and the Government of Pakistan (GoP) incorporated in their relationship the commitments made in the 2005 Paris Declaration on Aid Effectiveness that aim at enhancing ownership, alignment, harmonisation, results and mutual accountability between donors and partner countries?

The first question focuses on the overarching determinants behind USA foreign aid to Pakistan during three distinct periods: the Cold War, the post-Cold War of the 1990s and the 'war on terror' since 2001. The aim is to find linkages between USA official aid allocations and USA geo-strategic ambitions on the one hand and widely espoused international principles including developmental concerns such as poverty reduction as well as respect for democracy and human rights, on the other. For a comprehensive and more objective analysis, the study also examines the allocation of USA aid to three other important USA allies: Egypt, Israel and Turkey. To this end, the thesis explores the correlations between USA aid and the poverty levels of these aid recipients as well as the nexus between USA aid and geo-strategic significance of these comparators over time. Thus, the overall aim is to investigate to what extent the USA has adhered to the above principles by allocating aid to these countries on the basis of their poverty levels and needs, and to what extent it has given aid motivated by its own geo-strategic and security orientations.

While the first research question focuses on 'why' the USA gives aid, the second research question deals with 'how' the USA gives and utilises aid in Pakistan. Specifically, the focus is on the delivery and utilization of USA aid in Pakistan in the context of the 2005 Paris Declaration, under which both donors and aid recipients, including the USA and the Government of Pakistan (GoP) have committed to greater recipient country ownership. Hence, this thesis 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 USA foreign aid allocation policies with reference to perceived USA geo-strategic orientations and poverty needs of aid recipients as well as issues such as lack of democracy and human rights
- To examine the respective roles of the GoP and its institutions/departments and that of USAID in USA-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 USA aid allocations are investigated. To attain the second objective, primary and secondary data collected during the fieldwork in Pakistan in 2009 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.

1.6 Structure of the thesis

This chapter has briefly explored the origin and evolution of foreign aid and has introduced the broad context within which this research sits. The chapter has outlined the principal research questions and the aims and objectives of this study and has also argued for the significance of research on USA aid to Pakistan.

Chapter Two reviews literature on foreign aid and explores the overarching determinants of aid allocation over time. Key factors that influence and determine aid allocation from bilateral donors are discussed, comprising geo-strategic, political, security, cultural and trade and commercial interests. The aim is to examine the extent to which the allocation of development aid is motivated by this set of interests in comparison to moral obligations and humanitarian considerations. Based on the aid allocation criteria, this chapter also examines which bilateral donors give primary consideration to developmental objectives and needs of aid recipients and which ones prioritise their own foreign policy goals in the provision of aid.

Chapter Three elaborates on the methodology that I adopted for this research. The chapter explains the comparative or multiple-case method, which is employed by analysing USA aid policies towards the comparators. It also describes the single case study design, which is employed for answering the second research question concerning USA aid delivery and USAID projects in Pakistan within the Paris Declaration framework. This chapter also discusses the interview as a tool for the collection of primary data. Furthermore, issues related to research ethics and my fieldwork experience in Pakistan are also discussed here.

Addressing the first research question, Chapters Four and Five discuss findings regarding key determinants behind USA aid provision. Chapter Four deals specifically with the allocation of USA aid to the comparators from the perspective of their poverty levels and developmental needs. Focusing on the development status of the four aid recipients, this chapter examines the nexus between USA aid and development indicators of the recipients. The main aim is to investigate to what extent USA aid has been motivated by poverty levels and development goals. In addition, issues such as democracy and human rights and their linkages with USA foreign aid allocation are also appraised to the four selected countries.

Chapter Five examines USA official aid allocations from the perspective of geo-strategic dynamics. The role of geo-strategic motivations behind the provision of USA foreign aid to Pakistan as well as to Egypt, Israel and Turkey is investigated. The chapter clearly illustrates that USA aid allocation decisions have largely been driven by geo-strategic and security compulsions, not only during the Cold War but also in the so-called 'war on terror' period since 2001.

Chapter Six looks at the geographic and socio-economic standing of Pakistan as well as implications of the historical and contemporary USA-Pakistan alliance for the country. It provides a profile of the country and a discussion of the challenges Pakistan has been facing on both

external and internal fronts. The chapter also discusses the repercussions of the USA-Pakistan alliance during the Cold War and of the current USA-Pakistan aid relationship. This forms the background of the contemporary USA-Pakistan coalition in the 'war on terror', the result of which is greater engagement and closeness of the two countries, as well as substantial USA aid.

The second research question, which deals with the delivery of USA aid in Pakistan within the 2005 Paris Declaration framework, is addressed in Chapters Seven and Eight. Chapter Seven focuses on the background and emergence of the new aid paradigm and the PD. The PD partnership commitments are unpacked and their importance for aid effectiveness is also considered. Within the PD framework, which asks aid recipients to formulate holistic, comprehensive and long-term national development strategies, this chapter analyses and critiques key development plans of the GoP. The aim is to explore links and gaps between the new aid paradigm and development strategies devised by the GoP.

To answer the second research question concerning the delivery and utilization of USA aid within the PD framework, Chapter Eight examines USAID and GoP approaches and procedures in relation to the selection, design and execution of development projects in Pakistan. Within the PD parameters, the respective roles of different ministries and departments of the GoP and the role of USAID are uncovered in USA-funded projects. Based largely on primary data collected in Pakistan in 2009, the findings and analysis show that there still exists a considerable gap between what aid recipients and donors committed to in Paris in 2005 and what their actual practices have been. On the part of the GoP, factors such as lack of institutional capacity and corruption constrain the PD implementation. On behalf of the US, there is still a mismatch and disconnect between declared policies and actual development practices during the identification, selection and execution of projects. Overall, the findings indicate that due to these issues from both the GoP and USAID sides, the PD partnership commitments have not been practically implemented.

Chapter Nine discusses the main themes of the study concerning USA aid allocation (Chapters Four and Five) and delivery (Chapters Seven and Eight). It also reviews the contribution that the thesis makes to the body of knowledge regarding these two aspects of USA aid. This chapter also discusses what the USA geo-strategic and security interests in Pakistan currently are and how the USA has been using aid as an arm of foreign policy to accomplish those objectives. The chapter identifies future research areas and acknowledges limitations of this study. In the light of the research findings and key lessons drawn from the analysis and discussion, the research concludes by offering some recommendations towards implementing the PD commitments and enhancing the effectiveness of aid.

Chapter 2 The allocation of development assistance and self-interest of donors

2.1 Introduction

This chapter reviews literature on foreign aid and explores the central aspects and facets of aid allocation over time, up to the start of the so-called new aid paradigm in the late 1990s. In doing so, it takes the main research question a step further by examining the principal motives behind aid allocations by bilateral donors. These motivations, often multifaceted, range from geo-strategic, security, political, and trade to economic interests of donors. On this basis, the chapter explores to what extent the allocation of development aid is motivated by this set of interests vis-à-vis moral obligations and humanitarian considerations. The aid allocation criteria of different bilateral aid donors are also compared and contrasted to find the extent to which donors differ on the basis of their aid allocation trends and criteria. Thus, along with other major donors, the chapter specifically situates the USA as a bilateral aid donor which has mostly used development aid to further its geo-strategic, political and security interests.

2.2 Why give aid? Humanitarianism and donors' self-interest in the allocation of aid

Morgenthau (1962) remarked that foreign aid has become one of the most puzzling innovations in the practice of foreign policy. This is because since its origin in the form of the Marshall Plan and then throughout the Cold War period, aid was closely linked with and used as a foreign policy tool. Precisely 40 years later, Therien (2002, p. 449) has pointed out that “foreign aid is one of the most original political innovations of the twentieth century”. The idea of aid was novel in such a formal and institutional form because there was no precedent of such financial incentives between states to win each other's alliance and allegiance. This was first witnessed in the form of the Marshall Plan, and later became an institutionalised and constant factor in the relations between developed and developing countries.

As discussed in Chapter One, after the World War II, the USA launched the Marshall Plan for the reconstruction of Europe on the one hand, and for stopping the spread of communism on the other. It was followed by President Truman's Point Four Programme focusing on the same objectives: economic development as well as anti-communism. Hence, literature concerning the allocation of foreign aid has explored these aspects: humanitarian considerations and foreign policy goals, coupled with other interests of donors such as trade and commercial benefits. Historically speaking, the element of humanitarianism has never been absent in the practice of international co-operation, particularly during periods of crises, whether man-made political conflicts or natural calamities and disasters. Therefore, according to Abbott (1973), aid allocation has been justified on a humanitarian basis to those who lacked resources, particularly in times of disasters and emergencies such as earthquakes, fires, famines and floods. In the remainder of this chapter, all these motivations, ranging from humanitarian to geo-strategic, political, security

and trade to the past colonial links of bilateral donors and their significance in the allocation of aid are explored.

2.2.1 International aid and humanitarianism

There are a number of studies that view foreign aid in the context of moral and humanitarian considerations. Among the earlier works, Ohlin (1966, p. 14) elaborates the “international aid doctrine” and is of the view that it is the “obligation of the advanced countries to assist the poorer ones”. He holds the view that due to the extent of poverty and the inability of poor countries to overcome the challenges they face, industrialised and developed countries have a moral responsibility to help those in need. The author argues that the biggest proponents of this view are various affiliated bodies of the United Nations (UN) system such as the Food and Agriculture Organisation (FAO), World Health Organisation (WHO) and United Nations Educational, Scientific and Cultural Organisation (UNESCO). These organisations pledge in their policy or mission statements that they work for the betterment and progress of humanity irrespective of their creed, religion, race and language. For example, in its mission statement, UNESCO declares that its main aim is ‘to contribute to the building of peace, the eradication of poverty, sustainable development and intercultural dialogue through education, the sciences, culture, communication and information’ (UNESCO, 2010b).

In contrast to the mission statements of the UN organisations, aid agencies of bilateral donors make it clear that their aid programmes are designed to further their national interests along with human development. For example, according to the USAID mission statement, it (USAID) has ‘twofold purpose of furthering America’s foreign policy interests ... (and) ... improving the lives of the citizens of the developing world’ (USAID, 2010a). Similarly, Australian Agency for International Development (AusAID) states that ‘the objective of the aid program is to assist developing countries reduce poverty and achieve sustainable development, in line with Australia’s national interests’ (AusAID, 2010). The purpose of this discussion was to point out the difference between multilateral bodies of the UN and some of the bilateral aid organisations. While the former claim that their primary goal is to work for the well-being of humanity, the latter officially acknowledge that besides the welfare of the poor and the needy, they also serve and protect their own interests.

In 1969, the Pearson Report, prepared by a commission under the aegis of the World Bank, evaluated the role of international aid in the previous two decades. It assessed the results, pointed out the mistakes, and gave recommendations for aid’s future prospects on the basis of what had been learnt. The commission comprised of fourteen experts from different areas in the field of development and included representatives from both the developed and developing countries from the US, Europe, Asia, Latin America and Africa. The commission studied policy documents and reports and held meetings with government officials in developing countries such as Chile, Turkey, Pakistan, India and African countries. It also interacted with the officials of the UN agencies and other international organisations active in the area of development, such

as the OECD. Overall, the Pearson Report proposed several policy measures for the reformation of aid giving and stressed the need for more aid on humanitarian grounds and as a moral obligation. It was deemed necessary that to address the challenges facing the poor nations, the amount of aid needed to be increased substantially. Thus, one year after the publication of the Pearson report, the UN General Assembly (UNGA) passed a much heralded resolution and laid down strategy for the Second UN Development Decade. Passed in 1970, the UNGA Resolution 2626 asked all developed countries to increase ODA amount to 0.7 percent of their Gross National Product (GNP) by the middle of the decade (UNGA, 1970). The Resolution stated that:

Each economically advanced country will progressively increase its official development assistance to the developing countries and will exert its best efforts to reach a minimum net amount of 0.7 percent of its gross national product at market prices by the middle of the Decade (UNGA, 1970).

However, there were no major improvements in the aid practices and aid allocation criteria, as was documented by an influential report a decade later. The report by the Brandt Commission (1980), a comprehensive account of the issues related to international development prepared by the Independent Commission on International Development Issues, under the chairmanship of Willy Brandt, former Chancellor of West Germany, echoed similar views expressed in the Pearson Report a decade earlier. The report stated that one of the central aspects of the modern age was that people inhabit the same village called earth and all belong to the same community. Keeping in view this feature and sense of commonality, the report added that the North and South were closely interdependent and that the redistribution and transfer of resources to poor and underdeveloped countries would be beneficial for all in the long run.

More recent work treating aid from the perspectives of humanitarian and philanthropic considerations includes Lumsdaine (1993). The author claims that it is wrong to justify international aid solely on the basis of donors' perceived interests. He is of the view that most aid is given on the principles of ethics and morality and that other motives of donors are less significant. Lumsdaine states that "foreign aid cannot be explained on the basis of the economic and political interests of the donor countries alone" (1993, p. 29), and humanitarian and egalitarian considerations are at the centre of the majority of foreign assistance programmes. He questions the foreign policy view of aid or other donors' interests and challenges that to "show that a donor's aid served its self-interests, one must identify concrete benefits it received from the aid" (Lumsdaine, 1993, p. 82). Lumsdaine assumes that there is lack of correlation between aid and trade, which means that an alternative justification, particularly "moral vision" (p. 74) rationalises foreign aid allocation. According to Breuning (1994), Lumsdaine has made inferences on his case analysis and has consistently undervalued the significance of donors' self-interest in aid giving, without robust and empirically tested observations. In the context of moral case for aid and donors' interests, Riddell (1987) has taken a more appropriate and balanced approach not only in this book, but also in his 2007 publication. The author acknowledges the multifaceted nature of foreign aid guided by both, donors' self-interest and the

humanitarian needs of aid-receiving countries. He points out that most donor governments claim, either explicitly or implicitly, that they have a sort of moral responsibility or obligation to help the poor and the needy. However, Riddel (2007) is also quick to add that if such is the case, donors need to give more aid for humanitarian and poverty reduction goals and less for the advancement of their own strategic ambitions.

Discussing various dimensions of moral and ethical justifications and obligations of foreign aid, Opeskin (1996) argues that developed states and their citizens need to give far more aid than they give at present to reduce global inequalities. Hattori (2003) examines aid data from the OECD by focusing on the multilateral shares of aid and observes that aid from multilateral organisations or the donations of states to multilateral aid organisations, such as the United Nations Development Programme (UNDP) or the United Nations Children's Fund (UNICEF) takes into account humanitarian and developmental considerations. He noted that these multilateral bodies are different from most bilateral donors as the latter prioritise factors in the allocation of aid that are not primarily philanthropic. Regarding the element of humanitarianism in multilateral aid, Hattori argues that unlike bilateral donors, donors in the multilateral aid organisations mostly do not control where their money is going and recipients do not know about the original donors, such as donors within the UNDP or other UN agencies. That is why he asserts that this type of aid can be considered more philanthropic.

It can be assumed from the preceding discussion that there can be some instances, such as events of natural disasters or voluntary charity, which inspire aid on a moral and philanthropic basis. Similarly, aid from multilateral bodies, such as different organs of the UN, is largely aimed at development and is mostly free from self-interest of donors, unlike aid from major bilateral aid programmes. Even in the case of some bilateral donors, which I discuss in the later part of this chapter, moral obligations and developmental objectives are dominant features in the allocation of aid to developing countries.

2.2.2 Donors' self-interest in the allocation of development aid

This section focuses on the details of a number of key studies concerned with the allocation of aid during the Cold War period. This is important to explore aid allocation trends of bilateral donors during this period, as it covers about three decades and forms a critical part of the history of Pakistan and its alliance with the US, which is discussed in detail in the fourth and fifth chapters. Regarding aid allocation during this period, there is vast literature on the subject, mostly backed by robust empirical data and analysis, which shows that any programme on such a global scale cannot be attributed solely to moral justifications but to other intents pursued by donors. Thus, these studies negate a moral interpretation of foreign aid. Among the earlier critics of a moral interpretation of foreign aid was Bauer (1976) who opposed the ethical perspective on foreign aid. He was of the view that "foreign aid is taxpayer's money compulsorily collected; its outside the area of volition and choice" (Bauer, 1976, p. 126). He further explains that taxpayers

contribute to aid whether they like to or not and, in most cases they do not know about their contribution and how and by whom it is spent. Bauer makes a differentiation between government aid and voluntary charity and asserts that the latter can be directed to the needs of the specific communities or groups but the former is mostly not. He also maintains that the trade and commercial interests of major donors undermine the effective utilization of aid in developing countries.

The practices of aid agencies and the aid allocation criteria of bilateral donors did not improve much in the 1980s as was documented by Hancock (1989) in his highly critical book on the aid industry. A former aid worker and an insider of the aid business, Hancock (1989) highlights numerous shortcomings of the aid industry and asserts that a significant proportion of the foreign aid budget underwrites the luxurious lifestyle and perks and privileges of so-called development professionals. Unlike other works cited in the previous section where the multilaterals were seen as much better, Hancock (1989) claims that more than 80 percent of all the money channelling through the UN system is spent on its more than 50,000 staff. He adds that aid actually reaching the recipients is often siphoned off in corrupt payments to local officials, and the proliferation of national and multinational aid agencies engenders competition rather than cooperation in the provision of assistance to developing states.

Keeping in view the past and prevailing aid policies and practices of most bilateral donors, it seems difficult to contextualise and justify foreign aid on moral grounds alone. Hattori (2003) argues that purely ethical justification for foreign aid has largely been rejected by scholars of international relations and foreign policy analysts due to the fact that foreign aid was mainly used as a strategic tool during the Cold War. By citing the adage that “there is no such thing as a free lunch” (p. 1), Riddell (2007) acknowledges that nothing is free and that an ethical justification is insufficient to account for every practice of aid giving. Even 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 other motives besides egalitarianism. The motives and interests of the developed countries vary broadly but largely relate to trade, political, strategic and security concerns. Different bilateral donors prioritise 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 different bilateral donors take these factors into account and to what extent they address the developmental needs of recipients while allocating aid, is discussed below.

One dominant perspective on official aid views international aid from major bilateral donors in the context of their foreign policies. The early studies undertaken by McKinlay (1978, 1979) and McKinlay and Little (1977; 1978a; 1978b, 1979) examined the US, British, French, and German foreign aid allocations over the years 1960-70 from the perspective of foreign policies of these donors and the humanitarian and developmental needs of aid recipients. They developed a systematic humanitarian needs model of aid and a foreign policy model of aid and tested them

against annual foreign aid disbursement from these donors. Regarding the humanitarian model of aid allocation from each of these donors, the authors used per capita aid received as a dependent variable and the independent variables are grouped into two categories. One included the welfare needs of the countries receiving aid, such as per capita Gross Domestic Product (GDP), per capita calorie consumption, and the number of doctors per 100,000 population, and the other comprised of the economic performance of the recipients, such as size of international liquidity as a percentage of imports and the rate of growth of GDP. Regarding the poverty status of recipients and their needs, the authors employed the above variables, mainly per capita GDP on the grounds that:

In the context of aid, the best single indicators of relative need are population and per capita GDP. As population increases and per capita GDP declines, the relative need for aid rises. If two countries receive identical amounts of aid... but one has a larger population and lower per capita GDP, then some preference is being shown toward the smaller, wealthier country in the sense that its relative needs for aid are lower (McKinlay & Little, 1977, p. 66).

McKinlay and Little used the statistical model of multiple linear regression and found negative relationships between per capita aid and most variables indicating welfare needs and economic performance. Thus, McKinlay and Little illustrated that if allocated according to developmental needs, aid should have been proportional to the needs of recipients, which in these cases was not so. For testing the foreign policy model of aid, the authors included different factors and categorised these into five main groups comprising donors' (i) trade interests, (ii) security interests, (iii) power political interests, (iv) development and performance interests, and (v) political stability and democracy interests. To quantify these into measureable units, for example donors' trade interests, the authors used recipients' gross value of exports to and imports from donors. Variables quantifying security interests were donors' security ties comprising the presence or absence of bilateral defence treaty or pact, military base (where absence is equal to 0 and presence is counted 1), military assistance and arms sales. Besides this, security interests of these major Western bilateral donors (US, UK, France and Germany) were also measured by keeping in view factors such as trade and security relations of the recipients with the Communist bloc. This consisted of exports to and imports from the Communist bloc, and bilateral defence treaty, military assistance and arms sales. Similarly, for quantifying power political interests of donors, McKinlay and Little used variables including total population, GDP, expenditure on and size of the armed forces, military expenditure as a percentage of GDP and the ratio of manpower per 10,000 population. The variables operationalising development and performance interests included per capita GDP, rate of the growth of GDP, ratio of the manufacturing sector as a percentage of GDP, size of the mining sector as a percentage of GDP and the net balance of private investment. The authors employed development and performance variables on the basis that aid allocated to countries with inadequate investment policies and mechanisms may be wasted. Alternatively, recipients having "higher levels of economic development and better levels of performance are more stable economically. Greater economic stability provides the

basis from which other donor interests (such as trade or investment) may develop” (McKinlay, 1979, p. 417). For quantifying donors’ political stability and democratic interests, McKinlay and Little utilized variables comprising party bans, central assembly bans, number of central executive changes, number of military coups ad period under military dictators. Testing all these variables by running multiple regressions, they found that there were some differences in the types of interests the US, UK, France and Germany pursued. Overall, “the aid relationships of each of the four major Western donors are compatible with the foreign policy interpretation of aid” (McKinlay, 1979, p. 452).

The above analysis shows that during the 1960s and 70s, these four major Western donors used aid more as a foreign policy tool to achieve their respective interests. During these years and the continuing Cold War period, foreign assistance of major donors was motivated by strategic and security concerns. Depicting the Cold War scenario as a competition between two main competitors: the USA and the Communist Bloc, Beim (1964) asserts that each player was trying its best to enhance and expand its influence over those who were not an active part of the game, such as those new states who had won independence during the 1950s and 1960s in Asia, the Middle East, Africa and Latin America. Raffer and Singer (1996, p. 58) state that throughout this period, “development aid was inseparably connected to the policies of the bipolar world”. One superpower was vying to increase its sphere of influence, the other was trying to contain the former’s and enhance its own influence through different means including foreign aid.

Like the above studies of McKinlay, and McKinlay and Little, numerous scholars have investigated and assessed motivations of bilateral donors for aid allocations at different times employing different variables vis-à-vis aid flows. Using recipients’ need and donors’ interest models, Maizels and Nissanke (1984) have evaluated aid data for 80 developing countries for two periods: 1969-70 and 1978-80. The focus of their research was the major bilateral donors examined by McKinlay and Little, plus Japan. In agreement to the earlier studies discussed above regarding the variable or factor of population size in determining aid, Maizels and Nissanke also asserted that “population size can legitimately be taken to represent recipient need, since larger developing countries can be said to require more foreign aid than smaller countries at the same level of development”. At the same time, they also held the view that population of a recipient country could be fitted into the donors’ interest model, as was considered by McKinlay and Little, along with other variables. To put it in their words:

It can also legitimately be argued that population size, as an indicator of the potential economic, political or military power of a country is very much a donor interest variable, since donors will wish to strengthen ties with large, or potentially powerful, developing countries so as to augment their regional, or global, political influence (Maizels & Nissanke, 1984, p. 881).

They maintained that this variable (population size) could create some confusion and could lead to misinterpretation of the results. In order to avoid this, these authors used the value of aid per head of the population of the recipients as the variable to be analysed. To interpret recipients' need model, Maizels and Nissanke concurred that per capita GDP was usually used as an indicator of the countries' need for foreign assistance. However, they argued that it was not a real but a crude indicator of the needs and that averages of per capita GDP for different countries generally hide different proportions of the population below the poverty line. To counterbalance this, this study also used the Physical Quality of Life Index (PQLI) comprising basic social needs, such as life expectancy at birth, infant mortality and literacy. To construct donors' interest model, these authors utilized a slightly different set of categories including (i) political and security interests, (ii) investment interests, and (iii) trade interests. To operationalise these interests, variables were used including arms sale, a kind of military or political alliance or association, foreign direct investment (FDI) of the donors' trans-national corporations in low-income countries, and markets for exports or sources of imports in the recipient countries. Employing cross-country multiple regressions, like the earlier findings of McKinlay and Little for the years 1960-1970, the new results also substantiated that "bilateral aid allocations are made largely (for some donors) or solely (for others) in support of donors' perceived foreign economic, political and security interests" (Maizels & Nissanke, 1984, p. 891).

Mosley (1985) developed an Aid Quality Index (AQI) using four components or indicators, including the proportion of donors' aid to Least Developed Countries (LLDC), to agriculture and social infrastructure, the share of untied aid and the proportion of grant element in donors' total aid. For every bilateral donor, the value of the aid quality index in any given year is the arithmetic mean of these four indicators. On the basis of this, the author examined aid quality and performance of the OECD donors for the years 1961-1979. Mosley's results showed that there were some good performers like Norway and Sweden, which scored high according to AQI, indicating that these donors gave most aid according to the four indicators mentioned above. However, as the author has shown, majority of larger bilateral donors such as the US, UK, and France, scored quite low, which implies that these donors allocated aid keeping in view their own interests.

Like the studies discussed above, McGillivray (1989) used another econometric model to examine the aid giving criteria of the DAC donors for the period 1969-1984 for a sample of 85 recipient countries. The author called it income-weighted per capita aid index: based on per capita net disbursements of ODA to recipient states. On the basis of this, he measured the aid allocation performance of donors. In this study, those donors scored high who gave more aid to recipients on the basis of their (recipients') needs. Here, per capita income was used as an indicator of the development needs of recipient countries. According to McGillivray (1989, p. 563), "it is assumed that the lower a country's per capita income, the greater its need for aid". Besides this, the author argued that population size was also an important factor concerning a country's need for aid. This is because a highly populated recipient country requires more aid

than a less populated having similar per capita income and poverty levels. He showed that Denmark and Norway were exceptional performers allocating most aid to address the developmental objectives and needs of the recipients while donors including as the US, France, Germany, Italy, Austria, and New Zealand gave more importance to political, strategic, commercial and traditional ties in the allocation of official aid.

In most of these works on aid allocation, the focus has been either on a group of donors or all the OECD donors. Some studies have focused on specific donors and recipients. For example, Tsoutsoplides (1991) has examined the European Community (EC) aid to 62 recipient governments for the 1975-1980 period. Here, the focus was not all the OECD donors but a specific donor community. In doing so, the author used two alternative models: one explained the EC's pattern of aid allocation addressing the needs of the recipients, and the other looked at the interests of the EC. The first model was constructed by employing variables such as GDP per capita, PQLI, deficit of balance-of-payments, GDP growth rate and population size. The second model used variables that assessed the interests of the EC, which were categorised as commercial, investment and political. These interests were operationalised by using variables such as imports of the EC from low-income countries, FDI of the EC in these countries and military presence of an EC state respectively. The author used a multiple linear regression to assess the aid allocation criteria of the EC and the results showed that bilateral aid distributed by the EC member states has been motivated to a greater extent by their export interests, while the EC as a donor itself was more focused on recipients' basic developmental needs. Grilli and Riess (1992) also substantiated these findings that most bilateral European Commission aid to associated developing countries was motivated by trade and commercial interests of the EC member states³. As all the works cited above illustrate, different interests of donors play an important role in the allocation of aid. It does mean that all aid is solely motivated by donors' interests, but that donors' self-interest is an important variable in their bilateral aid programmes, cannot be denied.

Like the above-cited work of Grilli and Riess, which focused on a specific group of recipients, Schraeder, Hook and Taylor (1998) examined aid to African countries in the 1980s, from France, Japan, Sweden, and the US. These donors were selected for analysis because they were recognised as major foreign aid players within the African context. The African continent was chosen because it is quite diverse and consists of a large number of countries. Schraeder, Hook and Taylor took various factors into account, such as moral and humanitarian considerations; geo-strategic significance; economic potential; ideological stance; cultural affiliation; and physical location of recipients. In this work, gross ODA (expressed as a percentage of the recipients' GNP) from the US, France, Japan, and Sweden was treated as the dependent variable. This variable was analysed against the above-mentioned factors. Foreign aid policies

³ Associated developing countries are those independent states of Africa, the Caribbean and Pacific tied to the EC by the Yaounde Convention of 1963 and the Lome Convention of 1975. They are also referred to as African, the Caribbean and Pacific states (ACPs) (Grilli & Riess, 1992).

of these donors were shown to be multifaceted and complex as they varied greatly to accomplish different objectives. In terms of specific donors, Schraeder, Hook and Taylor found that during the 1980s, USA official aid to Africa was driven by strategic and ideological interests associated with the Cold War, while Japan's economic self-interest were the principal determinants in its aid to the region. In the case of Sweden, the common perception that Swedish aid has strong correlations with the humanitarian needs of recipient countries has been challenged. It has been pointed out in this work that there was a positive relationship between Swedish aid flows and trade with recipient countries, which indicated that trade and commercial interests also influenced Swedish aid flows to Africa in the 1980s. In the case of France, this study found that throughout this decade, former French colonies were favoured, as they received more than 80 percent of French annual aid for Africa. In general, Schraeder, Hook and Taylor insisted that humanitarian considerations were rarely prioritised by these donors and concluded that their findings "clearly reject the rhetorical statements of policy makers within the industrialized North who publicly assert that foreign aid is an altruistic tool of foreign policy" (Schraeder et al., 1998, p. 319).

All the studies discussed so far in this section have found strong links between donors' aid and their perceived geo-strategic, security and commercial interests. Whether it is a group of different donors or a single donor; and whether the focus is Africa or other region, such as the Middle East and Asia, foreign aid has largely been used by developed states to further their interests. For example, McGillivray and Oczkowski (1992) analysed the British bilateral aid allocation for the years 1980-1987. They focused on two dimensions: the eligibility of developing countries for aid, and the amount of aid eligible countries were allocated. They hypothesised that British bilateral aid eligibility and amount decisions were based on Britain's humanitarian, commercial and political interests in the countries receiving British aid. Here, absolute aid commitment was the dependent variable. Like the majority of studies cited earlier, GNP per capita and population size were used to determine the countries' eligibility for foreign assistance. For commercial interests, Britain's exports to aid recipients were used. To measure political and strategic significance of the recipients, variables included British arms sales and Commonwealth membership. McGillivray and Oczkowski illustrated that the recipients' eligibility for British aid and the amounts they received during these years were influenced by a variety of indicators, such as commercial and political interests in developing countries. However, they found that the dominant trend was towards the Commonwealth member nations in terms of both eligibility and amount determination, which meant that along with political and commercial interests, Commonwealth member countries were favoured in British aid allocation during the years 1980-1987.

Most scholarship on the aid allocation has reinforced the assumption that from its inception and then throughout the Cold War period, the majority of donors manipulated foreign aid as a foreign policy instrument. Some developing countries have been getting most aid from a number of bilateral donors not because of their acute poverty, but because of their past colonial history

and/or geo-strategic and political significance. Round and Odedokun (2003) show that during 1970-2000, over 70 percent of bilateral aid from the UK and France has been targeted to their former colonies. They also point out that the USA has allocated one-third of its aid to its strategic allies including Israel, Egypt and Jordan in the previous two decades. All this does not mean that these countries were given more aid on the basis of their humanitarian and developmental needs, but more so because of their geo-strategic, security and political significance for the US. I examine in some detail in Chapters Four and Five how USA bilateral aid flows are more influenced by realpolitik, rather than humanitarian and poverty considerations.

2.3 The end of the Cold War and new themes and issues in aid allocation

It can be inferred from the preceding discussion that during the Cold War period, most bilateral donors continued to prioritise their own interests in the allocation of aid. The Cold War came to an end with the collapse of the USSR and it was felt, somewhat idealistically, that there would be no more rationale for aid to be used as a strategic tool. Indeed, as the threat of communism vanished, so did the geo-political rationale for overseas aid to many developing countries, and consequently the overall aid flows decreased sharply in the 1990s (Crawford, 2001; Raffer, 1999; Slater & Bell, 2004; Therien & Lloyd, 2000).

During the post-Cold War decade of the 1990s, donors started to focus on a new set of issues, such as democratisation, good governance, human rights, control of corruption, misuse of power and authority, the rule of law, and poverty alleviation (Crawford, 2001; Dollar & Levin, 2006; Neumayer, 2003c; Raffer, 1999). It is interesting to recall that during most of the Cold War period, all these issues were rarely commented on 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 throughout these years. However, as mentioned earlier, due to the Cold War compulsions, major bilateral donors generally overlooked these issues and pursued their own ideological and geo-strategic goals. In the 1990s, the consensus emerged that aid would be more effective if given to countries who make good use of it. The World Bank, in its 1998 report on the assessment of aid, emphasised that foreign aid can be more effective if coupled with stable macroeconomic environments, open trade regimes, efficient public bureaucracies and institutions that can deliver education, health, and other public services (World Bank, 1998). In this context, the question of motivation was whether recipients fulfilled these criteria to be eligible for ODA and whether most donors really gave aid to those who deserved it: on the basis of their needs or because they had good institution in place to utilise aid effectively. The answer, discussed below, is less than satisfactory.

During this period, studies pertaining to the allocation of aid from donors started focusing on policy issues. The widely-cited study of Burnside and Dollar (2000) examined the correlations among aid, good policies and economic growth. The authors made a distinction between good and bad policies by employing variables, such as trade openness, inflation, and frequency of assassinations (to measure civil unrest). Based on these, percentage of annual per capital GDP growth was measured for 56 countries to find whether good or bad policies affected this variable. Burnside and Dollar showed that aid had “a more positive impact on growth in good policy environments” (p. 864). However, their analysis also showed that most bilateral donors still gave more importance to their strategic interests in the allocation of aid and usually did not take into consideration the quality of recipient countries’ economic policies.

Similarly, by developing a poverty-efficient aid allocation model, Collier and Dollar (2001, 2002) suggest that if allocated efficiently, the efficiency and productivity of aid could be doubled in reducing poverty. They used the World Bank Country Policy and Institutional Assessment (CPIA) framework, which rates countries against a set of criteria comprising economic management, structural policies, policies concerning social inclusion and equity, and public sector management and institutions. These authors argued that aid can be more effective if given to countries with macro-economic policies characterised by stability, openness of trade, the rule of law and transparency. Despite this, however, practically most bilateral donors pursued their own politico-strategic, security, and commercial interests while allocating aid, and continued to ignore issues, such as transparency, accountability, good governance, democracy and human rights in recipient countries (Alesina & Weder, 2000; Arvin et al., 2002; Knack, 2004; Neumayer, 2003a; Zanger, 2000).

In order to examine whether some changes have taken place in the behaviour and policies of donors, Alesina and Dollar (2000) examined the OECD aid data for 1970-1994 covering a wide range of bilateral donors. They stated their main purpose was to explain the “behaviour of bilateral donors - in the aggregate and individually - on the basis of recipients’ poverty, the quality of their institutions and policy, and variables capturing the strategic interests of donors” (p. 35). There is a major distinction between their analysis of donors and the earlier works. Here, the authors focused on three main aspects, including the recipients’ needs, the quality of their policies, and donors’ strategic interests. Unlike most previous studies, these authors measured donor strategic interests by employing a different variable, using records of the UN voting patterns. For each pair of donor and recipient, they calculated the correlation of their voting records in the general assembly and used this as an index of each donor’s friendship with the recipient. Overall, like the existing dominant rationale for aid allocation, Alesina and Dollar also substantiated that political and strategic considerations were more important for most donors and that “bilateral aid has only a weak association with poverty, democracy, and good policy” (p. 55).

There are other studies which throw considerable light on the politics of aid allocation and recent priorities and interests of bilateral donors. One such work is by McGillivray, Leavy, and White (2002) for major donors including the US, UK, Japan and France for the 1977-1997 period. The authors argue that they chose these donors because both the USA and Japan provide the largest amount of aid, and UK and France have long colonial links with many developing states. They focused on three main objectives of foreign aid giving: humanitarian, commercial and political. McGillivray, Leavy, and White found that these donors did not follow a systematic aid allocation mechanism but took into account their own interests often in contradiction with developmental aims. Their analysis illustrates that during the period under consideration, France was the best performer while the USA was the worst, allocating a huge share of ODA to strategic allies including Israel and Egypt.

Focusing on the allocation of aid in the 1980s and 1990s, Berthe´lemy and Tichit (2003) explored whether donors' aid allocation criteria have changed after the end of the Cold War or not. Their study examined 22 donors of the OECD and 137 recipient countries. They employed indicators including aggregate growth rate, FDI received, GDP per capita, gross primary school enrolment, infant mortality rate and civil and political liberty. For donors' commercial interests, trade, both import and export between the recipient and the donor expressed as percentage of the donors' GDP, was employed. Berthe´lemy and Tichit demonstrated that there was a positive correlation between donors' interests and their aid allocation in the 1980s, although there were some variations among donors. These authors pointed out that unlike the 1980s, aid in the 1990s was influenced more by donors' commercial interests and less by political and colonial links. They also added that during the 1990s, countries with democratic institutions and having good policies received more aid from the donor community. This analysis could be true in general, but it could be contradicted in the case of USA aid to Pakistan during this period. In the 1990s, the USA gave negligible aid to Pakistan despite the fact that there were democratic regimes. These idiosyncrasies of donors, particularly of the US, are examined in detail in Chapters Four and Five as this is one of the central aspects of this thesis.

Berthe´lemy, (2004, 2006) also examined aid disbursement from of both bilateral and multilateral donors and compared donors among themselves on the basis of their aid allocations. The author claims to have used the largest and most comprehensive available data for examining motivations behind aid provision. He investigated aid from 22 donors of the DAC of the OECD to 137 recipients for the years 1980-1999. Using aid flows in constant 1985 US \$, the author employed variables such as former colonial links of Belgium, France, Portugal, Spain and the UK and dummy variables for USA-Egypt, USA-Israel and USA-Latin American countries' aid relations. For measuring trade and commercial interests, this study used net export to recipient countries as a percentage of the donors' GDP. To estimate needs of recipients, like a number of earlier studies, the author has used per capita income because 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" (Berthe´lemy, 2006, p. 184). Besides this, Berthe´lemy has also tried other socio-economic variables, such as

life expectancy at birth, child mortality, literacy rate, and school enrolment ratios. For testing the governance factor, this study has used civil liberty and political freedom evaluation from Freedom House along with other variables related to governance such as the occurrence of conflicts: both internal and interstate. Besides these variables, the author has utilized data on military expenditures as a share of GDP, and aid from other bilateral as well as multilateral donors. Berthe'lemy's findings showed that donors such as Switzerland, Austria, Ireland and most Nordic countries were among the most altruistic, giving aid based on recipients' needs. On the other hand, Australia, France, Italy, Japan and the USA were noticed to be among the most egoistic, linking aid to their own interests. However, the author substantiated the earlier findings of Berthe'lemy and Tichit (2003) that along with trade interests, donors also rewarded recipients with better governance indicators, such as democracy.

Canavire, Nunnenkamp, Thiele and Triveño (2006) compared the aid allocation behaviour of bilateral donors with that of multilateral donors for the years 1999-2002. Their study also examined the widespread perception noted in section 2.2.1 that the latter are superior due to a stronger orientation towards poverty concerns. Furthermore, they also assessed nine major bilateral donors individually to account for differences with regard to the relative importance of selfish and altruistic motivations of aid. The authors used these terms respectively for donors who gave aid for humanitarian purposes and those who pursued self-interest. Like the early research, this work also focused on both donors' interests and recipients' needs. Bilateral exports of donors to recipients, expressed as a percentage of total donor exports was used to measure donors' commercial interests. Donors' political and strategic interest was represented by colonial links for France, the Netherlands, and the UK, plus a dummy that reflected the special relationships of the USA with Egypt and Israel. Like most previous studies, GDP per capita was used as an indicator of humanitarian need. Among the various available governance indicators, these authors chose the World Bank's CPIA, again the indicator that has figured prominently in recent discussions about aid allocation such as Collier and Dollar (2001). On the basis of their analysis, Canavire et al. (2006) asserted that some donors were more altruistic in aid allocation but donors like Australia, France, Italy, Japan and the USA largely pursued their trade and geo-strategic goals. They also pointed out that export interests have influenced the aid allocation of donors often regarded as altruistic, except the Netherlands and Sweden.

From these studies, it can be concluded that both during as well as after the Cold War, the majority of bilateral donors have continued to use aid largely as a strategic and political tool to pursue their foreign policy goals. Besides the OECD donors, other non-traditional donors have also employed aid for politico-strategic objectives. In his analysis of Arab bilateral aid donors and multilateral aid agencies from 1974-1997, Neumayer (2003d) found that they followed similar trends in their aid policies. He showed these donors gave more aid to governments having no diplomatic relations with Israel and having similar voting patterns with Saudi Arabia in the UN General Assembly. Thus, the overall aid allocation literature has clearly shown that the overarching determinants of aid provision from most bilateral aid donors continue to be their own

interests. Chapters Four and Five focus specifically on the allocation of USA aid to Pakistan and other key USA strategic partners from 1948 to 2008.

2.4 Tied aid and donors' trade and commercial interests

As noted in the previous section, a number of bilateral donors have continued pursuing multiple interests in the allocation of foreign aid, including trade and commercial benefits. An important aspect linked to donors' interests in the provision of foreign assistance is the issue of tied aid. In order to promote trade and commercial interests of domestic industries and business lobbies and firms, some bilateral donors (such as the USA) tie their aid to the procurement of goods and services. 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 to 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.

The available evidence indicates that at times bilateral donors make it mandatory for their aid recipients to use a ratio of the allocated assistance for the purchase of goods and services. For instance, the USA 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 USA-produced items (Hoy, 1998). Section 604 of the USA Foreign Assistance Act of 1961, sometimes referred to as the 'Buy America' stipulation, restricts the consumption of USA assistance outside USA markets (US Government, 2003). The act concerning the procurement of goods and services ensures that maximum USA aid funds be spent on USA made commodities and employ USA citizens in USA-funded interventions. Besides this, Section 604 also states that all goods must be shipped through USA freight companies. A report by Action Aid Alliance (2003), a network of international non-governmental organisations, mentions that despite having signed up to international agreements and commitments on untying, the USA maintains a dogged behaviour on the issue of tied aid. The report states that the USA does not provide data to the OECD on the tied status of its aid. It adds that the latest available figures reported to the DAC are from 1996, where the figures showed that an estimated 71.6 percent of USA bilateral aid commitments were tied to the purchase of USA goods and services. According to the same report, the USA was at the forefront in the OECD to exempt food and technical assistance from tying policy. Concerning USA 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 USA wheat aid to Pakistan in USA 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 the USA vessels.

To overcome the challenge of tied aid, several steps have been taken by the international aid community. Among these initiatives was the 2001 DAC Recommendations on Untying ODA to the Least Developed Countries (LLDC), which was agreed upon by all the OECD donors in 2002. The 2005 PD has renewed this commitment by stating that “DAC donor will continue to make progress on untying as encouraged by the 2001 DAC Recommendation on Untying Official Development Assistance to the Least Developed Countries” (Paris Declaration on Aid Effectiveness, 2005, p. 6). However, despite these commitments and pledges, Riddell (2007, p. 99) claims that “more than 70 per cent of United States ODA to the LLDCs remains tied”. He states that for more than half of their ODA, the OECD donors neither report nor declare the share of aid which is tied or untied. It can be inferred from the whole analysis and discussion that different bilateral donors have continued to extract commercial benefits from their aid programmes in one way or the other.

2.5 Are some bilateral donors different than others? A comparison of different donors

As discussed throughout this chapter, there are a range of factors that play a varying role in the allocation of aid decision-making in donor countries. If some bilateral donors give preference to their former colonies, for others, trade can be a motivating factor in different recipient countries. However, all bilateral donors are not motivated solely by self-interest. There are examples of certain donors whose foreign aid policies are largely apolitical and are mostly guided by humanitarian considerations. Donors like Canada, the Netherlands and the Nordic Countries (Norway, Denmark, Sweden and Finland) are considered to be distinct from the larger donors (US, UK, Japan, France and Germany). It is argued that these donors are unique because their aid policies are motivated largely by philanthropic and developmental concerns (Browne, 1999, 2006; Burnell, 2002; Mosley, 1985, 1987). These donors give a higher share of their ODA to the poorest countries. Unlike the larger donors, strategic, political or commercial interests do not influence their aid policies to the same extent. It does not mean that they are completely free from any kind of self-interest; they are, however, not influenced by these features to the extent of their larger counterparts.

Rao (1997) compares the DAC donors among themselves on the basis of the scale of their economic assistance and how fairly it is allocated among recipients according to their needs. The author examines the OECD aid data between 1970 and 1993 for a large number of recipients. GNP per capita and population of the richest and poorest recipients are taken into account, along with the amount of aid each donor has allocated to these recipients. Based on this, Rao illustrates who give more aid to the poorest recipients. The author finds that the most generous donors in terms of ODA as a proportion of their GDP, such as the Netherlands and Nordic countries, were also the most transparent in allocating their aid to the poorest recipients.

On the other hand, some larger bilateral donors, including the US, were ranked the lowest concerning its performance according to Rao's model of scale and equity of the donors.

In their contemporary evaluation of the aid policies and programmes of the Nordic countries, Gates and Hoeffler (2004) have highlighted various aspects of these donors that make them distinctive from other bilateral donors. They substantiate the earlier findings that Nordic donors are exceptional who give a higher share of aid to the poorest nations of the Sub-Saharan Africa. They affirm that unlike other donors who proclaim one thing and practice contrary to it, Nordic countries virtually follow what they announce. For instance, these donors give more aid to democracies and to recipients with good human rights record, such as in the context of Africa, aid to Tanzania, Zambia and Mozambique (Gates & Hoeffler, 2004). Similarly, none of the Nordic donors provides more aid to political allies nor do they prioritize geo-political self-interest over the needs of recipients. Likewise, most Nordic donors, including Norway, Denmark and Sweden are among the few countries that have fulfilled the UN target of giving at least 0.7 percent of their GNP as ODA (Baulch, 2003; Gupta, Pattillo, & Wagh, 2006). Given these features of the Nordic donors in terms of their bilateral aid allocation policies, they can rightly be considered role models for other bilateral aid donors, particularly for the larger ones.

2.6 Conclusion and summary

This chapter has explored the main motivations and criteria of aid allocations for a host of aid donors. It has shown that different authors have used different models employing a range of variables to assess aid allocation trends of different bilateral donors. The chapter has clearly illustrated that both during and after the Cold War, and irrespective of the types of variables used and analyses carried out, geo-strategic, political, security, trade and economic interests have been the predominant determinants of most aid allocation, particularly from larger bilateral donors. Most donors have deployed aid as a tool to achieve different self-interest. The bulk of the available evidence indicates that by and large there is a weak correlation between what the majority of donors say and what they practice in terms of aid allocation. It is evident from their aid allocation policies, especially of the larger OECD donors, that humanitarian and developmental needs of recipients are secondary and donors' own interests are primary drivers. However, bilateral aid programmes of some donors, particularly of the Nordic donors, are largely guided by developmental objectives as they primarily address the developmental needs of recipients and provide a normative model for others.

This chapter has served two important functions. First, it has explored and discussed a range of approaches and econometric models from literature that have been used to examine aid allocation criteria of bilateral donors. Similarly, it tells us about the types of indicators and variables that are critical for aid analysis and that have been operationalised for examining aid allocation decisions of bilateral donors. This provides a useful basis for developing a model to investigate specifically the allocation of USA aid to Pakistan and the other selected USA allies over the 1948-2008 period. Second, though the aid allocation literature is rich in its treatment of

rigorous econometric analysis concerning major determinants of aid, it lacks comprehensive and in-depth case study analysis. The quantitative scholarship has examined historical and contemporary aid allocation criteria of different donors but it has not endeavoured to add greater vitality and meaning to the statistical data by means of qualitative analysis. Thus, particular country contexts and complexities are missing in the literature on aid allocation. In the light of the methodologies identified and discussed in this literature review, the next chapter elaborates on the methodology that I adopted to investigate the main research questions concerning the USA aid allocation and delivery to Pakistan. I argue that for an in-depth analysis and understanding of the ebb and flow of USA aid to Pakistan, unlike the literature on aid allocation reviewed in this chapter, this thesis utilises an empirical analysis coupled with detailed and specific country-focused scholarship.

Chapter 3 Research methodology and fieldwork in Pakistan

3.1 Introduction

The aim of this chapter is to discuss the methodology adopted for this research. The selection and appropriateness of a particular methodology depends on the type of research problem addressed by the researcher. This thesis deals with two principal research issues: firstly, it examines the primary determinants of USA aid allocations to Pakistan from a comparative perspective (also involving the analysis of USA official aid to Egypt, Israel and Turkey). Secondly, the study focuses on the delivery and utilization of USA aid in Pakistan, exploring the respective roles of GoP institutions and USAID in USA-funded development projects within the 2005 PD framework. To address the first question, the comparative or multiple-case method is employed by analysing quantitative data, coupled with qualitative material. Thus, this chapter first discusses comparative method, largely drawn from comparative politics. Then, advantages of the comparative perspective are discussed, including its ability to broaden, improve and sharpen our understanding and skills as well as to lend objectivity and neutrality to the subject matter. In doing so, I discuss comparative politics in general and why and how the comparative approach is adopted in this study. This is followed by a description of quantitative data that is analysed in the fourth and fifth chapters. To answer the second research question concerning USA 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. Furthermore, I discuss research ethics and issues that arose during the course of this study and how they were handled, particularly during field data collection in Pakistan.

3.2 Research design: mixed methods research

Research that combines 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 USA 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 adopted elements of two methodological approaches consisting of the comparative or multiple-case method (Egypt, Israel, Pakistan and Turkey) and the single case study method (Pakistan), utilising both quantitative and qualitative data. Before discussing these two kinds of methods and data, the comparative or multiple-case method, its modus operandi and its merits and limitations are considered.

3.3 Comparison, comparative/multiple-case method and its units

Comparison entails the investigation and classification of two or more units on the basis of similarities and differences (Sigelman & Gadbois Jr, 1983). Depending upon the focus and aim of the researcher, there are different elements or units of analysis in the comparative method. These components range from institutions to cities, regions, provinces, and states of a country to cross-national comparisons. The level and scale of comparisons may either be small or broad, within a single state or on a cross-national basis (Stoker, 1995). It could be among countries and nations or smaller-scale sub-national units such as individuals or groups in these countries (Hopkins & Wallerstein, 1967). It is generally argued that the principal element of analysis of comparative politics is country rather than regions or the world as a whole (Hague & Harrop, 2004). Munck and Synder (2007) also assert that comparative politics mostly focuses on a single region and the unit of analysis is country.

In line with these observations, this thesis treats and analyses countries - Egypt, Israel, Pakistan and Turkey - as units of investigation. Each country is considered as a single component or element in the comparative analysis of USA official aid policies. Page (1990) has emphasised that comparison should be made in a highly systematic manner, using a clear research design and relevant comparable data. Due to the availability of universally standardised data and politically relevant concepts, systematic cross-national comparison has become relatively undemanding as well as insightful (Coppedge, 1999; Lijphart, 1971). In this study, I examine the allocation of USA ODA to Egypt, Israel, Pakistan and Turkey by employing clearly comparable data, such as USA economic and military assistance as well as development indicators of the selected aid recipients. In addition to these, politically relevant and applicable concepts such as respect for human rights and democracy are also widely acknowledged benchmarks for eligibility of development aid. Hence, USA bilateral aid policies towards the comparators are examined in relation to their respective human rights and democracy records. Thus, besides recipients' needs and geo-strategic importance, the consideration the USA gives to the nature and quality of recipients' domestic regimes in the allocation of aid is also explored.

The question arises here how comparative analysis is carried out and on what basis can we compare two or more units. First and foremost is that all items that are compared must belong to the same class (Sartori, 1970). Regarding the issue of comparability of items or things, that is, which particular item is comparable to which other item, Sartori (1991) argues that this issue can be resolved by putting the question in its proper context: "comparable with respect to which properties or characteristics and incomparable (i.e. too dissimilar) with respect to which other properties or characteristics?" (p. 246). The author explains this point by stating that pears and apples are comparable as both are edible fruits grown on trees but incomparable in the sense that both have different shapes. Therefore, by using the comparative method, one of the first steps is to formulate grounds for comparative analysis among units. Similarities and differences

among these comparable units need to be clarified on the grounds on which these components are compared and analysed. Concepts are significant for such studies which function as a common point of reference to categorise processes or places geographically and historically, and that such concepts can be chosen keeping in view the research aims and interests (Rose, 1991). It is normally preferred to compare countries having more similarities and fewer differences (Mackie & Marsh, 1995). In such cases, results, analyses and conclusions are more applicable to other cases having similar characteristics.

In this thesis, the countries selected for comparative analysis (Egypt, Israel, Pakistan and Turkey) have various similarities. With a few exceptions at certain times, these countries have mostly remained close USA allies for much of their recent history, particularly since the early 1950s. All these have remained the largest recipients of USA aid, both economic and military, not for years but for decades (see USAID data in Appendix II). Similarly, Egypt, Israel, Pakistan and Turkey, all are republics. In addition to this, based on their average scores in Amnesty International (AI) and USA State Department reports from 1976 to 2008, none of the comparators has a satisfactory history of human rights for most years (Table 4.5 in Chapter 4). This aspect is explained in Chapter Four in the context of USA aid allocations to the comparators.

At the same time, the four selected countries have their peculiar characteristics as well. For example, the creation and establishment of both Israel and Pakistan were based on religion: Judaism and Islam, and "in this respect Pakistan and Israel have strong parallels" (Cohen, 2002, p. 109). Also, both Israel and Pakistan gained independence from the British Empire and both did so within three years of the end of the World War II. It is also interesting to note that the founding fathers of both the countries - Ben-Gurion and Jinnah - were secular rather than hardcore followers of their respective religions (Ali, 2002). Hence, neither of them wanted to establish a theocratic state. According to Ali (2002, p. 170), "Ben-Gurion was denounced by many orthodox Jews who never accepted the idea of a 'Jewish state'". Similarly, notwithstanding its official name as 'Islamic Republic of Pakistan', it has been stated time and again that "Jinnah specifically did not want a theocratic state run by *mullahs*" (Ahmed, 2011, p. 28). Likewise, while all the four selected countries have strong militaries, both Israel and Pakistan have also developed nuclear capabilities (Cohen, 1998; Evron, 1994; Green, 1984; Karpin, 2006). Although Israel has maintained the policy of ambiguity regarding its nuclear programme and is not a declared nuclear power (Cohen, 1998; Feldman, 1997), Pakistan went nuclear publically in May 1998 in response to Indian nuclear tests the same month. During the Cold War period, as a signatory to SEATO and CENTO, Pakistan had close security ties with the USA but for most part of the history there had been no formal military treaty between the two countries. Both Israel and Pakistan are considered non-NATO allies by the USA (Clarke, 1995; Dine, 1987; Kronstadt, 2006). Similarly, Egypt, Turkey and Pakistan are three large Muslim countries, which the USA has perceived as important strategic allies during the Cold War as well as in the post-9/11 era of the 'war on terror'. The World Bank data in Appendix III (a decade-wise average and summary of

which is given in Table 4.2 in Chapter Four) shows that there are marked differences in the levels of poverty in these four countries. The data illustrates that Israel and Turkey are wealthier than both Egypt and Pakistan.

Another important issue in multiple-case or comparative method is the number of cases or countries selected. Commonly referred to as 'N', quite often there is an emphasis on small 'N' in comparative analysis (Hall, 2003; Klotz, 2008). Sigelman and Gadbois Jr (1983) point out that most studies of comparative politics focus on a small number of countries, mostly two. This is because comparing a small number of countries can generate a robust and sound comparative analysis (Collier, 1993; Coppedge, 1999). Hague and Harrop (2004, p. 82) also endorse these opinions that "most often, the number of countries is either two, a paired or binary comparison, or three, a triangular comparison". Comparison of small 'N' is preferred for two reasons: first, large 'N' comparative analysis requires extensive information that is often difficult to collect and analyse, second, the availability of relevant and reliable data and the mathematical and computational skills needed to analyse (Landman, 2000). Bates (2007) has emphasised that for a better understanding of the complexities of the political world, we need to engage in small 'N' comparisons by employing qualitative research coupled with statistical methods. I have taken these recommendations into account as my research design involves not too many but four countries. Similarly, as mentioned earlier, I employ both qualitative and quantitative data to seek answers to the research questions.

Small 'N' analysis is not free from faults. One of the major problems with small 'N' comparative analysis is: "many variables and small number of cases" (Lijphart, 1971, p. 685). The author argues that handling too many variables sometimes complicates the comparative analysis rather than to simplify it. This issue arises when there are more variables than the number of cases or countries under comparative analysis (Collier, 1993; Landman, 2000; 2002). This can be minimised by analysing only the principal variables and key explanatory factors significant for comparative study of the countries under scrutiny (Landman, 2000; Lijphart, 1971). Thus, in my comparative study of USA aid policies towards Egypt, Israel, Pakistan and Turkey, I have included a small number of key variables. Consistent with the literature on the aid allocation (Chapter Two), these variables are significant enough to determine the poverty levels and relative needs of the comparators for official aid and their respective geo-strategic and security significance for the US.

However, whatever the number of countries, major explanatory variables like the economic and military strength of a state, and its geo-strategic location and significance in the global politics should be taken into consideration in comparative analysis. One of the foremost similarities among my selected cases is that they have remained close USA allies and the largest recipients of USA ODA from 1948 to 2008. These countries, along with a few others, have mostly been considered "pivotal states" (Chase, Hill, & Kennedy, 1996, p. 33); countries whose fate determines the survival and success of the surrounding region and ultimately the stability of the international system. Their geo-strategic role to safeguard USA interests has lent them greater

significance in the eyes of the USA policy makers, which consequently has enhanced their eligibility for USA aid from time to time.

3.4 Why compare? Advantages of comparison and comparative politics

From Aristotle in the fourth century before Christ (BC) to Samuel Finer in the 20th century, political scientists and analysts have sought to classify regimes, regime transitions, modes of political behavior, classes of people and events to clarify and simplify the world of politics (Landman, 2002). It implies that the rationale for comparison has been in practice for centuries to elucidate certain events or processes on the basis of similarities. Kesselman et al. (2004) point out that humans are rational and inquisitive and therefore it is one of the most widespread and old practices to compare and contrast things to classify and know more about them rather than studying them in isolation. Comparative study improves our understanding of how nations change and move forward, and it enhances our knowledge about other nations, regions and the world (Wiarda, 2000). One of the principal aims of comparison is “learning from the experience of others and, conversely, that he who knows only one country knows none” (Sartori, 1991, p. 245). The comparative approach sharpens our descriptive and analytical ability by “bringing into focus suggestive similarities and contrasts among cases” (Collier, 1993, p. 105). Magstadt (2005, p. 5) maintains that “comparison is a useful way to evaluate what we see and hear about the world beyond our shores, as well as about our own society”. It means that by comparing things, trends, attitudes and processes we know more about them than taken singly. For example, taken separately, we cannot assert with full authority and confidence which particular bilateral donor or group of donors is better in allocating official aid by keeping in view the needs of aid recipients. It can be done only after comparing and analysing different aspects and motives for the aid programmes of different bilateral donors to different recipients over time.

Rose (1991) observes that comparative politics encourages objective and scientific studies of one's own nation by making use of broader concepts applicable across national borders free of ideological biases. Mackie and Marsh (1995) also substantiate Rose's view that comparative analysis allays the danger of ethnocentrism and ideological bias of the researcher. The study of comparative politics helps in overcoming ethnocentrism by encouraging neutrality and objectivity (Wiarda, 2000). Magstadt (2005, p. 4) corroborates this claim that “comparison is an excellent antidote to ethnocentrism” as it gives a better perspective on one's own society to view it from a distance through the lenses of the others. Thus, a comparative study of particular events, processes or tendencies in two or more countries gives us a balanced, objective and clear interpretation of the causes and effects of these tendencies.

Table 3.1 Advantages of comparison

- Learning about other governments broadens our understandings, casting fresh light on our home nation.
- Comparison improves our classifications of political processes
- Comparison enables us to test hypothesis about politics
- Comparison gives us some potential for prediction and control

Source: Hague and Harrop (2004).

Landman (2000; 2002) has enumerated four main objectives of comparison among countries: (i) contextual description, (ii) classification, (iii) hypothesis testing, and (iv) prediction. Contextual description enables comparatists to learn more about the past events as well as about cultural aspects in countries with which they have little or no prior exposure. Classification or categorization simplifies the world of politics by grouping together nations and regimes with similarities and differences. Hypothesis testing helps in eliminating contradictory explanations about particular events, actors, structures, thus leading to generalisations. The resulting generalisations obtained from cross-national comparisons can be employed to predict the likely future outcomes in the countries under comparative analysis and also in countries not included in the original comparison (Landman, 2002; Macridis, 2006).

The above four objectives are also achieved in the context of this research. The relationships between the comparators and the USA are described and discussed in specific contexts against the backdrop of regional and global events. The comparators are selected and classified on account of various similarities. The hypothesis that the USA has been providing substantial aid to these countries largely for its own foreign policy goals is tested. Lastly, in the comparative analysis of USA aid flows to its four allies, the conclusions drawn from this research would also be helpful in predicting the likely prospects of future aid relations between the USA and its aid recipients; not only those studied in this thesis but also those not examined here. For example, available research reveals that the USA has always prioritised its geo-strategic, political and security objectives in the allocation of aid. Based on the past and contemporary USA aid policies and practices, this study can prognosticate that the USA is likely to follow these trends in the allocation of foreign aid in the future as well, particularly when USA security and geo-strategic interests demand so.

The availability of cross-national relevant political concepts and economic variables has made it possible to compare cases geographically as well as historically (Lijphart, 1971). This means that comparative analysis can be carried out both on geographical and historical scales. Geographically, countries across national borders can be compared while historical comparison implies that such comparison involves investigation and analysis of trends and processes over time. For example, in this thesis comparison is not confined to a specific period but covers the past six decades, focusing on historical as well as contemporary USA aid policies towards the comparators. Thus, it is another feature of this study as it compares and examines USA aid to

the comparators during three distinctive phases consisting of the Cold War period, the post-Cold War interlude of the 1990s and the USA-led 'war on terror' years since 2001.

There is another aspect that enhances the significance of comparative politics in the fast-changing era of globalisation. Magstadt (2005, p. 9) defines globalisation as "the process by which various values, institutions, technologies and products, as well as certain lifestyles associated with advanced post-industrial societies are spreading to all the parts of the world". The contemporary world is referred to as a global village due to expansion of international and multinational organisations and unprecedented development of means of transportation, communication and telecommunication (Plattner, 2006; Ruggie, 2006; Savitch, 2006). These revolutionary advancements in technology have shrunk the world both in time and space and have increased interdependence (Savitch, 2006). The news of any significant event affecting human lives can spread across the world within minutes. In such a world, comparative analysis is more challenging and vital for researchers to broaden their horizons of knowledge to understand more about different global issues and problems (Mackie & Marsh, 1995). O'Neil (2007b, p. 252) points out that globalisation magnifies politics by "internationalizing domestic issues and events" that can have ripple effects across the globe.

The contemporary USA-Pakistan alliance in the 'war on terror' can be described in this context. Before the events of '9/11', Pakistan was under two tiers of USA sanctions because of the May 1998 nuclear tests and the October 1999 military coup by General Musharraf. In the post-9/11 scenario, the USA needed all-out support of Pakistan for the invasion of Afghanistan to topple the Taliban regime and defeat al Qaeda. Hence, one event in one part of the globe reunited two alienated allies and gave birth to the current USA-Pakistan coalition, which is reminiscent of the Cold War years. Similarly, the invasion of Iraq and the toppling of Saddam's regime, the March 11, 2004 Madrid bombings in Spain, and the July 7, 2005 London blasts are just a few examples of how a particular event in one part of the globe brings enormous reactions and changes in the world elsewhere. If considered separately, these events will not present a complete portrait of global political issues that different nations face. By employing cross-national comparisons and analysis; comparative politics helps us to comprehend implications of the events of global significance in the fast-changing world (Kesselman et al., 2004).

To compare and analyse the allocation of USA ODA to the four selected USA allies, a range of variables are employed. The following section describes the key variables that have been used in this thesis.

3.4.1 Variables employed: dependent and independent variables

Walsh (1996, p. 69) states that "variables are the factors or elements to be considered in statistical relationship". Variables are the key elements which establish a numerical relationship with other factors and help in explaining and testing research questions (Balnaves & Caputi,

2001; Byrne, 2002). Variables are generally of two types: dependent variables and independent variables. Dependent variables are the ones which are changed, affected or influenced while variables that cause changes are independent variables (Balnaves & Caputi, 2001; 1996). It implies that the value of dependent variables is subject to changes in the value of independent variables. If a change occurs in independent variables, this change also influences or affects dependent variables.

Table 3.2: Dependent and Independent variables analysed

Dependent variable	Independent variables
USA economic aid	USA military aid USA arms sales GDP per capita Population Life expectancy at birth Political Terror Scale (PTS)

Here, USA economic aid to recipients is the dependent variable. Independent variables include USA military assistance and arms sales to the comparators and their GDP per capita, total population, life expectancy at birth and human rights indicators. In this thesis, terms like ‘dependent’ and ‘independent’ variables are not used in their statistical sense⁴. Rather, these terms are used to explain the respective dependence of one variable over the other in non-numerical and descriptive analysis. Values of these variables are given in Appendices II and III as well as in Chapters Four and Five. The first two independent variables measure geo-strategic significance of the comparators. As established from the literature review (Chapter Two), the US, like several other bilateral donors, gives military aid purely for geo-strategic, political and security reasons. So is the case with USA arms sales: countries having greater geo-strategic and security importance for the USA are likely to acquire more arms from the US. The analysis of USA economic aid from the perspectives of USA military assistance and arms sales shows the extent to which USA ODA has a correlation with USA geo-strategic goals. This illustrates the

⁴ As this study examines the allocation of USA aid over a long period of time, a number of variables are missing and the values of most of the available variables have extreme fluctuations. Hence, the study does not use an econometric model. Rather, the allocation of USA economic aid is analysed from the perspective of USA geo-strategic interests and comparators’ 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 scale of USA economic aid but also military assistance and USA arms sales, indicating a kind of correlation among these data sets.

extent to which the USA manoeuvres foreign aid to pursue its political and security objectives, allocating more development aid to strategically important countries, like it does in the case of military aid and arms sales.

The second group of independent variables is used to measure the developmental status and needs of these recipients as well as their human rights performance. As discussed in detail in the second chapter, most literature on aid allocation has employed a number of variables to determine needs of aid recipients and the volume of aid allocated to them. Here, GDP per capita, life expectancy at birth and total population are employed and are treated as independent variables. These variables have been chosen for two reasons. Firstly, this set of data was available for a long period (1960-2008) appropriate to this study that roughly covers three distinct periods: the Cold War, the post-Cold War and the so-called 'war on terror'. Secondly and more importantly, as the first research question explores the role of geo-strategic factors versus poverty needs of the comparators in USA aid allocations, in almost all the previous studies on aid allocations (Chapter Two), these variables have been used to investigate whether donors give aid to pursue their own interests or to address recipients' needs. 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, 2003a, p. 653). In the same context, Berthe'lemy (2006, p. 184) states 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". Similarly, as emerged from the literature review, population size is also an important factor to be examined in the aid allocation, that is, *ceteris paribus* (keeping other factors unchanged), a country having more population is supposed to get more aid.

In addition to the above, a number of donors (such as the US) have officially stated that they will not provide aid to countries involved in serious human rights violations. Hence, correlation between the Political Terror Scale (PTS) data from the Freedom House (2010) and USA ODA is also tested. The PTS is average score of countries and the index is prepared by Freedom House based on USA State Department and Amnesty International (AI) annual reports and all countries are ranked on a scale of 1 to 5, indicating best and worst human rights situation (Freedom House, 2010). A score of one means there is little or no violation of personal integrity rights while a score of five indicates gross human rights abuses including torture, political imprisonment, detention with or without trial, disappearances, brutality and political murder (McCan & Gibney, 1996). Thus USA aid is assessed vis-à-vis all the above factors to find which particular variables influence it more: the ones denoting USA geo-strategic interests or the ones determining needs of aid recipients and their human rights performance. In doing so, the analysis will illustrate the overarching determinants behind USA aid allocations to these countries.

3.4.2 Handling sources of quantitative data

The distinction between quantitative and qualitative data is that the former is numerical in nature while the latter is non-numerical or narrative and descriptive (Sobo & De Munck, 1998). Quantitative data is dealt with in detail in Chapters Four and Five. As mentioned earlier, the USAID data including USA economic and military aid and the Stockholm International Peace Research Institute (SIPRI) data consisting of USA arms sales (Appendix II) is quantitative in nature. Similarly, the World Bank data showing the developmental status of the comparators comprising indicators such as GDP per capita, life expectancy at birth and total population (Appendix III) is also quantitative. In addition to these, the Freedom House data ranking countries based on their human rights performance is also quantitative.

Quantitative data is generally hailed as concise, objective, representative and free of personal bias. The use of quantitative data has gained greater significance in development studies as it provides precise and accurate results with a broader picture of patterns and phenomena, and acts as evidence to inform policy formulation (Overton & van Dierman, 2003). In the case of USA aid to Pakistan and the comparators chosen in this study, analysis of quantitative data produces interesting generalisations about USA aid allocations. The analysis of this set of data illustrates the extent to which the USA has used foreign aid as a politico-strategic tool to achieve its foreign policy interests over time. Hence, using empirical data gives methodical as well as methodological robustness to the analysis and findings concerning the critical determinants behind USA aid allocations.

3.5 Qualitative data: case study approach and USAID in Pakistan

For addressing the second research question concerning the delivery and utilization of USA 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 USA-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 locale like 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 thesis 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: on-going 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.

In a case study research design, a single source of evidence and method of data collection is unlikely to be sufficient. Therefore, it is considered imperative to utilise a range of data sets. During the fieldwork, I utilized multiple sources of information in order to get a balanced and more complete picture of USAID practices. I conducted in-depth interviews with various government officials in different ministries at the national and provincial levels. Similarly, USAID officials were interviewed in Islamabad, the national capital, Peshawar, the provincial capital, and Mansehra, one of the districts affected severely by the 2005 earthquake where USAID has carried out a number of projects. In-depth interviews with these officials enabled me to explore the respective roles of GoP institutions and USAID in the identification, design and implementation of USA-funded projects and programmes within the PD framework. Using various sources of information also lends greater robustness and objectivity to research findings. This was done by employing the process of triangulation, which is to cross-check the data and information obtained from one source with that secured from other sources (Checkel, 2008; Frankfort-Nachmias & Nachmias, 1996). Frankfort-Nachmias and Nachmias (1996, p. 206) emphasise that “if the findings yielded by the different data collection methods are consistent, the validity of these findings is increased”. Triangulation of data is useful because a good researcher “should never simply rely on what people say” (Checkel, 2008, p. 119). Triangulation also helps in addressing the issue of validity, thus further improving the quality of research findings. To this end, in most offices I interviewed as many officials as possible in order to get a detailed version from different officials regarding the modus operandi of USAID in Pakistan.

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 studied. This material also helped me in

the identification of key government officials and policy makers who were/are 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 USA-funded intervention, either as government officials or officials of USAID and NGOs.

3.5.1 Semi-structured/non-structured open-ended Interviews

Interviews are one of the tools used for the collection of qualitative data. Emphasising the significance of interviews as a data-collecting technique, Fontana and Frey (2003) point out that both qualitative and quantitative researchers make use of interview as a method of data gathering, whether for the purpose of getting a rich and in-depth account of an issue or event, or to rank it simply on different scales. This means that data obtained through interviews can also be converted into a numerical value. Data collected through interviews “results in rich information or thick description” (Sarantakos, 2005, p. 205). It implies that data collected through interviews provides insights and information that could not be garnered by other means.

The most flexible form of personal interviewing is semi-structured 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 peep into the mind of the interviewees and get their insights in their own words (Ezzy, 2002). Open-ended questions are asked in the semi-structured interviews to allow the interviewees enough room and flexibility to respond to questions at great length in their own words, thus providing a broad range of information (Fontana & Frey, 2003).

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. Table 3.3 gives the total number of interviews that I conducted during my fieldwork in Pakistan in 2009. The table also shows particular departments where interviews were carried out. Full list of all the research participants and their respective profiles is given in Appendix IV. Interviewees were selected on the basis of their association with USA-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.

Table 3.3: Total number of interviews

Department/ministry	Number of people interviewed
Ministry of Finance/Economic Affairs Division (EAD)	7
Other government ministries/departments in Islamabad and Peshawar	13
FATA Secretariat and FATA Development Authority (FDA)	12
USAID Mission and project staff in Islamabad, Peshawar and Mansehra	17
NGOs	4
Think tanks/academics/analysts	13
Primary beneficiaries of USAID projects in KP and FATA	14
Total	80

Source: Author's fieldwork.

Interviewees were given as much time as they required for expressing their views on the subject matter. This helped in getting a detailed and informed analysis of the opinions of the informants on the given topic. During interviews, I took notes continuously to record the answers on paper. Fontana and Frey (2003) suggest that researchers need to take notes regularly, write down everything and analyse their recorded notes without wasting time. At the same time, it is also important to use tape recorder during the interviews provided the interviewees agree to it. Silverman (2003) stresses that it is difficult to note and remember each and every word and moment of the interview, particularly "such matters as pauses, overlaps, and in-breaths" (Silverman, 2003, p. 354). The author adds that tapes and transcripts are available to the scientific community in a way that field notes are not and that tapes can be replayed and transcriptions can be improved. I interacted with high-ranking government and USAID officials in Islamabad and Peshawar, and my fieldwork coincided with the military operation against militants in Buner and Swat districts in the Khyber Pakhtunkhwa (KP) province⁵. Due to severe security issues and a worsening law and order situation, with frequent bomb blasts targeting military convoys and government installations, visitors were not allowed to carry any type of

⁵ In April 2009, a military operation was launched against militants in the Malakand region of Khyber Pakhtunkhwa (KP), which displaced about 2-3 million people. In April 2010, under the 18th amendment of the Constitution of Pakistan, the formerly known North-West Frontier Province (NWFP) was renamed as Khyber Pakhtunkhwa (KP) (Dawn News, 2010).

electric device into government offices. Under these circumstances, I had no option but to take notes in my diary and transcribe these after the interviews.

By these means I explored to what extent USAID has given a leading role to the GoP, to which both partners have committed to 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 EAD of the MoF, the central ministry dealing with bilateral donors and multilateral organisations, 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 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 think tanks were also interviewed to get their informed opinions regarding USA 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 an 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.

3.6 Data analysis before, during and after the fieldwork

After collecting relevant data, the next step is to interpret and analyse this miscellaneous arrays of information in ways that answer the research questions. As discussed earlier, this thesis investigates two aspects of USA aid to Pakistan: the allocation and delivery. The first issue is examined by analysing secondary data. The analysis of this set of data, both quantitative and qualitative, answers the first research question concerning the principal motives and determinants of USA aid allocations to Pakistan and the other comparators (Chapters Four and Five).

The second dimension of USA aid and the second research question is addressed after the analysis of primary and secondary data collected during the fieldwork in Pakistan in 2009. The analysis and interpretation of research material is usually done by means of an interplay of quotes from the interviews and commentary on selected transcripts (Devine, 1995). Data analysis is an on-going process which continues throughout the data collection period in the fieldwork (Frankfort-Nachmias & Nachmias, 1996). In most qualitative research, data analysis starts simultaneously during data collection, such as field observations (Ezzy, 2002). Therefore,

keeping in view the significance of time factor and memory in the fieldwork, it is important for researchers to do data collection and interpretation at the same time. In the case of this study, I used to take notes during the interview and rewrite and transcribe in full narrative form at the end of the day. This process of data compilation, reflection and analysis continued during the entire period of my fieldwork.

By contemplating and reflecting on the research question and objectives, I was able to gather and organise individual accounts, narrations and experiences of the interviewees into a unified whole. This was done by organising and categorising all the collected data sets according to the five PD principles. After putting all these accounts, experiences and narrations together and retrieving information from the secondary sources garnered during the fieldwork, I moved from the individual to the institutional level and from micro to macro level. Hermann (2008) points out that by selecting, collecting, contextualising and organising general and specific individualised material, the researcher gains a wider and complete portrait of a political phenomenon. Thus, in the context of this study, the analysis of the data gathered during the fieldwork helped in constructing a broader and representative picture of actual policies and practices of both USAID as well as GoP departments in the light of the PD commitments (Chapters Seven and Eight).

3.7 Ethical Considerations

All sports have some rules and regulations and players are expected to abide by these rules to keep the dignity and spirit of the game alive. This is similar to the case with research where researchers are expected to follow certain ethical considerations. These are a set of norms that researchers are expected to follow during their investigation of a particular research issue (Babbie, 1990). Ethical issues are concerned with appropriate behaviours in the context of right or wrong and they safeguard the interests of all the groups involved in the research process (May, 2001). Ezzy (2002, p. 51) insists that “ethics deals with correct moral conduct”. Thus, in terms of important ethical issues during the fieldwork, researchers need to address matters such as acquiring informed consent of the respondents/interviewees and protecting their confidentiality (Bryman, 2008; Christians, 2000; Scheyvens, Nowak, & Scheyvens, 2003).

In line with these statements, standard ethical research procedures were followed in conjunction with the Massey University Code of Ethical Conduct for Research during this study. Through a departmental peer review assessment, the fieldwork process was deemed low-risk because no harm to the participants/interviewees was expected. During the course of fieldwork, in most cases prior written consent of the participants/interviewees was obtained for getting relevant data, documents, information and interviews. As given in Appendix VI, the purpose of this research was explained to the interviewees at the beginning of the interviews in order to allow them to agree to be part of this process or decline. The rights of the participants were taken into consideration regarding confidentiality. Officials were informed that their privacy would be maintained, if they wished not to be named. Written consent of the participants/interviewees and all the documents/information they shared with the researcher would be kept secure by the

researcher for a suitable period and it would be used only for the intended research for which it had been granted.

Regarding the researcher's own identity, Scheyvens and Nowak (2003) and Leslie and Storey (2003) note that appropriate behaviour, language efficiency, dress, cultural norms and cultural sensitivity of the researcher have serious impacts on the success or failure of fieldwork experiences. Similarly, Gusterson (2008) also points out that in some settings it may facilitate the process of data collection for a researcher, while in some contexts it can be a barrier. In my case, as the saying goes, being a son of the soil and native to the research locality, sharing the same language, culture, norms and religion, I was aware of the sensitivity of cultural norms and what to say on what occasions and how to address the informants. Scheyvens and Leslie (2000, p. 129) aptly observe that "genuine respect for the local people and customs...a sense of humour and a willingness to share one's own experiences and knowledge with research participants" help in making the atmosphere quite congenial and friendly for interview and discussion.

Prior to each interview, the respondents were given the choice of the language they wanted to use and interview was conducted in that language. I followed this procedure because the interview could be taken in three languages: English, Urdu and Pashto. English is spoken by the majority of the educated class and public officials; Urdu is the national language of the country and is spoken and understood by all government officials. Similarly Pashto, the mother tongue of the researcher, was also very useful in cases where the interviewees were Pashto speakers. This was more common in KP and FATA during interaction with primary beneficiaries of USAID projects, locals who were mostly Pashto speakers. However, greater care was taken to keep the flow, continuity and essence of the original narration intact and alive while translating interviews into English.

Similarly, propriety of the time and place is also important when conducting interviews. I knew when and where to approach the interviewees, and the time and place of the interviews was selected beforehand with the consent of the interviewees. Almost all interviews were conducted during the day as that suited interviewees, usually in their offices. When required, follow-up interviews were also conducted. In some cases researchers can find it difficult to secure access to important government officials for interviews or to obtain public documents for information (Scheyvens, Scheyvens, & Murray, 2002). In such instances, these authors assert that a good alternative is to use one's own networks in a suitable and friendly manner to get access to relevant people and documents. I also followed these suggestions. In certain cases, some officials were quite helpful recommending me to other relevant officials after they themselves had been interviewed. This worked well as I used to ask the interviewees after the interviews, that if they were in my place, who they would visit next.

3.8 Fieldwork in Pakistan and some exceptional issues

Here I would like to share some of the challenges and issues with which I, as a researcher, came across while undertaking fieldwork in Pakistan. First of all, data collection was an extremely difficult process. This was particularly so because I was looking for USA aid data and USAID projects, and it was considered a sensitive matter to disclose information related to USAID-funded projects in different regions/areas. As Pakistan is a frontline USA ally in the 'war on terror' and the USA has been allocating substantial aid to the country, so USAID has been carrying out numerous projects in different sectors. However, this is discussed in Chapter Six that most of its positive works are eclipsed by its negative image in the country due to the 'war on terror'. Therefore, initially some government officials were quite reluctant to express their opinions openly about USAID projects. Everything involving the USA was considered a politically sensitive subject, and several officials were scared that they might land in trouble if they said something critical about USAID and its practices. However, after getting acquainted and familiar with me, and in some cases getting assurance that their identity would not be disclosed, they trusted me enough to share information with me about the USAID modus operandi concerning the identification, selection and implementation of projects in Pakistan.

Another issue was that of time. Time has got little importance in this part of the world. Even after having arranged prior appointments, on several occasions when I would reach the office for an interview, I would be informed that 'sab'⁶ has gone for an urgent meeting. At times I got really frustrated when I felt that my time, energy and resources were wasted and I got nothing. This happened to me not once or twice but several times. Sometimes, I travelled from Peshawar to Islamabad, covering a distance of about 180 kilometres to meet an official but often to my utter disappointment, I would be told that due to some urgency I would not be able to see the official then, and that I need to make a fresh appointment for another suitable time. I also noticed with a degree of sadness that giving time for interview for research purposes is only considered a favour to the researcher. No official is bound to help researchers in data collection; it is only his/her personal favour to do so.

Security, or to put it rightly, lack of security was one of the most critical issues. It took me almost four months to gain entry to the USAID country office situated inside the fortress-like compound of the USA embassy in Islamabad. I was able to visit the USAID main office only after being in touch for several months through emails, telephone calls and sending letters on the Massey University letter head. Visiting the USAID office was by itself an uphill task. It was like going to some foreign country; that is, one must have some invitation and prior appointment with some official there who could facilitate one's entry into the diplomatic enclave, the site in Islamabad where most foreign missions are situated. As noted earlier, no visitor was allowed to carry any

⁶ 'Sab', an Urdu version for 'sir', is mostly used by government officials for their boss. Its Pashto equivalent is 'Saib'.

electric device including camera, mobile phone or any sort of bag. One can carry only a couple of pens and a diary in hand. To meet officials, you need to pass through several security checks and scanners. The security and law and order situation was even worse in Peshawar and the rest of KP. While staying there, it was observed that at times a bang, even the slamming of a door or unusual walking of a stranger was enough to turn the face of a citizen pale, as if another suicide bomber has blown himself up. Overall, a weird sense of insecurity and uncertainty prevailed. This was the environment in which I carried out my fieldwork and conducted interviews with USAID as well as GoP officials in Pakistan in 2009.

3.9 Summary and conclusion

This chapter has discussed the overall research methodology and data collection tools that I have employed in this thesis. Keeping in view the research questions concerning the allocation and delivery of USA aid, a combination of multiple- and single-case study methods are employed to address the research problems. Enriched by the methodological and conceptual elements of comparative politics, this chapter has laid down strategies for the comparative method. The rationale for choosing units/cases of comparative analysis is augmented by the fact that there are many parallels and fewer peculiarities among the comparators. Based on their shared characteristics, Egypt, Israel, Pakistan and Turkey make a unique yet a similar group of comparators from the perspective of USA aid recipients. The second research question looks at USA aid delivery and the modus operandi of both the GoP and USAID, which is a contemporary phenomenon in a complex real-life context involving multiple actors. Therefore, the case study design was adopted for an in-depth and comprehensive investigation of both USAID and the GoP approaches within the PD framework. To this end, qualitative data was collected through semi-structured interviews. This chapter has also elaborated on the flexibility of this technique and its capacity to gain a wide range of information from a diverse group of interviewees. This chapter has also discussed ethical issues and their importance, particularly during data collection in the fieldwork. Some glimpses of the challenges faced by the researcher during the field in Islamabad and Peshawar were also briefly touched. Focusing on the first research question, the next chapter deals with the results generated by the analysis of USA aid to the four comparators, and the principal determinants of the USA aid allocation to these countries over different time periods.

Chapter 4 A comparative analysis of USA bilateral aid policies towards Egypt, Israel, Pakistan and Turkey

4.1 Introduction

This chapter examines the allocation of USA aid from the perspective of poverty or developmental needs of the comparators (Egypt, Israel, Pakistan and Turkey). Analysing quantitative data, the chapter explores the extent to which USA aid policies over time are driven by the poverty levels and needs of the four comparators. Poverty needs of these aid recipients are determined on the basis of their Gross Domestic Product (GDP) per capita, life expectancy at birth and total population. As discussed in the second chapter, these are among the most common variables employed in studies of aid allocation. Thus, this chapter deals with the first part of the first research question: to what extent do poverty needs of the comparators influence and determine USA ODA allocation? The second part of the question is addressed in Chapter Five, which investigates the allocation of USA aid from the perspective of USA foreign policy goals, such as geo-strategic, political and security objectives.

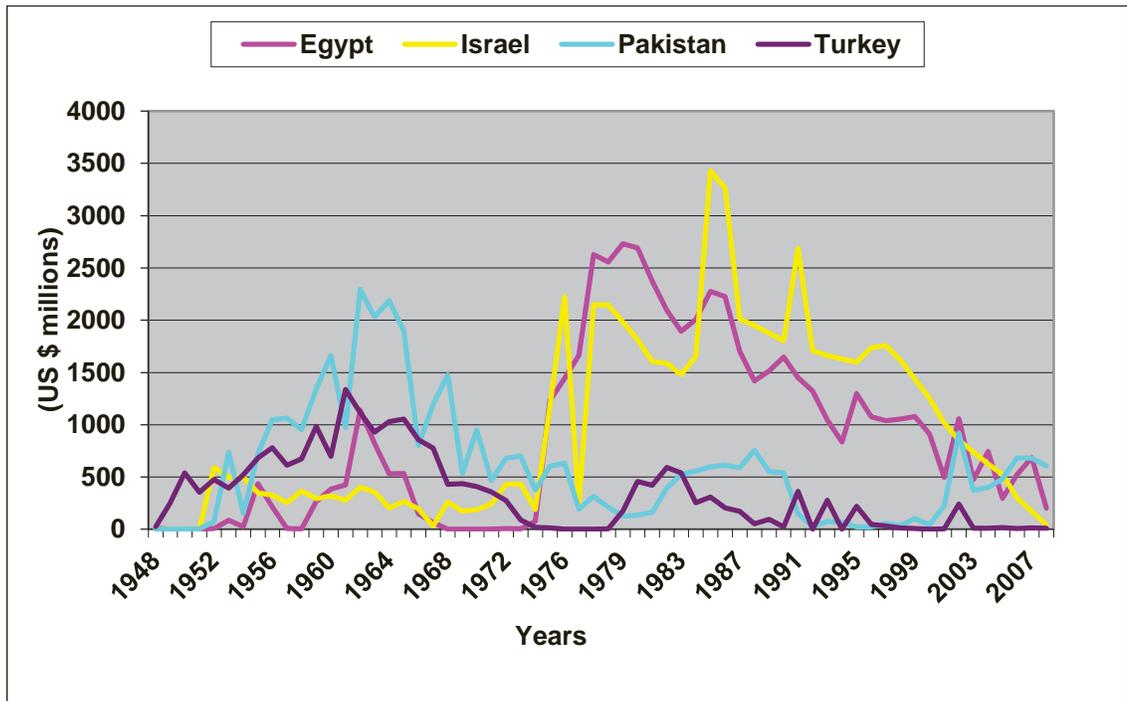
Besides exploring the relationship between USA aid and the poverty levels of the comparators, the allocation of USA aid to the selected aid recipients is also examined from the perspective of their domestic regimes, focusing on democracy and human rights. As noted in the second chapter, along with poverty alleviation, some bilateral donors claim to prioritise democratically elected regimes who are not engaged in human rights violations. For example, according to USAID, “for over 50 years USAID has been providing technical leadership and strategic support in promoting sustainable democracy ... strengthening the rule of law and respect for human rights” (USAID Democracy & Governance, 2010, p. 1). Therefore, the provision of USA foreign aid, both economic and military, is compared both to democratic and dictatorial regimes to explore whether the USA has actually prioritised and supported democracies instead of autocracies in the allocation of aid. In the same way, the connection between the allocation of USA aid and human rights records of Egypt, Israel, Pakistan and Turkey is investigated to find the extent to which the USA has rewarded or punished these aid recipients on account of their human rights performance. As discussed in the previous chapter, both quantitative and qualitative data is used: the former elucidates the overall patterns in the USA aid allocation and the latter explains these trends in their specific contexts.

4.2 The USA aid allocation to Egypt, Israel, Pakistan and Turkey

It is evident from USAID (2010c) data in Figure 4.1 and Table 4.1 that the USA has allocated substantial foreign aid to Egypt, Israel, Pakistan and Turkey at different points in time. The data shows that at times the four comparators have received hundreds of millions of dollar in aid while in some years there has been meagre or no USA assistance to these countries. Overall,

there are several extreme fluctuations and variations in the USA aid data to all the four comparators. This indicates that there have been some extraordinary events that have affected the flow and volume of USA assistance to these aid recipients. The following section illustrates to what extent the poverty levels and needs of these recipients have been the principal motivating factors for the USA aid allocation to the comparators at different points in time. At the same time, it is also discussed whether there is a continuum in USA aid policies regarding the principal determinants of aid or a break from this continuum over time.

Figure 4.1: A graphical illustration of USA aid to Egypt, Israel, Pakistan and Turkey (US \$ millions, 2008 constant)



Source: Author, based on USAID (2010c) data.

Table 4.1: USA Economic aid to Egypt, Israel, Pakistan and Turkey (US 2008 \$, millions)

Year	Egypt	Israel	Pakistan	Turkey	Year	Egypt	Israel	Pakistan	Turkey
1948	10.68	0.00	0.76	25.18	1979	2,731.60	1,983.50	126.53	174.84
1949	0.00	0.00	0.00	249.55	1980	2,692.22	1,814.05	135.17	457.21
1950	0.00	0.00	0.00	538.96	1981	2,376.46	1,606.10	161.44	422.64
1951	0.71	0.71	2.85	354.24	1982	2,095.34	1,585.86	393.96	592.37
1952	8.21	590.91	73.18	476.02	1983	1,893.92	1,479.24	525.24	538.99
1953	86.63	494.28	737.37	393.54	1984	2,006.57	1,653.76	558.57	253.58
1954	26.56	495.95	154.69	522.51	1985	2,274.14	3,432.40	597.1	309.61
1955	436.4	346.88	722.06	683.23	1986	2,224.65	3,265.51	613.06	205.77
1956	213.57	325.8	1,049.23	781.15	1987	1,701.82	2,011.65	589.26	172.91
1957	6.18	252.78	1,062.43	611.87	1988	1,419.57	1,950.30	756.99	52.58
1958	3.61	367.14	952.64	674.89	1989	1,514.69	1,877.36	550.88	94.42
1959	264.61	294.73	1,344.91	983.43	1990	1,649.25	1,802.33	539.24	22.19
1960	384.6	322.16	1,662.15	699.18	1991	1,450.96	2,689.63	147.23	364.2
1961	422.92	276.77	973	1,336.65	1992	1,323.63	1,708.92	26.74	2.06
1962	1,140.82	402.27	2,295.30	1,114.65	1993	1,044.95	1,664.09	73.05	277.97
1963	824.37	356.27	2,031.99	928.89	1994	835.27	1,629.07	67.35	0.64
1964	530.33	205.47	2,185.20	1,029.02	1995	1,297.51	1,598.81	22.76	221.27
1965	532.82	266.41	1,897.63	1,053.63	1996	1,075.61	1,735.02	22.43	45.38
1966	147.52	196.69	802.81	856.26	1997	1,040.11	1,756.54	56.33	30.81
1967	65.24	31.58	1,192.98	776.68	1998	1,055.53	1,621.47	35.8	13.99
1968	0.00	259.02	1,476.12	429.04	1999	1,077.89	1,437.91	100.71	7.53
1969	0.00	175.5	532.7	436.59	2000	909.96	1,252.63	45.06	2.18
1970	0.00	186.36	951.28	408.99	2001	498.12	1,018.27	224.74	5.65
1971	0.00	240.97	465.97	357.14	2002	1,058.52	853.73	921.41	242.88
1972	6.19	429.7	680.84	275.89	2003	474.65	737.08	371.75	9.34
1973	3.16	433.68	702.66	90.45	2004	745.16	625.04	399.32	11.55
1974	78.46	189.72	375.01	20.26	2005	296.21	524.34	482.47	17.69
1975	1,234.94	1,178.22	603.63	14.68	2006	524.12	300.57	681.94	5.84
1976	1,445.01	2,223.39	632.72	0.00	2007	687.15	172.03	678.8	12.71
1976TQ	1,666.61	237.1	194.26	0.00	2008	201.04	44.11	605.36	11.61
1977	2,628.26	2,148.35	313.48	0.54	Total	54,903.19	60,908.05	36,791.67	20,706.62
1978	2,558.16	2,147.92	211.13	3.1					

TQ: In 1976, the USA government changed the fiscal year from July-June to October-September. The Transition Quarter (TQ) reports the 3-month adjustment period.

Source: US Overseas Loans and Grants (Greenbook), USAID (2010c).

4.3 Recipients' needs versus donors' interests

As established in Chapter Two, to examine the rationale for 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 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 prioritise needs of recipients in the allocation of development aid and who gives more importance to their own foreign policy goals. This is established by assessing two sets of variables: one deals with recipients' needs and the other relates to donors' interests. This section focuses on USA foreign aid from the perspective of the needs of the four comparators. Geo-strategic interests of the USA as determinants of the provision of aid are examined in Chapter Five. Table 4.2 below, based on World Bank (2010) data, shows the developmental status of the comparators based on their average GDP per capita, life expectancy at birth and total population in each decade from 1960 to 2008. Full annual data for these variables is given in Appendix III. The selection of these variables has already been discussed in some detail in section 3.4.1 in the previous chapter.

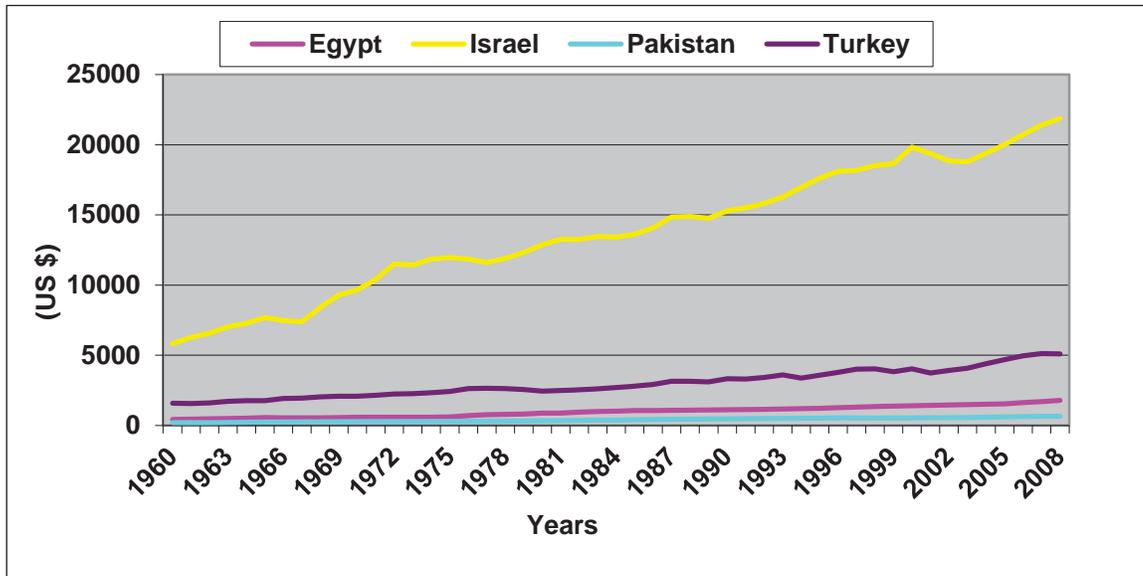
Table 4.2: Decade-wise average GDP per capita, Life expectancy at birth and total population of the comparators

Decade	GDP per capita (US \$, 2000 constant)				Life expectancy at birth (Years)				Total population (millions)			
	Egypt	Israel	Pakistan	Turkey	Egypt	Israel	Pakistan	Turkey	Egypt	Israel	Pakistan	Turkey
1960s	502	7317	224	1792	47	71	51	52	31.3	2.5	52.2	31.6
1970s	650	11449	287	2389	53	72	56	58	39.2	3.4	70.3	40.5
1980s	1001	13842	393	2786	59	74	59	61	50.2	4.1	93.7	50.5
1990s	1220	17089	505	3622	65	77	62	67	63.3	5.5	121	60.5
2000s	1547	20027	585	4441	69	79	65	71	75.8	6.7	152	70

Source: Compiled from World Bank (2010) online Database.

The World Bank data in Table 4.2 and Figures 4.2, 4.3 and 4.4 clearly show that there are wide differences in the levels of poverty in Egypt, Israel, Pakistan and Turkey. In terms of GDP per capita and life expectancy at birth, Israel is the richest in the group by a significant margin. During the period 1960-2008, Israel's GDP per capita has remained significantly higher than the rest of the selected USA aid recipients. During the period 1960-2008, Egypt's GDP per capita has increased about four times from US \$432 in 1960 to US \$1,786 in 2008 (see Appendix III for full data). During the same time period, Israel has also performed very well on the financial front as its GDP per capita has increased about four times from US \$5,823 in 1960 to US \$21,869 in 2008. During this period, Turkey's GDP per capita has increased from US \$1,579 in 1960 to US \$5,099 in 2008, which is also slightly more than a threefold increase. Pakistan's GDP per capita has also increased slightly more than three times from US \$188 in 1960 to US \$650 in 2008. All this indicates that although GDP per capita of all the countries has considerably increased over the 1960-2008 period, there are still substantial differences among them as Israel's GDP per capita is more than the combined GDP per capita of the other three selected USA aid recipients.

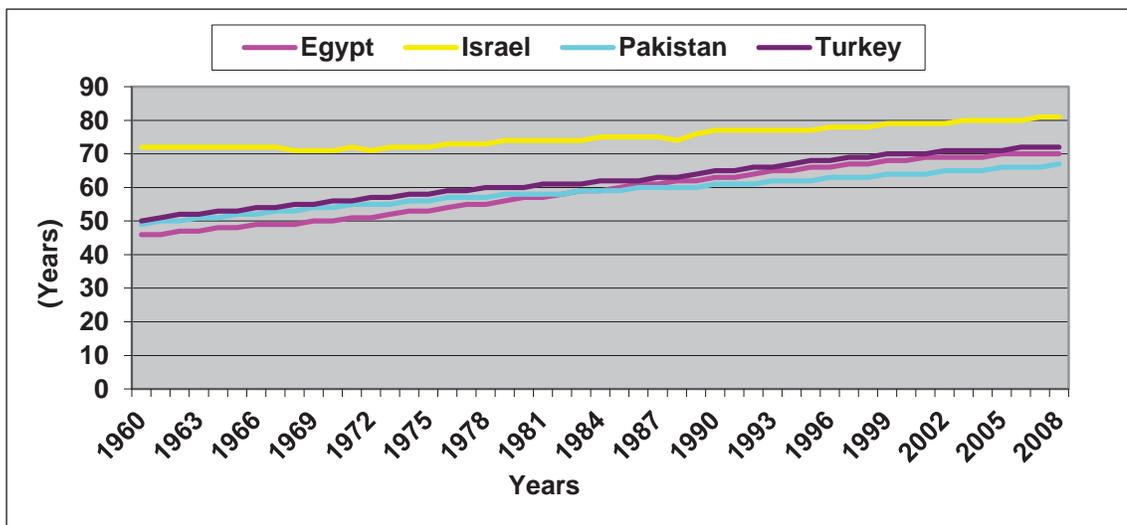
Figure 4.2: A graphical illustration of GDP per capita of the comparators (US \$, 2000 constant)



Source: Author, based on data obtained from World Bank (2010) online Database.

In terms of the other development indicator – life expectancy at birth – Israel is leading the group, followed by Turkey and Egypt, while Pakistan is lagging behind. However, there is an interesting pattern in the context of Egypt and Pakistan. Until the early 1980s, Pakistan was ahead of Egypt as average life expectancy was higher in Pakistan than in Egypt. Egypt, however, surpassed Pakistan in the 1980s. At present, Israel is markedly ahead of the rest of the comparators with average life expectancy of 81 years and Pakistan is behind the rest of the countries with average life expectancy of 67 years. In terms of major development indicators such as GDP per capita, life expectancy and literacy rate, Israel is considered to be among the top 40-50 richest nations (Newman, 2006; Sharp, 2006, 2008). Hence, based on the selected development indicators, Israel has remained the richest in the group throughout the period under observation.

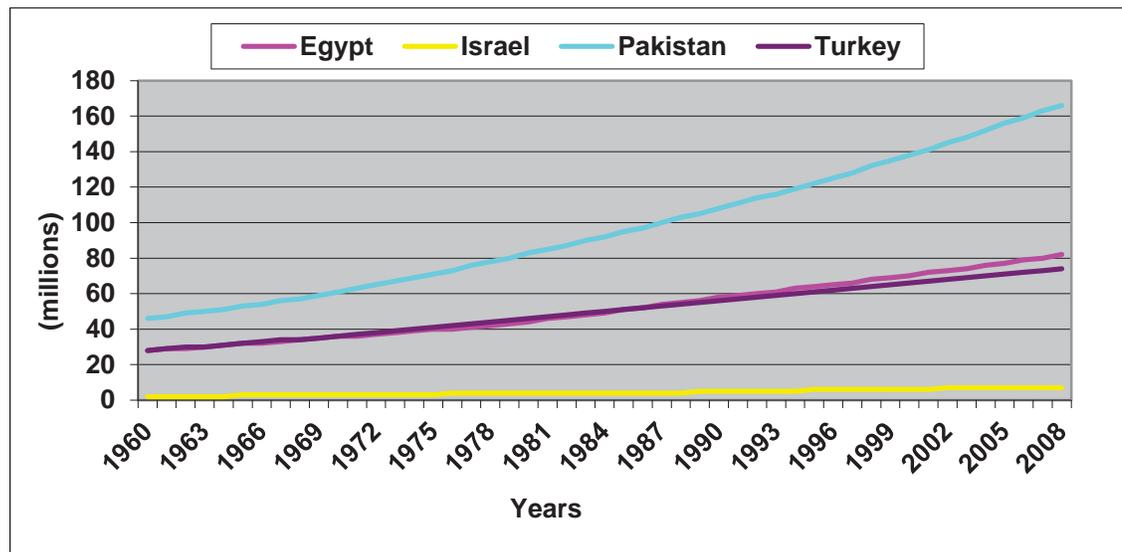
Figure 4.3: Average life expectancy at birth of the comparators (Years)



Source: Author, based on data obtained from World Bank (2010) online Database.

Figure 4.4 below shows total population of the comparators between 1960 and 2008. The data shows that Pakistan has the largest population in the group while Israel has the lowest. In terms of individual countries, Egypt's population was 28 million in 1960 and 82 million in 2008, which shows slightly less than a threefold increase. Israel's population has shown over a threefold increase from 2 million in 1960 to 7 million in 2008. The population of Pakistan has increased from 46 million in 1960 to 166 million in 2008, which has also increased more than three times. Turkey is quite similar to Egypt; its population has increased from 28 million in 1960 to 74 million in 2008, which is an increase of less than three times. Like the other two development variables (GDP per capita and average life expectancy), total population of all the three selected USA aid recipients has also noticeably increased between 1960 and 2008. However, like the rest of the variables, there are also marked differences in terms of total population as Pakistan's population is about 24 times that of Israel and more than the combined population of both Egypt and Turkey.

Figure 4.4: Total population of the comparators (Millions)



Source: Author, based on data obtained from World Bank (2010) online Database.

Analysing the overall quantitative data, it is clear that there has been a gradual increase in the values of all the selected variables in the case of all the four comparators, which shows that they have experienced growth in terms of GDP per capita, life expectancy and total population. In terms of differences among the comparators, Pakistan not only has the largest population but also has the lowest developmental status based on the selected indicators. A common principle in aid allocation is that if two countries are equally poor but one has more population than the other, then the one with more population should get more aid (McGillivray, 1989; McGillivray & Oczkowski, 1992; McKinlay & Little, 1977). Based on the recipients' needs principle and model of aid allocation, ideally Pakistan should get more aid followed by Egypt as in terms of GDP per capita, average life expectancy and population, Pakistan has remained the poorest and most populous among the comparators followed by Egypt. Contrary to this, as the following analysis

and discussion illustrate that it is not Pakistan but Israel and Egypt which have received the largest amount of USA aggregate ODA between 1960 and 2008.

4.3.1 Is the volume of USA ODA commensurate to the poverty needs of the comparators?

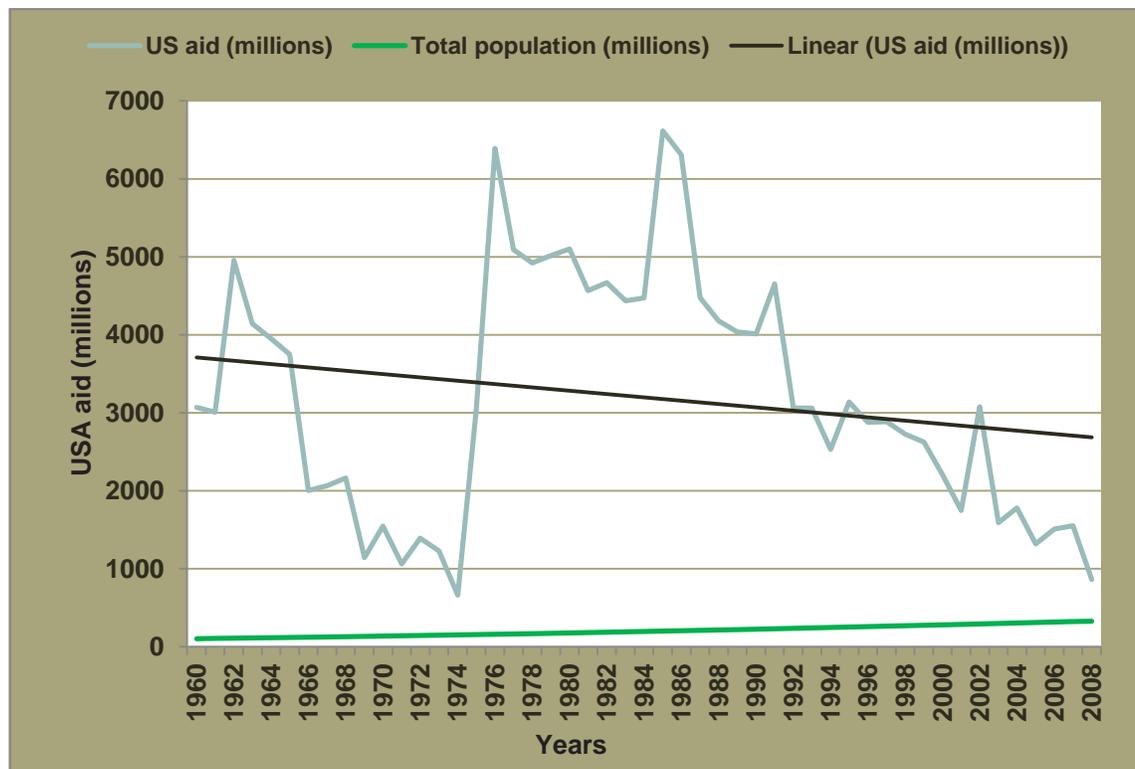
As discussed in section 4.3, there are wide socio-economic differences among the four selected USA aid recipients. Pakistan was found to be the poorest in the group as it has the lowest GDP per capita and average life expectancy and the largest population during the period 1960-2008. Given the poverty levels and needs as well as total population, Pakistan should have been the largest recipient of overall USA ODA from 1948 to 2008 if aid was directly proportional to the poverty levels and population. However, it is clearly demonstrated by the USAID data in Table 4.1 that Israel has been the largest recipient of aggregate USA foreign aid from 1948 to 2008, despite having far better development indicators and a much smaller population. After Israel, Egypt has been the second largest USA aid recipient over the 1948-2008 period, followed by Pakistan and Turkey respectively. It means that the amount or volume of USA ODA to a particular country is influenced more by specific circumstances at certain points in time rather than the level and scale of poverty of that country. To illustrate this point further, look, for example, at USA aid trends towards Pakistan. It would appear incredible that the USA gave more economic aid to Pakistan in the 1950s and 1960s than it gave to its closest ally Israel. In the late 1960s and 1970s, if on the one hand USA aid to Pakistan declined sharply due to some political reasons (discussed in Chapter Five), on the other hand it increased markedly in the case of Israel. It was not because Pakistan became more affluent and did not need USA assistance at that time while Israel became poorer and was in need of USA economic aid. Since then, the USA has allocated billions of dollars in aid to Israel (as well as to Egypt) not solely on account of their poverty but because of USA security and political orientation. According to Zunes (1996), until the 1990s, Israel used to receive about one-third of the total USA foreign aid budget. Hence, it is clear from the data in Table 4.1 that USA aid is not commensurate to the needs of individual countries.

Overall, the USAID data in Table 4.1 and World Bank data in Table 4.2 illustrate that the USA has not allocated more aid to some of these recipients purely on the basis of their needs. At some points, the USA has been equally generous to some recipients (to Pakistan and Turkey in the mid-1950s and 1960s, to Israel and Egypt since the mid-1970s), but at other points there is no or meagre economic assistance for some of the comparators despite little change in their needs (Egypt from 1968 to 1973, Pakistan during most of the 1990s). This indicates that there are other determinants and factors which influence USA aid policies more than the poverty needs of the comparators.

There is another important aspect in the USA aid allocation which needs some deliberation: the relationship between aggregate USA ODA to the comparators and their total population. If based

purely on the recipients' needs model, USA aid should have a positive association with the comparators' population: with an increase in population, USA aid should have increased, which is not the case here. As Figure 4.5 illustrates, while aggregate population of the four countries has increased over time, from 104 million in 1960 to 329 million in 2008, aggregate USA aid has significantly decreased over the same period (also shown by the trend line in the middle of the graph). There are three peak points when aggregate USA aid to these countries crossed the US \$6 billion threshold: once in 1976 and then in 1985 and 1986 respectively. There was a gradual decline between 1962 and 1975 and now there has been mostly a downward trend since 1986. However, an argument for the decrease in the overall USA ODA to these countries could be that with the passage of time some of the recipients (particularly Israel and Turkey) have become well off enough that they are no longer in need of USA ODA⁷. Coming back to the first part of the first research question, the overall analysis indicates that the allocation of USA ODA to the comparators is not predominantly influenced and determined by recipients' needs but by another set of factors discussed in the next chapter.

Figure 4.5: Relationship between total USA ODA to the comparators and total population



Source: Author, based on data obtained from World Bank (2010) and USAID (2010c).

⁷ The USAID data in Table 4.1 shows that USA economic assistance to Turkey has significantly decreased after the mid-1980s and Turkey is actually no longer a key USA aid recipient as it was in the Cold War period. In the case of both Israel and Egypt, USA economic aid has gradually declined from the previous levels, particularly more sharply since 2002. These variations in USA aid are discussed in detail in the next chapter.

4.4 Recipients' domestic political regimes and USA bilateral aid allocations

Another important aspect in the allocation of development aid that emerged in the literature review (Chapter Two) is that some bilateral donors claim to take into account factors such as the promotion of democracy, human rights and good governance in deciding whom to give aid. Among these, democracy and human rights have become the most prominent policy benchmarks. Organisations such as The Asia Foundation and National Endowment for Democracy have been active in democracy promotion since 1956 and 1984 respectively (Talbot, 1996). Among bilateral donors, Germany was the first to prioritise democracy and provided generous funds for its promotion in the 1980s (Carothers, 1997b). The Office of Democracy and Governance within USAID, the principal USA government agency responsible for the delivery of foreign aid, states that their vision is “to accelerate the advance of democracy, prosperity and human well-being in developing countries ... [and] ... to advance the effectiveness of global USG efforts to promote the transition to, and consolidation of, democratic institutions, civic values and good governance” (USAID, 2010b, p. 3). Hence, some aid donors have pledged to link the allocation of ODA with the promotion of democracy and respect for human rights in countries receiving aid. However, there are several studies (Carey, 2007; Gomez, 2007; Neumayer, 2003a, 2003b) which demonstrate that in practice most bilateral donors have continued to ignore issues such as lack of democracy and human rights abuses, and allocate aid to countries with military dictators and gross human rights violations to promote their foreign policy, commercial and security interests.

In the case of the US, previous studies have shown that USA aid policies are guided more by geo-strategic, security and political interests and less by factors such as democracy and human rights. This trend was prevalent not only during the Cold War era (Lebovic, 1988; Meernik et al., 1998; Poe & Meernik, 1995) but also in the post-Cold War period with little consideration for democracy and human rights (Harrigan & Wang, 2004; Lai, 2003; Meernik et al., 1998; Tarnoff & Nowels, 2006). The following section examines the extent to which the allocation of USA foreign aid to the four recipients has been linked with the promotion of democracy.

4.4.1 USA aid to the comparators and its role in strengthening/weakening democracy

From the perspective of democracy, Israel can be exempted among the comparators as there has been no direct military coup or intervention removing an elected government. Nonetheless, it does not mean that the military is aloof from domestic politics as in the advanced Western democracies. Kamrava (2000) points out that in both Israel and Turkey the military constitutes one of the most powerful institutions of the state. Due to heavy and overt involvement of the military in the domestic political affairs, “these states may best be described as ‘military democracies’” (Kamrava, 2000, p. 70). The author notes that in Israel, some of the country's

most popular political figures including Moshe Dayan, Yitzhak Rabin, Ariel Sharon, Ehud Barak and Benjamin Netanyahu have come from a military background. However, all this has not affected the flow and quantity of USA ODA to Israel; whether it is a civilian ruler or a retired military official elected by the public, USA aid, whether economic or military, has mostly remained a constant feature of the bilateral relationship between the two countries.

Contrary to the case of Israel, the post-WWII democratic history of Egypt, Turkey and Pakistan has been marred by long dictatorial regimes. In the case of Egypt, there has been no military coup since Nasser overthrew King Farook in 1952, but the political system can hardly be termed democratic. Since 1952, the military has become an integral part of the affairs of the state and Egyptian politics has “largely turned into a one-man show, akin to the god-king of ancient times” (Sherbiny, 2005, p. 838). Since the coup of Nasser in 1952, the country has had only four changes in leadership and all the four rulers came from the military: Mohamed Naguib (1953-1954), Gamal Abdel Nasser (1954-70), Anwar Sadat (1970-1981), and Hosni Mubarak (1981-2011). Referring to the status of democracy in Egypt, Kassem (2004, p. 1) points out that “personal authoritarian rule in Egypt survives and has been maintained for more than five decades”. This is the state of democracy in one of the USA closest allies for the last fifty years. However, the USA has rarely shown any serious reservations about the lack of genuine democracy in the case of its strategic ally. The USAID data shows that the USA has never cut off aid to Egypt since the middle of the 1970s, after Egypt signed the Camp David peace accords with Israel.

In a number of studies reviewed in the second chapter, factors such as democracy and human rights were found to be secondary or sometimes insignificant determinants in the provision of aid. The allocation of aid from major Western bilateral donors to the Middle East is no exception in this regard. Anderson (2001) asserts that the West and particularly the USA not only turns a blind eye but supports compliant autocratic regimes to pursue its foreign policy goals. The author states that “this is particularly true of the Middle East, where access to oil and the security of Israel have trumped the desire for human rights and democracy” (Anderson, 2001, p. 56).

One of the main causes of the lack of promotion of true democracy in Egypt is the long-standing USA support to the authoritarian regimes since the 1970s (Kassem, 2004). Over this period, Egyptian leadership has used different slogans, taken different guises and embarked on different initiatives but the fact remains that there has been little “genuine change with regards to the country’s personal authoritarian system of rule” (Kassem, 2004, p. 1). Dunne (2003) points out that President Mubarak always tried to show to foreign audiences that Egypt was on the path of democracy but in reality there had been increasing frustration as “Egyptians themselves wonder when they will ever arrive” (Dunne, 2003, p. 115). Until he was ousted in 2011 following an unprecedented popular uprising, Mubarak had broken his pledge of 1984 when he had stated that the president, whether he or anyone else, would limit himself to two terms in the office and that he would be the first president to whom this principle would apply (Ajami, 1995; Kassem, 2004). Despite all this, the USA was always satisfied with the Mubarak regime and had been

extending its full cooperation in the form of economic and military aid. Regarding the double standards of the USA concerning democracy in Egypt and Pakistan, Cook (2000, p. 3) recalls that in 1999, on the one hand President Clinton extended a warm welcome to “a man who recently presided over the renewal of martial law in Egypt”, while on the other hand he took a tough stance on General Musharraf’s removal of the elected government in 1999. Hence, the USA has mostly, if not always, ignored the lack of democracy in Egypt as its own foreign policy goals required so.

Turkey has a better track record of democracy but occasional military coups have tarnished the country’s reputation as a modern democratic state. Ludington and Spain (1983) have pointed out that for more than a 1,000 years of Turkish history, the military authorities and government leadership had always been the same due to which Turkey has a deep tradition of revering the military profession. To some extent, this tradition has been maintained in the history of modern Turkey as six of the Turkish Republic’s eight presidents have been former military men (Henze, 1993). Due to the military’s strong hold in the national affairs, Jacoby (2003, p. 669) argues that “in Turkey...since 1909, there has been only 10 years in which a fully civilian administration has governed”. In the last four decades, the military has interrupted the democratic process four times by ousting the elected leadership: twice directly in 1960 and 1980, and twice indirectly in 1971 and 1997 (Robins, 2003). The first military coup took place in 1960 and it is apparent from Table 4.1 that there has been no sign of the curtailment of USA aid on the basis of the lack of democracy. Similarly, during the second and third military regimes of 1971-73 and 1980-83, there has been no signal of reduction or cutting off of USA assistance (evident from the corresponding years in Table 4.1). It shows that as in the case of Egypt, the USA did not prioritise democracy in the allocation of aid to Turkey during most of the Cold War period.

In terms of democratically elected governments, Pakistan has a better record than Egypt. However, unlike Turkey where all the three military regimes have been relatively short; spanning 1960-1961, 1971-1973, and 1980-1983, the history of democracy in Pakistan is dismal as for more than half of its existence it has remained under direct military rule. The three larger chunks of military rule in Pakistan include the General Ayub era from 1958 to 1969, the Zia period from 1977 to 1988 and the Musharraf regime of 1999-2008. While USA President Truman mentioned the word ‘democracy’ nine times and ‘freedom’ and ‘liberty’ 17 times in his historic inaugural address in 1949 (Truman, 1949), which is credited with the beginning of modern development aid (Rist, 2002), the difference between rhetoric and reality becomes evident from the data in Table 4.1, which shows that the USA has actually channelled more aid to military regimes in Pakistan in comparison to democratically elected governments. The USAID data clearly shows how successive USA administrations have fallen short of the lofty ideals of democracy and freedom by maintaining warm cooperative relationships with military dictators in Pakistan in contrast to civilian regimes. The decade of the 1990s is a prime example of this trend. After 11 years of military rule of General Zia, parliamentary democracy was restored in Pakistan in 1988. However, throughout the decade of the post-Cold War period, Pakistan was under USA

sanctions due to its nuclear programme and it received negligible economic and military aid during this period (see USAID data in Table 4.1 for these years).

The question arises why the USA 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 USA was initially not supportive of either General Zia or General Musharraf. In the beginning of their rule, the USA 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 USA needed all-out support of Pakistan. Therefore, the primary reason behind substantial USA aid during military regimes and negligible assistance during civilian rule is that the former coincided with events when USA 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 USA 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 USA had ignored Pakistan’s pursuit of nuclear technology during most of the Cold War period. It shows that the USA has supported a dictator in Pakistan when its own geo-strategic interests required so. Thus, Haqqani, (2005), 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 USA aid to Pakistan clearly illustrates that instead of strengthening democracy, USA 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 USA 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 USA geo-strategic and security interests. All the selected USA aid recipients except Israel have had long dictatorial regimes and still managed to receive substantial USA ODA during these regimes. It implies that the promotion of democracy is not an important determinant in the allocation of USA foreign aid, especially if the aid-receiving country is vital for USA geo-strategic and security aspirations.

4.4.2 Human rights records of Egypt, Israel, Turkey and Pakistan and USA aid

Among bilateral aid donors, the USA has led the way by bringing legislative amendments in the Foreign Assistance Act of 1961 to link the provision of economic and military aid to human rights performance of aid-recipient governments (Apodaca, 2005). To this end, the USA Congress passed amendments in the 1970s to tie the allocation of aid to respect for human rights. The law dealing with the allocation of USA economic aid and human rights is known as

the Harkin Amendment and it prohibits the provision of economic aid to human rights violators. The amendment, Section 116 of the Foreign Assistance Act, which was signed into a law in 1974, states:

No assistance may be provided under this part to the government of any country which engages in a consistent pattern of gross violations of internationally recognized human rights, including torture or cruel, inhuman, or degrading treatment or punishment, prolonged detention without charges, causing the disappearance of persons by the abduction and clandestine detention of those persons or other flagrant denial of the right to life, liberty, and the security of person, unless such assistance will directly benefit the needy people in such country (US Government, 2003, p. 59).

Similarly, a Congressional amendment, also known as the Humphrey-Cranston Amendment, was passed in 1974 that deals with the provision of USA military assistance and human rights. The amendment, known as Section 502B, stipulates:

Except under circumstances specified in this section, no security assistance may be provided to any country the government of which engages in a consistent pattern of gross violations of internationally recognized human rights (US Government, 2003, p. 230).

Thus, it is often argued that the USA took concrete steps in the form of these amendments which proclaim to cut off or restrict the provision of USA taxpayers' money to human rights violators (Apodaca, 2005; Cmiel, 1999; Forsythe, 1987; Poe, 1991).

Since the introduction of the above Congressional amendments, there have been numerous studies that examined whether the USA has actually followed these policies. Most previous research indicates that due to its foreign policy compulsions, the USA has rarely implemented the legislation of cutting off aid to countries where there are well documented human rights abuses (Regan, 1995). In one of the first studies on the subject, Schoultz (1981) focused on the distribution of annual USA economic and military assistance to 23 Latin American countries in the 1970s. The author found that human rights did not play a significant role as "during the mid-1970s United States aid was clearly distributed disproportionately to countries with repressive governments" (Schoultz, 1981, p. 167). Stohl, Carleton and Johnson (1984) examined the disbursement of USA economic and military assistance to 10 Latin American and 10 Asian and Middle Eastern countries (including Pakistan, India, Indonesia, Thailand, Egypt and Israel) during the regimes of President Nixon and President Ford. According to their findings, "under Presidents Nixon and Ford foreign assistance was directly related to levels of human rights violations, i.e. more aid flowed to regimes with higher levels of violation" (Stohl et al., 1984, p. 215). Similarly, during the tenures of President Carter and Regan, Carleton and Stohl (1985, p. 215) noted that there was mostly "a positive relationship between aid and human rights violations: the more abusive a state was, the more aid it received". They stated that "at no point during either administration does it appear from our analysis that human rights concerns

significantly influenced the distribution of United States foreign assistance, whether it be military or economic aid" (Carleton & Stohl, 1985, p. 218). In their most comprehensive study on the relationship between USA aid and human rights, Apodaca and Stohl (1999) have analysed USA aid to 140 countries from 1976 to 1995. Their study covers the tenures of President Carter, Reagan, Bush and Clinton and they found that "human rights concerns are not the only, nor the largest consideration" in the allocation of USA aid (1999, p. 193). The authors concluded that countries vital to USA foreign policy ambitions "receive aid regardless of their human rights records" (Apodaca & Stohl, 1999, p. 196). The overall existing evidence indicates that rather than punishing human rights violators, the USA has either ignored human rights abuses of the potential recipients (Blanton, 2000; Neier, 1996-1997; Poe, 1992) or allocated more economic and security assistance to strategic allies accused of gross human rights violations (Chomsky, 1978, 2003).

Focusing on historical as well as contemporary USA aid policies, the following analysis and discussion illustrate to what extent the USA has linked the provision of economic and military assistance to human rights performance of the four comparators. Table 4.5 and the corresponding Figure 4.6 shows the human rights record of Egypt, Israel, Pakistan and Turkey from 1976 to 2008. As discussed in Chapter Three, in the light of the Amnesty International (AI) and USA State Department annual reports, Freedom House (2010) codifies and ranks all countries on a scale of 1 to 5 on Political Terror Scale (PTS). This is the measurement of the personal integrity rights records of countries and it indicates to what extent the state or government violates physical integrity rights of its citizens by carrying out actions such as political imprisonment, disappearances, torture and extra-judicial killings (Gomez, 2007; Neumayer, 2003b). A score of 1 means that there is little or no violation of personal integrity rights while a score of 5 indicates gross human rights abuses including torture, political imprisonment, detention with or without trial, disappearances, brutality and political murder (McCan & Gibney, 1996). In terms of the PTS, the following ranking clearly shows that none of the comparators has a good record of human rights for most years. Rather than improving the human rights situation, the data reveals that the conditions have deteriorated since 1976. I will discuss each country one by one from the perspective of its human rights performance and whether it has any impacts on the availability and flow of USA aid.

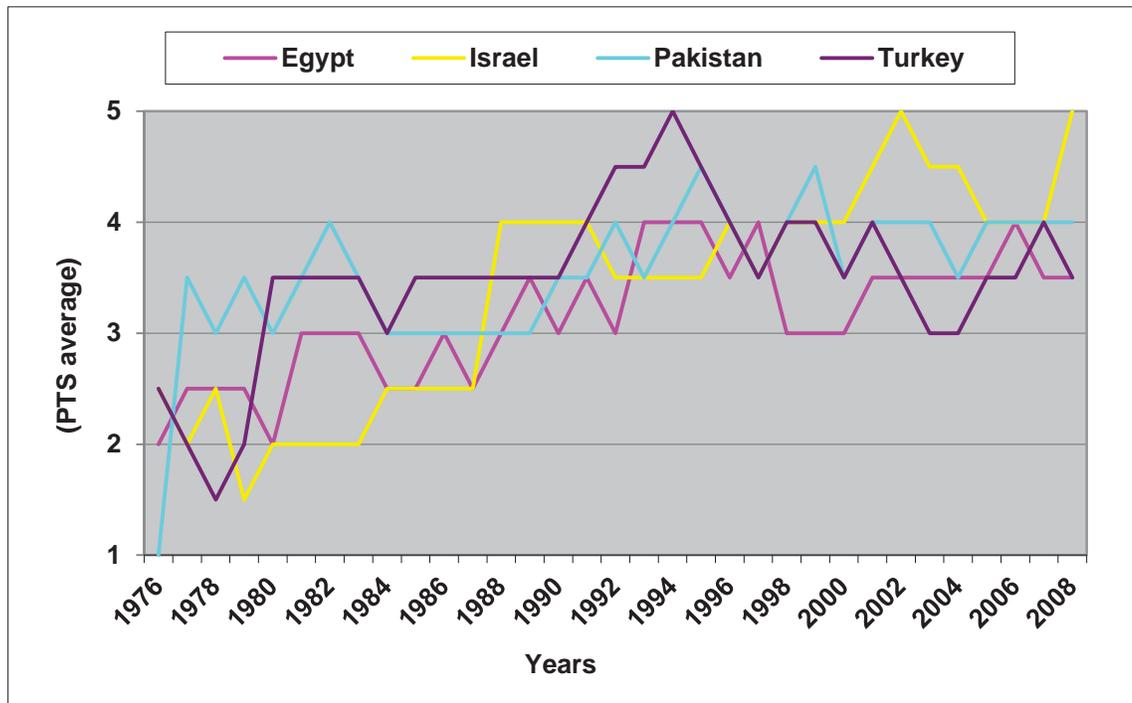
Table 4.3: PTS averages of the comparators

Year	Egypt	Israel	Pakistan	Turkey
1976	2	2.5	1	2.5
1977	2.5	2	3.5	2
1978	2.5	2.5	3	1.5
1979	2.5	1.5	3.5	2
1980	2	2	3	3.5
1981	3	2	3.5	3.5
1982	3	2	4	3.5
1983	3	2	3.5	3.5
1984	2.5	2.5	3	3
1985	2.5	2.5	3	3.5
1986	3	2.5	3	3.5
1987	2.5	2.5	3	3.5
1988	3	4	3	3.5
1989	3.5	4	3	3.5
1990	3	4	3.5	3.5
1991	3.5	4	3.5	4
1992	3	3.5	4	4.5
1993	4	3.5	3.5	4.5
1994	4	3.5	4	5
1995	4	3.5	4.5	4.5
1996	3.5	4	4	4
1997	4	3.5	3.5	3.5
1998	3	4	4	4
1999	3	4	4.5	4
2000	3	4	3.5	3.5
2001	3.5	4.5	4	4
2002	3.5	5	4	3.5
2003	3.5	4.5	4	3
2004	3.5	4.5	3.5	3
2005	3.5	4	4	3.5
2006	4	4	4	3.5
2007	3.5	4	4	4
2008	3.5	5	4	3.5

Political Terror Scale, based on Amnesty International and US State Department reports. Scales are from 1 (best) to 5 (worst).

Source: Freedom House (2010).

Figure 4.6: PTS averages of Egypt, Israel, Pakistan and Turkey



Source: Author, based on Political Terror Scale (PTS) data from Freedom House (2010).

Egypt's human rights performance and the disbursement of USA aid

The Freedom House data in Table 4.5 shows that like the other comparators, Egypt also has a dismal record concerning respect for human rights. From the Nasser era to the regime of recently ousted President Mubarak, there has rarely been a visible improvement in the human rights situation. Referring to the period of Nasser, Waterbury (1983) recalls that there were huge numbers of political arrests in the 1950s and 1960s. Groups like the Muslim Brethren (MB) and communists were the major targets as thousands of their members and representatives were arrested. In December 1968, more than 25,000 members of the MB were arrested in one day, most of them held in military jails (Waterbury, 1983). However, at that time the USA had no legislative amendments in place prohibiting the allocation of economic or military aid to human rights violators. Also, Egypt was in the communist bloc at that time and it was not a major recipient of USA aid. Therefore, the focus of this section will be on the period since the mid-1970s when there was Congressional legislation tying USA aid to respect for human rights. Also, it was during these years that Egypt became a USA ally and hence one of the largest recipients of USA economic as well as military aid along with Israel.

Over the last four decades, Egypt has had two presidents - Anwar Sadat (1970-1981) and Hosni Mubarak (1981-2011) - and there were serious human rights violations during both the regimes. According to Waterbury (1983, p. 355), "Sadat imposed such severe restrictions on all forms of political activity that he seemed to have reverted to the Nasserist style he nominally abhorred". In a massive wave of arrests that Sadat ordered in September 1981, noted men and women of

the elite, from the law, journalism, the universities as well as former ministers were arrested (Ajami, 1995). The Freedom House data shows that Egypt regularly scored more than four during these years, which is an indicator of worse human rights situation. On the other hand, it is evident from the USAID data in Table 4.1 that the USA was allocating about US \$2 billion in economic aid and an equal amount in military assistance annually to Egypt during this period (See Appendix II for military aid). It shows the USA was not concerned with political freedom and human rights abuses in terms of the allocation of foreign assistance. Rather, it can be argued that the highhandedness of Sadat's regime was an indirect appeasement of the US, as most of those arrested were Islamists opposing the government pro-USA policies.

More or less the same status of human rights violations continued during the Mubarak regime. Data in Table 4.5 shows that apart from three years in the mid-1980s, Egypt regularly scored more than three, indicating gross human rights violations. After the assassination of Sadat in 1981, a state of emergency was declared and since then the government kept on renewing it every year (Kienle, 2001). In 1994, the state of emergency was renewed for three years and the same decision was repeated in 1997 and then again in 2000. Highlighting the authoritarianism of the regime, Alterman (2000) points out that between 1989-1997, 17,000 Islamists were arrested and tried in military courts without charges.

In recent years, the situation further deteriorated particularly with the advent of the USA-led 'war on terror'. Despite the fact that the government had promised in 2005 to end the state of emergency, President Mubarak renewed Law No. 162 of 1958 in May 2010 (Human Rights Watch, 2011). The AI (2008 ; 2009) annual reports highlight the current state of human rights violations in Egypt. These reports state that there are unfair trials before military and special emergency courts. They add that around 18,000 detainees, held on the orders of the interior ministry, are in prisons in degrading and inhumane conditions. The State Security Investigations (SSI) arrested those accused of membership in Islamic groups and also 'disappeared' young political activists for several days. The 2011 Human Rights Watch report narrates that the SSI officials seem to have 'disappeared' more political detainees in 2010 than in the previous years. Besides this, there are issues like lack of transparency in the judicial system, freedom of expression, violence against women and minority groups and unfair trials before military courts. It was reported that "the year 2010 saw increases in the number of trials of civilians before military courts and in reliance on special courts that do not meet fair trial standards" (Human Rights Watch, 2011, p. 517).

Despite serious human rights violations by Egyptian authorities, the USA has channeled substantial economic and security assistance to Egypt for decades. Although USA economic assistance to Egypt has been gradually declining since the mid-1980s, this is not because of the human rights. Regarding the USA attitude of turning a blind eye to human rights and other issues related to governance, Cook (2000) points out that the USA sees in Egypt only what it wants to see and ignores the rest. Referring to this double standard and selective approach,

Yefet-Avshalom and Roniger (2006) draw attention to the fact that the USA and Europe did not come out to the defence of those detainees who were tried in military courts under emergency laws but came to the support of Saad al-Din Ibrahim, a professor at American University of Cairo who was charged with defaming Egypt. The authors assert this issue once again proves the double standards in the Western view of human rights. In the case of close strategic allies, the USA overlooks all such issues and continues to extend its support in the form of foreign aid. The preceding discussion illustrates that the USA does not take into account issues related to human rights while allocating aid to its close allies such as Egypt.

Human rights abuses by Israel and the provision of USA aid

The Freedom House data in Table 4.5 and Figure 4.6 depict a grim picture of the human rights situation in Israel, particularly since the mid-1980s when Israel has been consistently awarded four or more than four points. Similarly, annual reports of the AI, Human Rights Watch and different bodies of the UN and other international NGOs have consistently shown concern over grave human rights abuses by Israel. First of all, it is argued that Israel does not have a formal constitution and there is overt and covert discrimination against Arab minorities and other non-Jewish foreign workers in various spheres of life (Kretzmer, 2005). According to Cook (2006, p. 18), "instead of a constitution, Israel has 11 Basic Laws, none of which guarantees freedom of speech, freedom of religion or, most importantly, equality". Therefore, the record of Israel has been dismal as its Arab citizens and Palestinians have rarely been given the true status of free citizens of a democratic state.

However, from the perspective of human rights, one of the most significant issues is the status of the occupied territories and non-existence of clearly defined international borders. The present boundaries of Israel are controversial and against the spirit of the UN resolutions that have banned settlements in the occupied territories (Dallal, 1989; Falk, 2007; Kretzmer, 2005; Noyes, 1997). In the words of Edward Said (2004a, p. 69), "the country has never had internationally declared borders but continues to tinker endlessly with its own size". There are several occasions when Israel has pursued its own policies in violation of the UN resolutions and has shown disregard for international laws of human rights. One such precedent is the expansion of illegal settlements and construction of a 700 km fence/wall on the Palestinian land in the occupied territories (Amnesty International Report, 2008). The AI report states that this highly controversial iron fence has cut off the local Palestinian population from their citrus groves and olive orchards, which has resulted in the impoverishment of the once prosperous farming community. In 2003, the UN General Assembly (UNGA) voted 90 to 4 to seek the opinion of the International Court of Justice (ICJ) on the legitimacy of the fence (Mark, 2004). In its detailed judgement in 2004, the ICJ gave a ruling against the fence by 14 to 1 that termed it a wall instead of a fence (ICJ, 2004). Israel rejected the ruling of the ICJ and the USA also defended Israel and condemned the court ruling. Another resolution was passed in the UNGA by 150 to 6

while 10 states abstained from voting to demand that Israel comply with the ruling of the ICJ (General Assembly, 2004).

Besides these, Israel Defence Force (IDF) and air force regularly carry out attacks on suspected Hamas and other Islamist leaders, resulting in the loss of numerous innocent lives. Baylouny (2006) points out that collective punishment and indiscriminate repression by Israeli security forces have led to more militancy in Palestinians and greater endangering of the peace process between the two parties. Professor Falk (2007), himself an American Jew, terms the miserable situation of the Palestinians as the holocaust of the 21st century. The process of gross human rights abuses has continued for years despite the repeated UNGA resolutions and international condemnation. Israel is among very few countries that has been subjected to multiple resolutions in a single year in the United Nation Commission on Human Rights (UNCHR) (Lebovic & Voeten, 2006). In recent years, the annual reports of Human Rights Watch (2006, 2008) and AI (2008, 2009) have accused Israel of reprisal measures, curfews and road closures which adversely affected access of the Palestinians to health-care facilities, education, workplaces and commercial centres. Turner (2003, p. 528) has summed up the history of human rights violations of Israel by stating that “the history of Israeli occupation of Arab territories since 1967 is a history of systematic human rights violations”.

Having a look at the human rights history of Israel (Table 4.5) and USA economic as well as military assistance (Table 4.1 and Appendix II), it can be concluded that the USA has never linked the allocation of aid to respect for human rights in the case of Israel. Alongside economic aid, the USA has never suspended military assistance and arms sales to Israel on account of the violation of human rights (see Appendix II for military aid and arms sales). For instance, “most recently, Israel used U.S.-supplied weapons in its July 2006 war in Lebanon and its December 2008–January 2009 Operation Cast Lead in Gaza to devastating effect, with civilians overwhelmingly bearing the brunt of the attacks” (Berrigan, 2009, p. 6), but the US, as usual, has ignored Israeli atrocities as USA military aid and sales of arms have continued unabated. Not only among the selected USA aid recipients, but overall Israel has remained the largest recipient of aggregate USA economic and military aid from 1948 to 2008⁸.

Human rights in Turkey and USA aid

Among the selected USA aid recipients, Turkey has better development indicators after Israel but like the other three countries, it also has a poor human rights record. Human rights is a thorny topic in Turkish politics and it is also considered a troubling aspect between the Turkey-European Union relationship (Arat, 2007). One of the prominent aspects of human rights

⁸ As mentioned in the previous footnote, USA economic assistance to Israel has significantly decreased in recent years: from US \$1,756 million in 1997 to US \$44 million in 2008. However, the reduction is not due to human rights or related issues. Instead of economic aid, there is a renewed focus on military assistance to Israel. This shift in the USA aid allocation to Israel is discussed in section 5.11 in the next chapter.

concerns is the issue of minority Kurds, an ethnic and linguistic group living in the region of Anatolia. The Kurdish issue has often been the cause of criticism and embarrassment for Turkey at the international level (O' Neil, 2007a). The 1982 Constitution and other laws enacted during the military rule of 1980-1983 prohibits declaration, publication and circulation of views in a language other than Turkish, thus targeting the Kurdish minority (Oran, 2007). Since 1984, conflicts with the Kurdistan Workers Party (PKK) have claimed more than 30,000 lives including those of security troops, government officials and innocent people (Alexander, Brenner, & Krause, 2008; Arat, 2007). Besides the Kurdish issue, various human rights bodies have expressed concerns over human rights violations against minority groups and women. Non-Muslim groups like Rum Orthodox also do not enjoy liberty and freedom, particularly in retaliation to incidents when the Muslim minority was oppressed in Greece (Yannas, 2007).

Turkey witnessed severe repressive tendencies and deteriorating human rights situations in the 1980s. After the 1980 military intervention, there were rampant arrests and widespread oppression and torture of those arrested (Alexander et al., 2008). About 50 executions took place during this period (Robins, 2003). Cali (2007) claims that during the military regime and the civilian government that followed after 1983, there were about 650,000 detention and over 100,000 torture cases. Data in Table 4.5 is a clear indication that since these years, Turkey's PTS has never remained less than three. However, the USA never cut off or suspended aid to Turkey despite grave human rights issues. Data in Table 4.1 clearly shows that Turkey was receiving substantial assistance from the USA during all these years. Turkey still has serious human rights issues but it is no longer an aid recipient and the USA has the same approach of neglecting Turkey's human rights abuses. The 2011 Human Rights Watch report has appropriately summed up this situation by stating that the USA has been "focusing on Turkey's foreign policy in the Middle East and Armenia rather than its domestic human rights record" (Human Rights Watch, 2011, p. 483).

Pakistan's human rights record and USA aid policies

It is clear from Table 4.5 showing PTS averages that like the other USA aid recipients, Pakistan has also consistently performed poorly in terms of human rights. As mentioned earlier in the context of democracy, for about half of its life, Pakistan has remained under direct military rule. There are two periods in which the nexus between USA aid and human rights abuses is markedly visible: the military regime of General Zia during the 1980s and the Musharraf tenure in the 'war on terror' period. The Freedom House data in Table 4.5 shows that Pakistan scored over three during the 1980s and in the 'war on terror' period it has mostly scored four on PTS.

Regarding human rights violations, the regime of General Zia is considered one of the most brutal military tenures in the history of Pakistan. After assuming power following the dismissal and arrest of Prime Minister Zulfikar Ali Bhutto on July 5, 1977, General Zia suspended the 1973 Constitution, dismissed federal and provincial governments and banned all political activities. With the abrogation of the constitution, fundamental human rights were suspended. In its 1978

annual report, the Amnesty International (1978, p. 147) observed that the “martial law Government in Pakistan has introduced measures designed to curb political dissent. The number of political prisoners has increased and now totals several thousand”. The report added that at least 160 political prisoners, arrested for taking part in peaceful political activities, have been flogged by the military junta. In April 1979, the ousted prime minister “was hanged after a trial of dubious legality ... [which] ... was a brutal display of state terrorism, designated in part at least to terrify and silence the civilian opponents of the military regime” (Murphy & Tamana, 2010, p. 55). The serious violation of human rights continued throughout his ruthless military reign. The 1985 AI report noted that:

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).

Similarly, there were severe restrictions on the freedom of speech. In March 1978, around 200 journalists were arrested and a number of newspapers were shut down by the military dictator (Amnesty International, 1978). In its 2009 annual commemoration of the fateful day of July 5, 1977 of the military coup, Pakistan Federal Union of Journalists (PFUJ) stated that the Zia regime will always be remembered for its extremely oppressive measures (Pakistan Federal Union of Journalists, 2009). The journalists’ body observed that the period was characterised by widespread censorship, banning of independent newspapers and arrest of editors and journalists, who were not only sentenced to rigorous imprisonment but were actually flogged and whipped under the Zia Martial Law regulations. However, as General Zia was a staunch USA ally against the USSR in the 1980s, human rights violations had no significance vis-à-vis USA security interests. Thus, Pakistan was among the largest recipients of USA economic and military aid despite lack of democracy and prevalence of human rights abuses.

Like the General Zia regime, the ‘war on terror’ period since 9/11 is another distinctive example of USA aid to Pakistan from the perspective of human rights. The Freedom House data shows that Pakistan has been one of the worst offenders of human rights as it has scored more than four on PTS in the post-9/11 years. According the 2011 report by Human Rights Watch, 2010 was a disastrous year for Pakistan concerning human rights. On the one hand common people suffered from the atrocities by the Taliban militants and on the other hand security forces carried out torture, forced disappearances and extrajudicial killings (Human Rights Watch, 2011). There is also a video, made available on popular websites such as ‘youtube’, which shows the killing of a group of young unarmed boys allegedly by army personnel in the Swat region of Khyber Pakhtunkhwa, where the military had conducted operation in 2009 against militants. After some uproar in the media, the Army Chief General Ashfaq Pervez Kayani had ordered an investigation but so far no one has been held accountable for the cold-blooded executions (Imtiaz, 2011).

Contrary to the Congressional legislation mentioned earlier, the USA has completely overlooked the status of human rights while allocating aid to Pakistan. This is because the Pakistan army has been a frontline USA ally in the 'war on terror' and the curtailment of economic or military aid could jeopardise USA security interests.

These issues were also explored during the course of fieldwork in Pakistan. During interviews with USAID and Pakistani officials, I asked questions whether the provision of USA aid is affected by matters such as human rights, the rule of law and corruption in Pakistan. The principal aim was to elucidate to what extent these issues were important for the USA while deciding the allocation of aid. Joseph Truong, USAID Outreach and Public Information Officer said during an interview in Islamabad:

The USA or USAID has not pressurised Pakistan and it does not touch issues like human rights, corruption and the rule of law. The USA State Department and other departments address these policy issues at present. We do not touch these issues as our focus is only developmental activities (Outreach and Public Information Officer, USAID, Islamabad, July, 2009).

One of the most significant domestic issues that the country witnessed was the unconstitutional removal of the Chief Justice (CJ) of the Supreme Court (SC) of Pakistan by military ruler General Musharraf on the charges of corruption and misconduct. The actual reason behind his ouster and dismissal was that the CJ had started taking "public-interest judicial interventions", (Lodhi, 2011a, p. 69), particularly of the forced disappearances of the separatists in the Baluchistan province and of the suspected religious extremists by intelligence agencies (Murphy & Tamana, 2010). After the CJ was removed from office on March 9, 2007, there were country-wide mass protests spearheaded by lawyers and supported by civil society organisations and opposition politicians. On July 20, 2007, the Supreme Judicial Council of Pakistan, a body of judges empowered under the 1973 Constitution of Pakistan to hear and decide cases of misconduct against judges, restored the CJ. It became increasingly difficult for Musharraf to tolerate a free and transparent judiciary under CJ Iftikhar Chaudhry. On November 3, 2007, General Musharraf imposed a state of emergency in the country and sacked CJ Chaudhry and 60 other judges, illegally and unconstitutionally, when they refused to take oath under the Provisional Constitution Order (PCO) issued by Musharraf. All judges of the superior courts who did not submit to Musharraf and thousands of lawyers, opposition leaders and human rights activists were either placed in house detention or jail (Lodhi, 2011a). During the whole judicial crisis and the subsequent lawyers' movement, the USA never intervened to press General Musharraf to reinstate judges and stop violating human rights. Michael H. Hryshchshyn, Director Office of Democracy and Governance USAID/Pakistan, explained the stance of the USA government to me during an interview:

We remained quiet on the issue of restoration of the judiciary and viewed it as Pakistan's domestic problem. Regarding human rights, we continue to push all countries

for human rights and the rule of law and have been engaging with civil society (Director Office of Democracy and Governance, USAID, Islamabad, August, 2009).

Similar opinions were expressed by a number of Pakistani officials when asked about the provision of USA aid and its connection with Pakistan's domestic governance issues. An official in the EAD informed me during an interview:

There have been no linkages of USA aid with human rights, nuclear proliferation issues, good governance and transparency etc. None of the Strategic Objective Grant Agreement (SOGA) signed between the two countries have mentioned or outlined these issues or themes (Senior Official, EAD, Islamabad, April, 2009).

All this indicates that the USA does not prioritise human rights and related issues in the allocation of aid, particularly when the aid recipient government is a strategic ally. These aspects of USA foreign aid policies are dealt with in detail in the following chapter that illustrates how much the USA has been concerned with its own geo-strategic, security and political goals in comparison to democracy, human rights and economic development in Pakistan.

So far, domestic political regimes of the four comparators have been assessed vis-à-vis USA foreign aid. Like the conclusion drawn from the recipients' needs versus donors' interest model, that USA aid has not been consistent according to the poverty needs of the comparators, the preceding discussion of domestic political regimes and its relationship with USA aid offers a similar conclusion. This implies that the USA has been giving most aid to these countries neither on the basis of their poverty needs nor due to their satisfactory domestic political regimes characterised by genuine democracy, respect for human rights and the rule of law.

4.5 Conclusion and summary

Based on the empirical analysis and graphical presentation of the USAID and World Bank data, this chapter has illustrated that the provision of USA ODA has not been primarily guided by poverty needs and developmental concerns of the comparators. The chapter has demonstrated the USA does not give more aid to certain countries on the basis of their poverty status. For example, Israel, despite being a rich country in terms of GDP per capita and average life expectancy, has received the largest amount of USA economic aid between 1948 and 2008. The chapter has also shown that the USA has not linked the distribution of economic and military assistance with human rights in recipient countries. Although Israel has shown little regard for international norms and laws and internationally recognised human rights, the USA has always extended its full support in the form of economic and military aid and has rarely suspended or restricted aid on account of these issues.

A fairly similar conclusion can be drawn from the USA aid relationship with Egypt. As the analysis of the USA aid allocation has shown, USA economic aid to Egypt was characterised by ups and downs in the 1950s and 1960s. However, since the mid-1970s and particularly after the

signing of the Camp David accord with Israel in 1979, the aid relationship has remained steadfast and the USA has never suspended aid to Egypt. While providing both economic and military assistance to Egypt, the USA has largely ignored issues such as the lack of genuine democracy and human rights abuses in this important Middle Eastern ally. Among the comparators, Egypt has received the second largest amount of total USA economic and military assistance over the 1948-2008 period.

Based on development indicators, Pakistan, with the largest population, has remained the poorest in the group. If ODA is given on humanitarian grounds for poverty alleviation only, it is argued that poorer countries with larger population should receive more aid. The analysis of USA ODA to the four selected countries has shown that this is not the case here. At times, Pakistan was the largest recipient of USA economic assistance in the group (see years 1955-1968 and 2006, 2008 in Table 4.1), while at certain intervals the USA provided meagre aid to Pakistan (for example during the 1978-1981 period and the entire decade of the 1990s). Based on the empirical analysis, this chapter has revealed that the USA has not given more ODA to Pakistan on account of the latter's poverty. Similarly, the provision of annual USA economic as well as military aid remained considerably high when Pakistan was under military rule and there was meagre aid during civilian regimes, such as in the 1989-2001 period. Overall, the USA has rarely linked the distribution of both civilian and security assistance to Pakistan with respect for human rights.

Although Turkey has progressed from the position of an aid recipient in recent years, at some points, particularly during the Cold War period, it was among the largest USA aid recipients along with the other selected countries. In fact, Turkey has received the fourth largest amount of aggregate USA economic aid and the third largest amount of total economic and military assistance in the group between 1948 and 2008. Despite dictatorial regimes and serious human rights violations, particularly in the 1980s, the USA did not stop aid to Turkey on account of these issues. Like the rest of the selected USA allies, economic and military assistance to Turkey was hardly ever tied with democracy or human rights performance.

This chapter has illustrated that factors such as poverty needs of aid-receiving governments and the nature of their domestic political regimes are not significant determinants of USA foreign assistance. To varying degrees and at different times, most of these recipients have received a huge volume of USA ODA, but not solely on account of their poverty levels. The findings reinforce what has generally emerged in most literature on aid allocation: the principal determinants of most ODA from bilateral donors are not just poverty needs of aid recipients but largely donors' geo-strategic, political, security and trade interests, which are discussed in detail in the following chapter in the context of USA aid allocations to the four comparators.

Chapter 5 A comparative analysis of USA foreign aid allocation from the perspective of geo-strategic orientations

5.1 Introduction

The aim of this chapter is to explore to what extent geo-strategic factors are the key determinants of the USA aid allocation to Egypt, Israel, Pakistan and Turkey. Building on the previous chapter that looked at USA aid disbursements in the context of poverty needs and domestic regimes of the comparators, this chapter examines the provision of USA aid from the perspective of USA geo-strategic and security pursuits. Like previous studies on the aid allocation reviewed in the second chapter, geo-strategic significance of the selected aid recipients is measured by employing and operationalising two variables: USA military aid and arms sales. These variables are the indicators of how much geo-strategic significance the comparators have for the US. The assumption or hypothesis is that the more the USA gives military aid and sells arms to certain countries at certain times, the more these countries are likely to obtain USA economic aid, not on account of their poverty but due to geo-strategic, political and security reasons.

The chapter first briefly discusses the overall trends in the data. Then, focusing on events of regional and global ramifications during three distinctive periods in recent history comprising the Cold War, the post-Cold War and the 'war on terror' era, the chapter empirically and graphically demonstrates how the course and magnitude of USA aid has been influenced by changing geo-strategic compulsions. The overall analysis indicates that at certain times the provision of USA economic aid has marked causal relationships with USA military aid, and at some points also with USA arms sales. Empirical findings complement and underscore the analysis drawn in the previous chapter: USA foreign policy ambitions are the key determinants of the aid allocation. This was the case not only in the past but even today the overarching determinants of the USA aid provision are security and political intents. This is precisely the case of the contemporary USA aid relationship with Pakistan, which is a frontline USA ally in the 'war on terror' and one of the largest recipients of USA aid since 2002. Thus, by examining USA aid policies over half a century, the chapter bridges the gap between historical and contemporary analyses of USA bilateral aid policies towards the comparators.

5.2 Political, security and geo-strategic motives and the USA aid allocation

Data in Table 5.1 and the corresponding Figure 5.1 shows USA economic and military aid from USAID (2010c) and USA arms sales to the comparators obtained from Stockholm International Peace Research Institute (SIPRI) (2010). It is clear from the data that there are different trends at different time periods in the allocation of USA aid, both economic and military, as well as in USA arms sales to Egypt, Israel, Pakistan and Turkey. It also indicates that these countries

were/are important strategic allies as the USA has channelled unprecedented aid from time to time.

Table 5.1: USA economic and military aid and arms sales to Egypt, Israel, Pakistan and Turkey

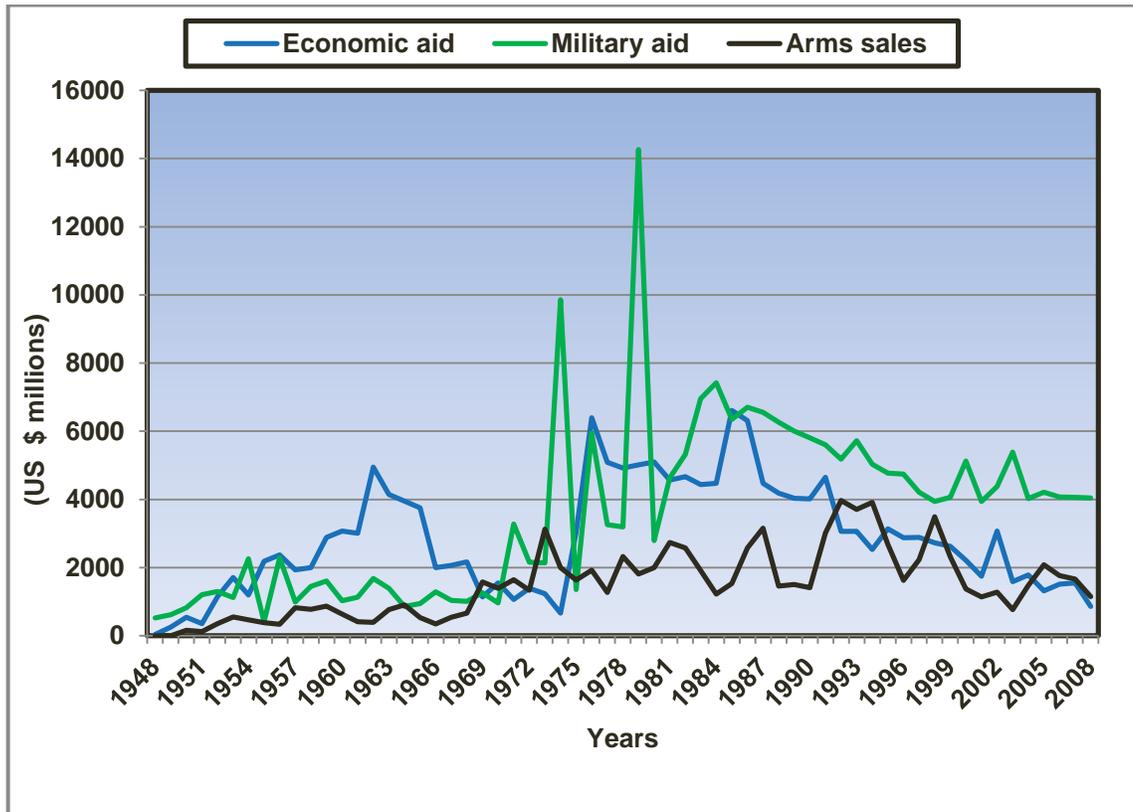
Year	Economic assistance (US 2008 \$, millions)				Military aid (US 2008 \$, millions)				USA arms sales (US 2000 \$, millions)			
	Egypt	Israel	Pakistan	Turkey	Egypt	Israel	Pakistan	Turkey	Egypt	Israel	Pakistan	Turkey
1948	10.68	0.00	0.76	25.18	0.00	0.00	0.00	525.04	0.00	0.00	0.00	0.00
1949	0.00	0.00	0.00	249.55	0.00	0.00	0.00	616.49	0.00	0.00	0.00	0.00
1950	0.00	0.00	0.00	538.96	0.00	0.00	0.00	826.8	23	2	34	102
1951	0.71	0.71	2.85	354.24	0.00	0.00	0.00	1,209.23	0.00	1	0.00	121
1952	8.21	590.91	73.18	476.02	0.00	0.00	0.00	1,295.32	0.00	4	0.00	354
1953	86.63	494.28	737.37	393.54	0.00	0.00	0.00	1,119.49	0.00	5	0.00	549
1954	26.56	495.95	154.69	522.51	0.00	0.00	0.00	2,262.65	0.00	0.00	41	424
1955	436.4	346.88	722.06	683.23	0.00	0.00	261.98	147.38	0.00	0.00	105	281
1956	213.57	325.8	1,049.23	781.15	0.00	0.00	1,069.75	1,215.33	0.00	3	143	195
1957	6.18	252.78	1,062.43	611.87	0.00	0.00	430.62	562.74	0.00	10	233	579
1958	3.61	367.14	952.64	674.89	0.00	0.00	524.55	927.62	0.00	3	165	605
1959	264.61	294.73	1,344.91	983.43	0.00	2.36	360.64	1,240.64	0.00	17	323	531
1960	384.6	322.16	1,662.15	699.18	0.00	2.92	226.61	797.88	0.00	0.00	43	592
1961	422.92	276.77	973	1,336.65	0.00	0.01	256.12	872.22	0.00	12	67	330
1962	1,140.82	402.27	2,295.30	1,114.65	0.00	75.11	539.77	1,069.29	0.00	43	77	270
1963	824.37	356.27	2,031.99	928.89	0.00	74.74	287.39	1,025.62	0.00	4	195	565
1964	530.33	205.47	2,185.20	1,029.02	0.00	0.00	184.38	673.64	0.00	115	79	714
1965	532.82	266.41	1,897.63	1,053.63	0.00	70.42	76.12	801.07	0.00	165	16	349
1966	147.52	196.69	802.81	856.26	0.00	481.05	8.26	797.93	0.00	131	5	212
1967	65.24	31.58	1,192.98	776.68	0.00	36.25	25.89	971.59	0.00	172	11	358
1968	0.00	259.02	1,476.12	429.04	0.00	125.01	25.54	861.44	0.00	385	0.00	280
1969	0.00	175.5	532.7	436.59	0.00	406.46	0.49	856.82	0.00	1061	0.00	519
1970	0.00	186.36	951.28	408.99	0.00	136.03	0.85	825.97	0.00	1163	9	218
1971	0.00	240.97	465.97	357.14	0.00	2,353.60	0.72	924.23	0.00	1148	0.00	501
1972	6.19	429.7	680.84	275.89	0.00	1,237.15	0.41	916.68	0.00	753	0.00	587
1973	3.16	433.68	702.66	90.45	0.00	1,184.92	1.22	955.14	0.00	2389	26	709
1974	78.46	189.72	375.01	20.26	0.00	9,145.64	0.94	709.65	0.00	1218	74	705
1975	1,234.94	1,178.22	603.63	14.68	0.00	1,001.03	0.9	353.63	0.00	994	34	604
1976	1,445.01	2,223.39	632.72	0.00	0.00	4,668.36	1.26	0.00	0.00	1738	21	105
1976 TQ	1,666.61	237.1	194.26	0.00	0.00	904.95	0.3	377.06	56	0.00	0.00	0.00
1977	2,628.26	2,148.35	313.48	0.54	0.00	2,895.35	0.9	361.92	112	1100	12	44
1978	2,558.16	2,147.92	211.13	3.1	0.51	2,712.70	1.49	475.93	0.00	1385	200	743
1979	2,731.60	1,983.50	126.53	174.84	3,766.67	10,041.79	1.17	452.65	325	667	41	782
1980	2,692.22	1,814.05	135.17	457.21	1.95	2,308.10	0.00	480.64	406	1203	185	205
1981	2,376.46	1,606.10	161.44	422.64	1,157.89	2,943.12	0.00	531.38	883	1598	33	226
1982	2,095.34	1,585.86	393.96	592.37	1,775.47	2,754.60	1.18	793.01	1454	858	93	176
1983	1,893.92	1,479.24	525.24	538.99	2,500.40	3,203.44	491.41	758.98	1083	492	250	88

1984	2,006.57	1,653.76	558.57	253.58	2,483.65	3,089.44	546.62	1,305.34	380	278	480	82
1985	2,274.14	3,432.40	597.1	309.61	2,071.14	2,464.23	573.76	1,238.43	434	299	549	250
1986	2,224.65	3,265.51	613.06	205.77	2,142.95	2,963.11	536.63	1,063.74	1008	1167	126	274
1987	1,701.82	2,011.65	589.26	172.91	2,182.31	3,017.48	525.79	827.24	1170	1080	90	820
1988	1,419.57	1,950.30	756.99	52.58	2,115.26	2,925.45	423.89	801.74	280	582	73	524
1989	1,514.69	1,877.36	550.88	94.42	2,036.15	2,816.03	361.26	787.55	206	25	651	623
1990	1,649.25	1,802.33	539.24	22.19	1,954.80	2,815.12	278.87	756.06	428	70	53	861
1991	1,450.96	2,689.63	147.23	364.2	1,892.63	2,679.77	0.00	1,033.04	856	1217	27	916
1992	1,323.63	1,708.92	26.74	2.06	1,845.80	2,619.40	7.09	713.76	982	1293	20	1671
1993	1,044.95	1,664.09	73.05	277.97	1,805.95	3,241.18	0.00	675.36	1006	723	20	1958
1994	835.27	1,629.07	67.35	0.64	1,800.74	2,672.64	0.00	560.01	1722	842	20	1329
1995	1,297.51	1,598.81	22.76	221.27	1,782.40	2,506.29	0.00	480.12	1639	298	20	725
1996	1,075.61	1,735.02	22.43	45.38	1,792.25	2,390.66	0.00	564.18	768	59	186	612
1997	1,040.11	1,756.54	56.33	30.81	1,673.05	2,312.33	0.00	227.01	890	40	130	1168
1998	1,055.53	1,621.47	35.8	13.99	1,651.04	2,282.20	0.00	7.25	500	1344	20	1627
1999	1,077.89	1,437.91	100.71	7.53	1,690.36	2,352.44	0.22	19.48	437	737	6	1137
2000	909.96	1,252.63	45.06	2.18	1,634.57	3,482.90	0.00	4.52	784	91	0.00	497
2001	498.12	1,018.27	224.74	5.65	1,556.20	2,381.51	0.00	2.2	825	115	0.00	196
2002	1,058.52	853.73	921.41	242.88	1,528.73	2,421.54	347.63	84.11	492	299	20	472
2003	474.65	737.08	371.75	9.34	1,501.71	3,556.65	304.18	23.5	366	104	0.00	297
2004	745.16	625.04	399.32	11.55	1,451.97	2,430.43	95.65	44.88	476	835	57	112
2005	296.21	524.34	482.47	17.69	1,403.80	2,426.57	341.41	40.72	539	1105	134	307
2006	524.12	300.57	681.94	5.84	1,355.77	2,374.84	324.72	18.79	531	1108	124	5
2007	687.15	172.03	678.8	12.71	1,332.18	2,395.74	319.37	18.15	460	835	341	26
2008	201.04	44.11	605.36	11.61	1,290.71	2,380.56	358.09	9.69	162	652	288	47
Total	54,903.19	60,908.05	36,791.67	20,706.62	53,179.01	115,763.6	10,126.04	40,899.97	21,683	34,037	5,950	30,159

TQ: In 1976, the USA government changed the fiscal year from July-June to October-September. The Transition Quarter (TQ) reports the 3-month adjustment period.

Sources: US Overseas Loans and Grants (Greenbook) (2010c) and SIPRI (2010).

Figure 5.1 Total USA economic and military aid and arms sales to the comparators



Source: Author, based on data from USAID (2010c) and SIPRI Arms Transfers Database (2010).

Overall, as clearly demonstrated by Figure 5.1, USA foreign aid trends and policies have not remained the same for all the comparators 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 USA economic and military aid and sales of arms to these countries. Appendix V lists those significant events which have influenced USA ODA, military assistance or arms sales to the comparators. The USAID data also illustrates that aid has remained consistency towards some of the recipients (mostly towards Israel and also towards Egypt since the mid-1970s) and less towards the others. This shows that irrespective of the poverty needs of these aid recipients, USA aid has remained unpredictable and inconsistent. The remainder of the chapter discusses all these fluctuations in USA aid in the context of changing the USA geo-strategic priorities.

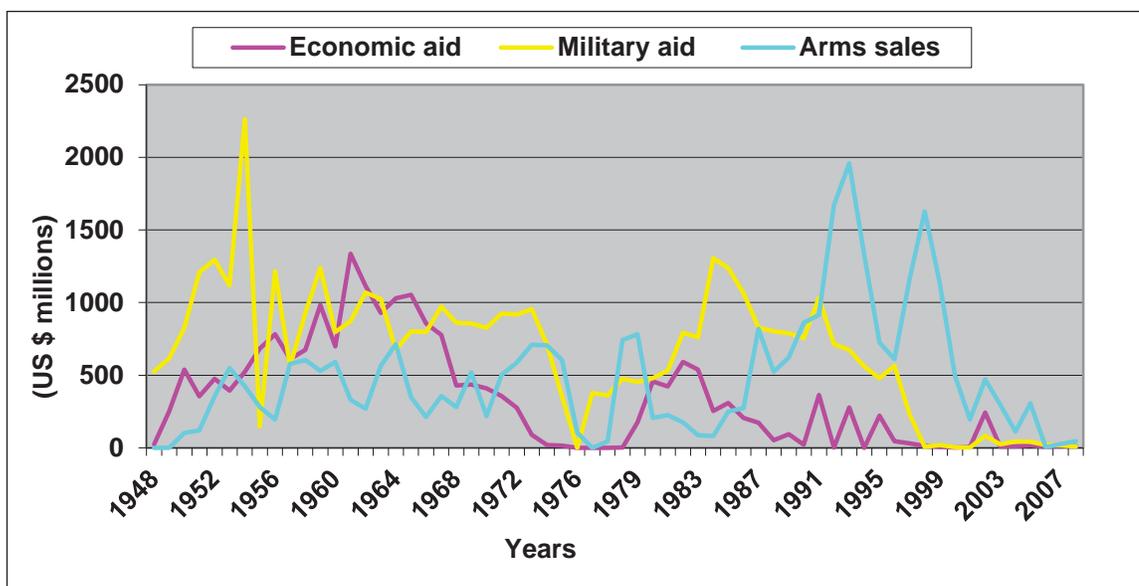
5.3 The early years of the Cold War and USA aid to the comparators

Among the comparators, Turkey was the only country that received USA ODA under the Marshall Plan as it was granted US \$137 million during the years 1948-1952 (Bacik & Aras,

2004; Brooks, 2006). The Korean War in 1950 brought the two countries closer as Turkey sent 4,500 troops under the USA command (Isyar, 2005; Vander Lippe, 2000). In terms of the number of troops, Turkey's contribution was the fourth largest after the US, Britain and Canada in this mission (Brown, 2008; Robins, 2003). Keeping in view Turkey's contribution in the Korean War, the USA fully backed its membership of NATO and in 1952 it became a NATO member (Avci, 2005; Isyar, 2005). Gunter (2005) argues that due to these factors, the USA began to hold Turkey in high esteem as a secular democratic Muslim state offering an important model for other states in the geo-strategically important Middle East. In the ensuing Cold War scenario, Turkey's importance was because of its geo-strategic location and proximity to the Soviet Union, Europe and Middle East and unlike Israel or Greece, it had no domestic constituency to lobby for it in Washington (Athanasopoulou, 2001).

The USAID and SIPRI data in Table 5.1 shows that the USA allocated substantial economic and military aid as well as sanctioned arms worth hundreds of millions of dollars to Turkey in the 1950s and 60s. Due to some later developments, particularly on account of the Cyprus issue which is discussed in section 5.8, bilateral relations between the two countries grew cold that also affected USA ODA to Turkey during the 1970s. Overall, during most of the Cold War period the USA provided more ODA to Turkey when it also channelled more military assistance and arms. These characteristics are graphically presented in Figure 5.2 that shows some striking and corresponding ups and downs in all the three kinds of data towards Turkey: USA civilian and military aid as well as arms sales. The graph illustrates that at some points when there is more economic aid, there is more military assistance as well as arms sales. For example during 1974-78, there was less aid (both economic as well as military) and fewer arms sales due to a growing tension between the two countries on the Cyprus issue (also see Table 5.1 for these years). It indicates that due to geo-strategic, political and security orientations, the USA not only provided, and at times curtailed military aid and arms, it also channelled and then shelved most development aid. These variations are discussed later in sections 5.7, 5.8 and 5.9 in the context of shifting geo-strategic scenarios.

Figure 5.2: USA economic and military aid and arms sales to Turkey

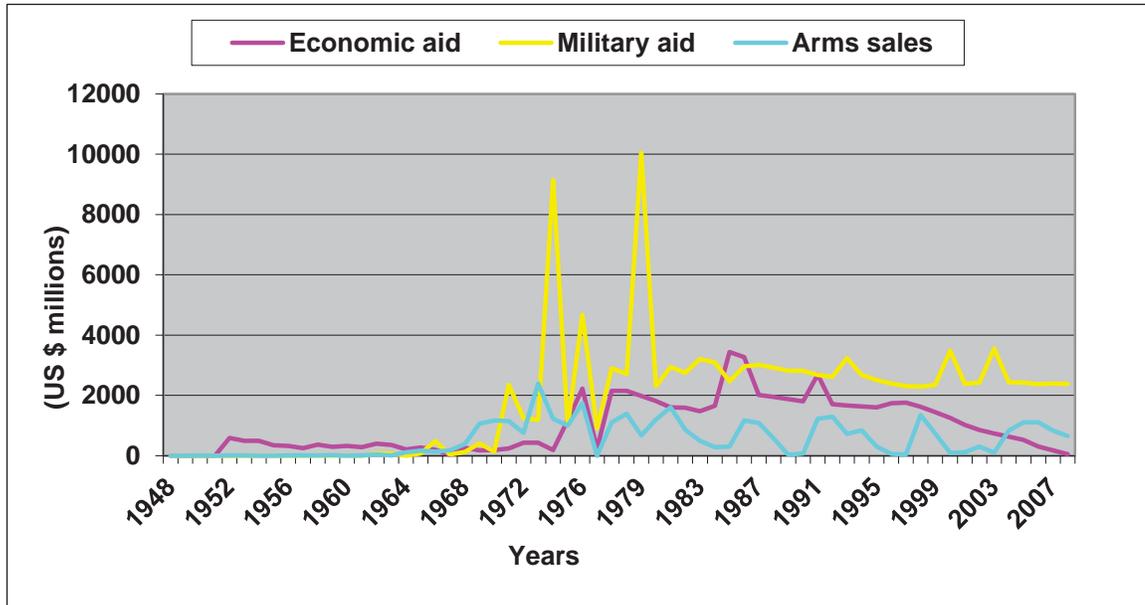


Source: Author, based on data from USAID (2010c) and SIPRI Arms Transfers Database (2010).

Somewhat similar trends can be observed in the allocation of USA ODA to Israel. Recognised by USA President Truman within minutes after Israel's Declaration of Independence (Gilboa, 1987; Green, 1984; Kumaraswamy, 1996; Safran, 1981), the USA has been the closest ally of Israel ever since. The USA started aid to Israel in the early 1950s with small grants and expanded modestly over the next decade to include Export-Import Bank loans, Food for Peace aid and economic loans (Byrd, 1992; Zunes, 1996). During the 1950s and 60s, USA economic aid to Israel was less than USA aid to Pakistan and Turkey. Similarly, the data in Table 5.1, graphically presented in Figure 5.3, clearly shows that there was nominal USA military assistance and negligible supply of arms to Israel during this period⁹. Like in the case of Turkey, the overall data shows that at times there are similar patterns and trends. For example, it is evident that after the 1967 Arab-Israeli War and again after the 1973 Yom Kippur War, along with USA economic aid, military assistance and arms sale also significantly increased to Israel (Table 5.1 and Figure 5.3 below).

⁹ It is argued that the USA gave considerable economic assistance to Israel in the 1950s and early 1960s but it did not provide military aid and arms as the USA did not want to get openly involved in the Middle East controversy and alienate Arab states (Bar-Siman-Tov, 1998; Ben-Zvi, 2004; Wenger, 1990; Wheelock, 1978). Another argument is that the USA was deeply entangled in the Cold War pursuits and Vietnam and had not enough time for Middle East and its issues (Quandt, 2005; Sorokin, 1994).

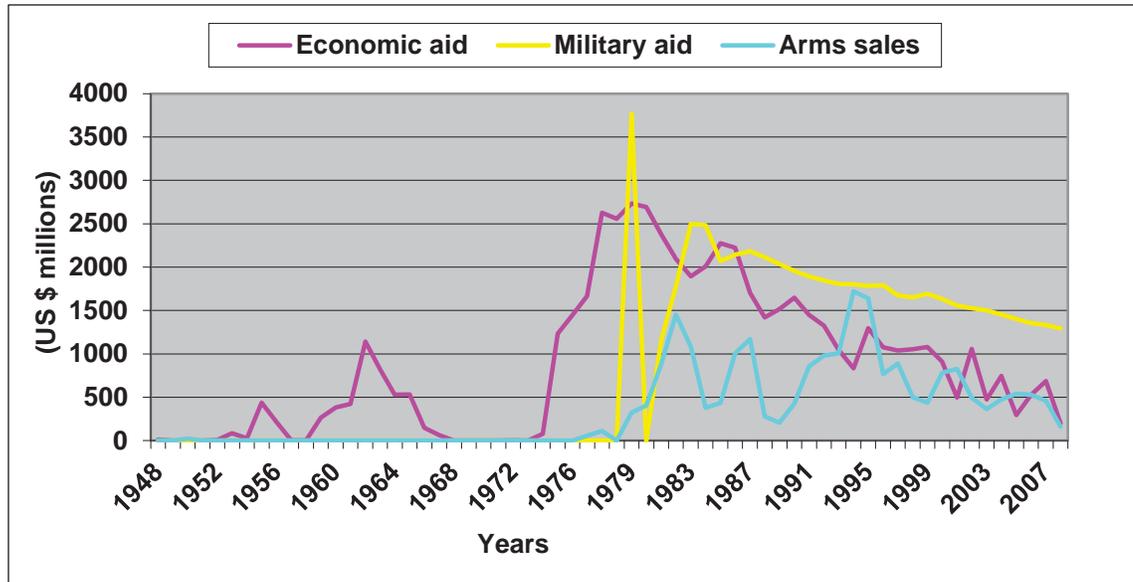
Figure 5.3 USA economic and military aid and arms sale to Israel



Source: Author, based on data from USAID (2010c) and SIPRI Arms Transfer Database (2010).

The USAID data in Table 5.1 shows that the USA started aid to Egypt and Pakistan in the early 1950s. Mark (2003) states that the USA sanctioned the 1952 military coup in Egypt that overthrew King Faruk and the monarchy. The USA administration was aware that the new leadership was not pro-Western but it was also not pro-Soviet (Mark, 2003). For example, in the initial years of his regime, Nasser got benefits from both the superpowers, assistance for “the Aswan High Dam from the Soviet Union and economic aid from the United States” (Doran, 2004, p. 112). Data in Table 5.1, shown graphically below in Figure 5.4 indicates that although President Nasser had close relations with the Soviet Union, the USA also channelled considerable ODA to Egypt during these years. However, the USA-Egyptian relationship strained in 1955 when Cairo approached the Soviets and Czechs for security assistance after the West refused its request (Mark, 2003). Nasser’s open interference in Yemen soured Egypt’s ties with Saudi Arabia that consequently harmed the USA-Egypt relationship, thus forcing the country to the Soviet side (Doran, 2004). The situation grew worse during the Arab-Israeli War of 1967, “when Washington, in stark contrast to its behaviour in 1956, displayed no interest in restraining the Israelis” (Doran, 2004, p. 112). Habeeb (2002) has appropriately summed up the USA-Egyptian relations during this period that “for most part of period between 1952 and the early 1970s, the two countries were adversaries if not outright enemies” (p. 81). The USAID data (Table 5.1) presented below in Figure 5.4 illustrates that USA aid during this period stands in contrast to the period after the 1970s. Until the mid-1970s, the USA granted considerable economic aid to Egypt but there was neither military assistance nor arms sales. It was because Egypt mostly remained close to the Soviet Union during these years.

Figure 5.4: USA economic and military aid and arms sales to Egypt



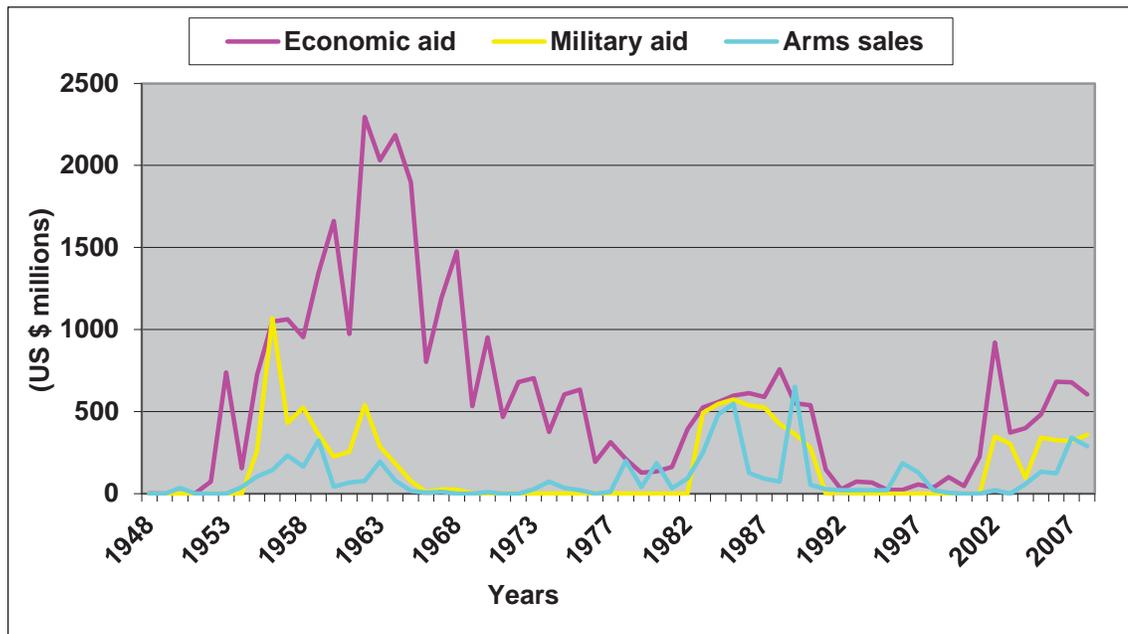
Source: Author, based on data from USAID (2010c) and SIPRI Arms Transfer Database (2010).

The case of Pakistan is entirely different from Egypt as the former aligned with the USA as soon as the early 1950s. During his first visit to the USA in 1950, Prime Minister Liaquat Ali Khan showed eagerness in the procurement of USA arms and in siding with the USA in the Cold War (McMohan, 1988). American policy makers were aware that due to its distinctive geo-strategic position, Pakistan could play an extremely important role in stopping the spread of communism (Lavoy, 2005; Spain, 1954; Stephens, 1967). Consequently, the Mutual Defence Assistance Agreement was signed between the two countries in May 1954. The same year, the USA established the Southeast Asia Treaty Organisation (SEATO), consisting of Pakistan, Thailand, and the Philippines, with the military umbrella extended to Cambodia, Laos, and South Vietnam to contain the swell of communism in the region (Emmerson, 1984; Glassman, 2005; Lavoy, 2005). Table 5.1 shows that the USA had already started aid to Pakistan but it increased substantially after these developments. With the inception of military aid in 1955, USA economic aid increased from US \$154 million in 1954 to US \$722, US \$1,049 and US \$1,062 million in 1955, 1956 and 1957 respectively (in constant 2008 US\$). During the years 1951-1960, nearly four-fifths of all foreign aid Pakistan received came from the US, more than 70 percent of which was in the form of food aid comprised of surplus agricultural commodities (Alavi & Khusro, 1970).

The USA was allocating substantial economic and military assistance to Pakistan in this period. However, some later developments in the region strained bilateral ties between the two countries, which affected the allocation and volume of USA aid to Pakistan. The USA-India arms deal and Pakistan-India Wars of 1965 and 1971 disappointed Pakistan as it felt that the USA did not help its close ally and let them down in both wars against India, its powerful opponent (Khalilzad, 1979-1980; Wriggins, 1984). In response, Pakistan normalised its relationship with the Soviet Union and also did not support the USA stance on Vietnam. Pakistan was deeply

disappointed over the USA arms embargo after the 1965 Pakistan-India War, and in response closed USA bases on its soil, which strained bilateral relations resulting in the reduction of military assistance. It is clear from the data in Table 5.1 that after the mid-1960s, USA military assistance declined sharply. At the same time, USA arms sales fell to almost nothing and civilian aid also decreased from what it was before. All this indicates that the USA was allocating economic aid as well as military assistance to Pakistan to safeguard and pursue its own geo-strategic and security objectives. After the military coup of General Zia in 1977, USA economic aid shrank further and remained low until 1982, when Pakistan became a frontline strategic ally against the Union of Soviet Socialist Republics (USSR) in Afghanistan. These trends and patterns in USA economic and military aid and arms sales are presented graphically in Figure 5.5. The figure shows that USA economic and military aid as well as arms sales were high in the initial years of the Cold War, during the Afghan War years in the 1980s and now again in the ‘war on terror’ period since 2002.

Figure 5.5: USA economic and military aid and arms sales to Pakistan



Source: Author, based on data from USAID (2010c) and SIPRI Arms Transfer Database (2010).

5.4 The 1967 Arab-Israeli War and its impacts on USA aid to Israel and Egypt

In the Six Day War of June 1967, Israel’s overwhelming victory over its Arab opponents and the occupation of enemies’ territories put it politically, diplomatically and strategically in a strong bargaining position. Israel lost the support of its important pre-war ally France but its post-war status attracted the USA in the form of huge economic as well as military aid. The USA stepped in to fill the vacuum after French President Charles de Gaulle refused to supply Israel with military support as a sign of protest in its preemptive launching of the war (Quandt, 1977; Safran,

1981; Wright, 1983). There was an obvious change in USA policies concerning the importance to be attached to victorious Israel. Safran (1981) observes that the war transformed Israel's strategic and diplomatic status and opened various new avenues and opportunities. The victory of Israel was "an American gain as well, since both Egypt and Syria were close allies of the Soviet Union and their defeat was considered a major blow to Kremlin's prestige in the region" (Gilboa, 1987, p. 49). The war was "a disaster of great proportions for Moscow, and a commensurate gain for the United States" in the heat of the Cold War (Luttwak, 1997, p. 200). In the post-1967 War era, Washington made two basic judgments: to provide Israel significant diplomatic, military and economic support, and to use occupied territories of the Sinai, West Bank, Gaza and the Golan Heights as "bargaining chips to exchange for peace, recognition and security from the Arab neighbours" (Quandt, 2004, p. 65). In his autobiography, Kissinger (1979, p. 344) claims that "the new territory seized was three times the size of Israel itself". This shows the extent of Israel's success over its opponents and its increased geo-strategic and security significance for the USA in the years following 1967.

In the scenario that developed under these circumstances, the politico-strategic pendulum swung towards Israel's side and a much more positive shift in the USA policy occurred regarding the new status Israel enjoyed. Now Israel was seen as a strategic asset by the USA and as a tool against Soviet influence and a bulwark against radicalism and militancy in the Middle East (Ben-Zvi, 2004; David, 1997; Organski, 1990; Quandt, 1977). The volume of USA economic and military aid increased many times during this period. While USA economic assistance jumped from US \$186 million in 1970 to US \$240 million, US \$429 million and US \$433 million in 1971, 1972 and 1973 respectively, USA military aid increased from US \$136 million to US \$2,353 million, US \$1,237 million and US \$1,184 million during the same years (Table 5.1). These variations in USA economic and military aid as well as arms sales to Israel are also presented graphically in Figure 5.3. Laufer (1987) and Quandt (2005) have also noted these trends in USA aid to Israel as these authors claim that there was nearly a ten-fold increase in USA security assistance to Israel in the early 1970s. According to Quandt (2005, p. 104), in fiscal years 1968, 1969 and 1970 Israel received military credits worth US \$25 million, US \$85 million and US \$30 million respectively from the USA while "in fiscal years 1971, 1972 and 1973, the USA granted Israel military credits of \$545 million, \$300 million and \$307.5 million, respectively - nearly a tenfold increase in aid". This indicates that these years were the harbinger of another era in the USA-Israel aid relationship as USA aid rapidly increased from millions into billions of dollars.

On the one hand the war and its aftermath brought the USA and Israel closer, on the other hand after realising its military defeat, Cairo declared a complete cessation of diplomatic relations with the USA which remained till 1974 (Meital, 1998). It is obvious from Table 5.1 and Figure 5.4 that neither economic nor military aid nor arms were provided to Egypt in this period. That is why Stauffer (2003, p. 64) has aptly remarked that "the history of U.S. aid to Egypt is complex and tortuous; at times it was suspended when Cairo was flirting too blatantly with Moscow". Cairo had to reap the harvest of allying with the Kremlin during most of the Nasser regime.

There can be no better example of realpolitik of using foreign aid as a foreign policy tool. All this increasing amount of ODA was provided not purely for humanitarian considerations or needs of Israel but because of its growing geo-strategic significance for the USA (Lipson, 1996; Organski, 1990; Reich, 1995). The USA did not spend “billions of dollars in military and economic aid merely out of a sense of moral obligation” but because Israel was now seen as a strategic asset (Quandt, 1977, p. 12). This period also witnessed the Jordan crisis: the 1970 uprising of the Palestinians against King Hussain of Jordan. According to Quandt (2005), Israel played a critical role in building pressure to prevent Syrian intervention in Jordan, which enabled pro-USA King Hussain to re-establish his authority in Jordan by defeating Palestinian radicals. In the same context, Bar-Siman-Tov (1998, p. 260) argues that “for the first time the United States recognized Israel’s strategic value”. In the Jordanian-Syrian crisis when USA interests were at stake, Israel proved itself a worthy ally to defend USA policy goals in the region (Bar-Siman-Tov, 1998; Quandt, 1977; Rodman, 1997; Wheelock, 1978). Hence, due to geo-strategic, political and security factors, USA economic and military aid to Israel increased markedly during this period than what it was before.

5.5 The October 1973 Arab-Israeli War and its effects on USA assistance to Israel and Egypt

As in the aftermath of the 1967 Arab-Israeli War, USA aid to Israel soared significantly after the 1973 Arab-Israeli War. Unlike the US, major European countries not only remained neutral in the conflict but also “took on the role of critics and antagonists of American policy and action” (Safran, 1981, p. 503). The US, however, was consistent in increasing economic and military aid to Israel soon after the year of crisis, after the 1967 Arab-Israeli War, and then again after the Yom Kippur War of October 1973. Kissinger (1982) also mentions in his memoir that Europe “had never been comfortable with American support for Israel” (p. 455). In the words of Safran (1981, p. 573), USA aid “shot up again six-fold in the year 1973 war to the fabulous level of \$1.8 billion”. It is evident from the USAID and SIPRI data that the volume of USA aid and arms sales increased dramatically in these years. USA economic aid to Israel increased from US \$189 million in 1974 to US \$1,178 million and US \$2,460 million in 1975 and 1976 respectively (in constant 2008 US\$). Military aid increased from US \$1,184 million in 1973 to an unprecedented US \$9,145 million in 1974 and USA arms sales also remained over one billion dollars a year.

A clear pro-Israel role of the USA in these years, particularly during the October War was a proof of the growing significance of their relationship (Green, 1984; Ibrahim, 1986). The USA support for Israel stands in clear contrast when it is compared with the response and reaction of the rest of the world soon after the wars of 1967 and 1973. About 20 countries severed diplomatic relations with Israel within one month of the 1973 War (Safran, 1981). Important European countries such as the UK declared a neutral policy and an arms embargo to the Middle East which affected Israel as it was relying on British-made Centurion tanks. The US, however, remained committed to the economic stability and military security of Israel even in

circumstances when it was shunned by its old allies like France, Britain and other European nations for its belligerence. Under such circumstances, the USA considered Israel a staunch ally to protect its interests and balance the Soviet presence in the region. In the words of Ibrahim (1989, p. 27) "Israel, and Israel alone became its (the USA) sole ally in the Middle East". It has been aptly summed up that "by the end of this period, America had become Israel's chief friend and protector" (Fraser, 1989, p. 77).

5.6 Sadat's re-orientation towards the US, the Camp David and USA aid to Egypt and Israel

The 1973 War between Egypt and Israel was a turning point in the history of the Arab-Israeli conflict and Egypt's domestic policy orientations. In the mid-1970s, Egypt's foreign policy underwent some dramatic changes culminating in the reduction and eventually severing of relations with the Soviet Union and re-engagement with the USA (Meital, 1998). Egypt's domestic economic and monetary challenges were also critical factors in this re-orientation towards the US. Cairo's peace initiatives with Israel involving Washington as a third party, President Sadat's historic visit to Israel, and the signing of the Camp David accords in 1979 between the two old rivals earned huge military and economic aid for both Egypt and Israel (Burns, 1985). Due to these developments, USA economic aid to Egypt jumped from US \$78 million in 1974 to US \$1,234 million in 1975, US \$3,111 million in 1976 and US \$2,628 million in 1977 (see Table 5.1). Since then, aggregate USA economic and security assistance to Egypt has mostly remained between two to three billion USA dollars per annum. While USA military aid to Egypt is still over one billion dollars a year, economic aid has gradually declined in recent years.

One of the principal reasons for this massive volume of USA economic and military aid to Egypt was its peace agreements with Israel and 'open door' economic policies (Taher, 2001). Because of these policy changes, USA aid accounted for nearly half of Egypt's foreign aid (Zetter & Hamza, 1998). According to Meital (1998), after signing the peace treaty with Israel, there has been a USA congressional commitment to give one billion US dollars a year to Egypt and that the USAID mission in Cairo must spend all the allocated amount by the end of the financial year. Mitchell (1995) states that between 1974 and 1989, Egypt received US \$15 billion from the US, out of which US \$7.7 billion was military assistance. Data in Table 5.1 and Figure 5.4 clearly demonstrates the contrast between USA aid to Egypt in the pre-1979 and post-1979 periods. Before 1979, the USA neither provided any military aid nor authorised the supply of arms to Egypt. However, after joining the USA bloc in the mid-1970s, the USA started the allocation of unprecedented military aid and arms sales to Egypt along with economic aid. It was not because Egypt became more eligible for USA ODA overnight due to poverty but because it changed its allegiance. This shows how the USA manoeuvres ODA along with military aid in pursuit of its geo-strategic and security objectives. Since the mid-1970s, Egypt's position has been consistent towards the USA and the USA has never suspended economic and military assistance to Egypt.

Since 1984, most USA foreign aid has been in the form of grants (Butter, 1989). According to Alterman (2005, p. 362), since the signing of the peace treaty with Israel, "Egypt has drawn more than US \$60 billion in direct USA assistance alone". Similarly, Said (2004b) claims that between 1979 and 2003, Egypt has received a total of US \$60 billion from the US, comprising US \$30 billion each of economic and military assistance. The USAID data in Table 5.1 confirms this: in constant 2008 US\$, Egypt has obtained a total of US \$40 billion in economic aid and US \$53 billion in military assistance between 1979 and 2008. Similarly, USA arms sales to Egypt totaled US \$21 billion during this period.

Egypt has been receiving USA economic and military assistance since the mid-1970s not purely for economic development but because of its peace with Israel and its geo-strategic significance for the USA (Clarke, 1997; Galal & Lawrence, 2003; Momani, 2003; Safty, 1991; Sullivan, 1996). Anderson (1995) has termed the peace initiatives between Egypt and Israel as a revenue-enhancement device, and asserts that official aid given for such goals can only prolong authoritarian regimes at the cost of economic development and political reforms. Taher (2001) argues that the motives of USA aid to Egypt are still the same as in the 1970s and aid "to Egypt has remained politicised as ever before" (p. 75).

Similar trends can be observed in USA aid to Israel in this period. If USA military aid to Egypt soared from about half a million in 1978 to US \$3,766 million in 1979, the same was the case with USA military aid to Israel. From US \$2,712 million in 1978, USA military assistance increased to US \$10,041 million in 1979 (Table 5.1). In these years, the unparalleled generosity of the USA touched the all-time peak for Israel after signing the Camp David accords (Byrd, 1992; Lipson, 1996). Besides military aid, USA ODA to Israel was nearly two billion USA dollars a year while USA arms sales to Israel were also about one billion USA dollars annually during this period. As in the case of majority of the comparators, most often a substantial rise in military assistance has also led to an increase in economic aid and arms sales.

5.7 The CyprUSA issue and its consequences for the USA-Turkey aid relationship

Like the Kashmir dispute between India and Pakistan since 1947, the CyprUSA issue has been a bone of contention between Greece and Turkey for decades, particularly since the mid-1960s. However, as Henze (1993, p. 13) has noted, "unlike Kashmir, its condition has led to no armed clashes or mini-wars". Cyprus, which declared independence as a sovereign state on August 16, 1960 after the end of British rule, consisted of two main ethnic groups: Greek Cypriots and Turkish Cypriots. On December 21, 1963 intercommunal violence broke out between the Greek Cypriots and Turks population¹⁰ (Bolukbasi, 1993). Following the killing of dozens of Turkish

¹⁰ According to Bolukbasi (1993, p. 511), "the intercommunal violence started on 21 December 1963, after Greek Cypriot policemen shot dead two Turks who refused to be body-searched and were suspected of carrying arms". The author states that within hours, Greek Cypriot policemen

Cypriots in the on-going communal violence, Turkey was thinking of a military intervention to contain the Greek Cypriots and protect the rights of the Turkish Cypriots (Bolukbasi, 1993). However, on June 5, 1964, in his letter to Turkish Prime Minister Inonu, USA President Johnson dissuaded Turkey from a military incursion in Cyprus, which seriously strained bilateral relations between the two allies. The letter stated that Turkey's military intervention could lead to a war between Greece and Turkey, two NATO members (Bolukbasi, 1993). Furthermore, the letter argued that if Turkey's military campaign led to a direct Soviet involvement on behalf of Cyprus, then NATO had no liability to intervene in the matter on behalf of Turkey (Bolukbasi, 1993; Khalilzad, 1979-1980; Robins, 2003). The Johnson letter was a deep shock to the Turks and it created a furore in the country about the reliability of the USA as an ally (Ahmad, 2003; Gunter, 2005). There were "anti-American demonstrations by Turkish students" in universities and various cities across the country (Davison, 1988, p. 12). According to Bolukbasi (1993, p. 505), "the impact of the Johnson Letter was so powerful that most Turks considered it a solemn indication that the USA controlled everything in Turkey, and that it even directed Turkish foreign policy". Hence, USA-Turkey relations deteriorated as a result of the USA stance on the Cyprus issue.

However, following 11 years of instability and communal violence in Cyprus and particularly the July 1974 coup, "engineered by the Greek junta" and executed by Greek Cypriot nationalists and mainland Greek troops (Bolukbasi, 1993, p. 505), Turkish troops entered the island in 1974. Turkish military intervention in Cyprus resulted in the partition of the island between Greek Cypriots and Turkish Cypriots. These developments worsened bilateral ties between the USA and Turkey when the USA imposed an arms embargo on Turkey which remained in effect from 1975 to 1978 (Brooks, 2006; Erickson, 2004; Güney, 2005; Isyar, 2005). Karaahmet (1994) argues that the ban was imposed on the grounds that Turkey had used USA-supplied weapons against Cyprus, violating the USA Foreign Assistance Act of 1961, which prohibits the use of American weapons for aggressive purposes. It merits a mention here that Israel has frequently used USA arms against Palestinians and in Lebanon against civilians (Berrigan, 2009; Sharp, 2008; Twing, 1996), but the USA has never imposed such an embargo on it. In response to the USA arms embargo, in 1975 the Turkish government placed all USA military installations and air bases on Turkish soil under its own control (Khalilzad, 1979-1980). Consequently, USA economic as well military aid to Turkey declined sharply during these years. Data in Table 5.1 shows that from 1974 to 1978, the USA only provided a total of US \$38 million in economic assistance to Turkey. Similarly, USA military aid to Turkey decreased from nearly one billion dollars a year to about US \$400 million per annum. However, significant developments in the region in the following years once again rekindled the USA-Turkey strategic alliance, which also resulted in the resumption of substantial USA economic and military aid to Turkey.

and other security personnel launched an all-out attack against a number of Turkish Cypriots throughout Cyprus.

5.8 1979: fall of Shah of Iran, the Soviet invasion of Afghanistan and USA bilateral aid to Turkey and Pakistan

The year 1979 brought some dramatic changes to USA foreign aid policies. The Islamic revolution in Iran deprived the USA of one of its trusted allies, the pro-USA Shah of Iran. The change of leadership in Iran and the Soviet invasion of Afghanistan in 1979 affected the strategic significance of Turkey and Pakistan dramatically for the West and particularly for the USA (Ahmad, 2003; Athanassopoulou, 2001; Cook & Sherwood-Randall, 2006; Erickson, 2004). The containment of communism was a global issue for the majority of capitalist Western countries. Güney (2005, p. 342) asserts that “Turkey’s strategic position was its main asset and was the major reason for the Turkish-American alignment during the Cold War period”. In view of all this, the arms embargo was lifted and the USA signed the Defence and Economic Cooperation Agreement (DECA) with Turkey in 1980 (Athanassopoulou, 2001; Karaahmet, 1994). After lifting sanctions, Turkey also reinstated the intelligence liaison work and USA resumed intelligence gathering against the Soviets from most installations.

During these years (1980-83), Turkey was under military rule like Pakistan and there were deteriorating human rights conditions. Due to lack of democracy and human rights violations, bilateral relations with Europe had deteriorated (Isyar, 2005). Recalling the response of Europe over military rule, Robins (2003, p. 29) points out that Turkey “had been heavily criticized in Europe for the September 1980 military intervention” and the armed forces for their harsh domestic conduct. However, as discussed in the previous chapter, the USA stance was different as a stable regime was imperative for its security interests in the region and it supported the military junta in pursuit of its geo-strategic considerations. During this period, there were about 30 USA bases and installations with about 5,000 American staff to monitor activities of the USSR in the region. (Karaahmet, 1994).

After these developments, the USA restarted substantial economic aid to Turkey. It is clear from the USAID and SIPRI data that USA economic aid jumped from US \$3 million in 1978 to US \$174 million in 1979. It increased further in the following years, reaching US \$457 million, US \$422 million, US \$592 million and US \$538 million in 1980, 1981, 1982 and 1983 respectively. Similar trends can be observed in the case of military assistance as well as in arms sales which increased substantially during this period. Jacoby (2003, p. 679) has aptly noted that “by the end of the 1980s, Turkey had become the world’s third largest recipient of American assistance (behind Israel and Egypt)”. The USA was clearly allocating such an enormous volume of aid to Turkey due to its geo-strategic significance rather than on account of its poverty. These variations and trends in USA economic and military aid and arms sales are clearly visible in Figure 5.2.

As in the case of Turkey, a parallel stance was witnessed in the USA 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. It is quite paradoxical to recall that due to factors such as the trampling of democracy and human rights abuses by the military regime of General Zia and the country's pursuit of nuclear arms, Pakistan was a pariah state before 1979. Jones (2002) has given a detailed account of how USA Secretary of State Henry Kissinger first visited Pakistan with the intention of persuading Islamabad to abandon its nascent nuclear programme, and then Paris to stop France from supplying the required material for which it had struck a deal with Pakistan. Under USA 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). Not satisfied with this, the Carter administration imposed the Symington Amendment in April 1979 on Pakistan, the USA cutting off all economic and military aid (Kronstadt, 2006; Paul, 1992). The USSR invasion later in 1979, however, overshadowed all these factors.

After the Soviet invasion, the USA needed Pakistan's support to halt the march of Soviet forces within Afghanistan. Now Pakistan was perceived as 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 USA 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 U.S. 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). Data in Table 5.1 shows that the USA 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. In 1981, Section 620E was added to the Foreign Assistance Act of 1961 that specifically dealt with the provision of USA 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). Data in Table 5.1 shows that economic assistance shot from US \$161 million in 1981 to US \$393 million and US \$525 million in 1982 and 1983 respectively and it remained over US \$500 million a year throughout the 1980s. The case of military aid was similar; it was almost negligible in the entire 1970s but it remained about US \$500 million a year throughout 1980s. It indicates that the USA not only channelled huge military aid and sold arms worth hundreds of millions of dollars but also sanctioned massive economic assistance to further its foreign policy goals.

By the end climax of the Cold War, staged as it was in the backyard of Pakistan, the USA was no longer concerned with the lack of democracy, human rights violations and Pakistan's nuclear programme. As discussed in the previous chapter, 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 USA 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 USA support led to prolong 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 USA 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 USA 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 USA 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). However, after the year 1989 the USA President did not certify as a result of which USA economic and military assistance as well as arms sales to Pakistan were abruptly suspended. Why did the USA President suddenly refuse to certify that Pakistan did not have a nuclear device? This is discussed in the following section.

5.9 Collapse of the USSR, the Gulf War and USA foreign aid to the comparators

After the withdrawal of Soviet forces from Afghanistan in 1989, the USA attitude changed towards some of its closest Cold War allies. Pakistan, a frontline USA ally during the Cold War and particularly during the Afghan War in the 1980s, completely fell into disfavour on account of its nuclear programme. With the collapse of the USSR when Pakistan's assistance was no longer required, the USA 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 the channels of USA 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”. This was later regarded in hindsight, as stated by Robert Gates, the USA Secretary of Defence, a grave mistake driven by some well-intentioned but short-sighted USA legislative and policy decisions (Gates, 2010). Thus, the USA-Pakistan bilateral relationship dived to the level of indifference and covert hostility in the post-Cold War period.

The 1998 nuclear tests and the 1999 military coup by General Musharraf further deteriorated bilateral relations and consequently USA aid flows reduced to the lowest level ever. It is clear from the data in Table 5.1 that USA 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 not different as it became almost nothing in these years. Overall, while the USA 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 USA ODA (in constant 2008 US\$). This was because Pakistan no longer had any geo-strategic significance for the USA 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.

During these years, Turkey’s geopolitical value decreased for a while but the first Gulf War brought it to the front once again. The Gulf crisis convinced the “US, with its keen geopolitical sense, of Turkey’s enduring strategic importance” (Robins, 2003, p. 50). Ahmad (2003, p. 157) is of the view that “with the Gulf crisis and the emergence of new Turkic states in Central Asia, Ankara gained a new significance”. Turkey did not send its troops to fight alongside the coalition forces but it allowed the USA to use its air bases in the first Gulf War (Hale, 1992). By allowing its soil to be used against neighbouring Iraq, “few countries in the region actually took the security risks that Ankara did” (Robins, 2003, p. 17). It was due to Turkey’s role in the Gulf crisis that in 1991 President Bush visited Turkey to thank the country for its role in the Gulf War, the first visit of a USA President after Eisenhower in 1959 (Athanasopoulou, 2001). Overall, although inconsistent, annual USA economic and military aid as well as arms sales to Turkey remained considerable throughout the 1990s.

The Gulf crisis also enhanced the strategic worth of Egypt. The Gulf War was a litmus test for the USA-Egyptian alliance as the latter played a significant role in the war against a neighbouring Arab country (Meital, 1998). Alterman (2005) points out that during the crisis President Bush consulted President Mubarak, who not only supported the USA politically and militarily but also helped in garnering a broad coalition of other Arab states against the Iraqi invasion of Kuwait. During the war, besides allowing coalition over flights and sea transits, Egypt’s was the second largest military mission of 30,000 troops for the defence of the Gulf

states (Aly & Pelletreau, 2001; Said, 2006). Thus, Egypt assumed the role of a regional vanguard and secured enormous USA aid not only in direct assistance, but also US \$15 billion in debt relief (Alterman, 2005). According to Cook (2000), because of its role in the Gulf crisis, Egypt's total debt decreased from US \$50 billion to US \$25 billion due to debt forgiveness from both the USA and other bilateral donors in the Paris Club. It is evident from the data in Table 5.1 that along with USA economic aid, military assistance and arms sales are also significant and consistent throughout the 1990s.

5.10 The post-9/11 period of the 'war on terror' and the USA aid allocation

The events of September 11, 2001, and Washington's subsequent war against terrorism changed the entire political and security paradigm of the planet. In its so-called 'war on terror', the USA declared that either the nations of the world are with them or against them (Cohen & Chollet, 2007). On this basis, the USA 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 the handful of countries (including Saudi Arabia and some other Gulf states) that had recognised 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 became a frontline USA ally in the campaign against terrorism. With the advent of the USA-led 'war on terror', terrorism filled the gap once occupied by communism as a grave threat to global peace and stability.

In the post-9/11 period, USA foreign aid policies underwent some dramatic changes and from this perspective the current USA aid regime is a replay of the Cold War period, particularly in the context of Pakistan. Data in Table 5.1 clearly shows that the USA dramatically resumed substantial economic as well as military assistance to Pakistan in the post-9/11 period due to its alliance with the USA in the 'war on terror'. The USA 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 USA allocated only US \$598 million in economic aid, mostly in humanitarian assistance. Military aid was a mere US \$7 million and arms sales US \$449 million over the ten years period (see Table 5.1). In comparison to this, the USA has channelled US \$4,141 million in economic and US \$2,091 million in military aid besides arms sales worth US \$964 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 5.5. The figure also illustrates the apparent causal relationships among the three types of flows (consisting of USA economic and military aid and arms sales), which shows 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 USA has strictly

linked the allocation of economic aid to geo-strategic, security and political urgencies. When USA geo-strategic interests are at stake (as in most of the Cold War period and in the 1980s Afghan War), the USA 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 USA interests, it is unlikely for it to obtain USA aid, regardless of the fact that that the country in question has a nascent democracy which needs to be strengthened rather than to be undermined (as in the 1990s in the case of Pakistan).

In contrast to the case of Pakistan, it is obvious from the USAID data that annual USA economic aid to Egypt and Israel has considerably decreased during the 'war on terror' period. Unlike economic assistance, however, military aid to Egypt has slightly decreased while it has increased in the case of Israel. According to Berrigan (2009, p. 7), in 1998, "U.S. president Bill Clinton and Israeli prime minister Benjamin Netanyahu agreed to eliminate ESF [Economic Support Funds] gradually while increasing FMF [Foreign Military Financing]". As the USAID data shows, from US \$1,621 million in 1998, USA ODA to Israel has come to US \$44 million in 2008. During these years, however, USA military assistance has consistently remained over US \$2 billion a year. During the period 1998-2008, Israel has received a total of US \$8,587 million in economic and US \$28,485 million in military assistance. Hence, as per the agreement between the two governments in 1998 as referred to above, USA economic assistance has been sharply declining and became negligible in 2008 than what it was in the preceding years. However, the fate of USA military aid is altogether different. On August 16, 2007, a Memorandum of Understanding was signed between the USA and Israel under which a total of US \$30 billion military assistance will be provided to Israel in the next decade, more than a quarter of which Israel will be able to spend within Israel to further strengthen its domestic arms industry¹¹ (Israel Ministry of Foreign Affairs, 2007). As Table 5.1 shows, while USA military assistance to Israel has remained over US \$2 billion a year, from 2013 onward it will remain "US \$3.1 billion a year for the rest of the decade" (Berrigan, 2009, p. 8). Thus, it is obvious that unlike the case of Pakistan which has once again become an important USA aid recipient, USA economic aid has decreased to Egypt and Israel in the 'war on terror' period (while military assistance is still substantial to both the countries).

¹¹ Israel is also exempted from various other conditions that all other USA aid recipients are supposed to fulfil before aid being allocated. All other countries receiving USA aid are granted the allocated amount in quarterly instalments while aid to Israel since 1982 has been given in a lump sum at the start of each fiscal year (Clarke, 1997; Mark, 2002; Mearsheimer & Walt, 2006; Sharp, 2008; Zunes, 1996). In order to provide Israel the entire amount in this manner, it costs the USA government between US \$50-60 million annually in additional bank charges, which are not deducted from the money given to Israel (Twing, 1996). Similarly, there are no strings attached to USA aid to Israel regarding how and where to spend it and there is no resident USAID mission to supervise and recommend the aid programme of Israel for Washington review (Abed, 1986; Laufer, 1987). Unlike other USA aid recipients, Israel gets special treatment as it is allowed to spend some of the aid money in Israel for buying defence equipment and other military purchases (Mark, 2002; Mearsheimer & Walt, 2006; Sharp, 2006, 2007).

Regarding the role of Turkey, it offered its air bases for the invasion against the Taliban regime in Afghanistan and sent troops under the International Security Assistance Force (ISAF) mission (Migdalovitz, 2002). Due to its role in the mission, the USA gave US \$105 million in military aid and US \$14 million in International Military Education and Training (IMET) (Brooks, 2006; Isyar, 2005). After the Taliban regime was toppled in Afghanistan, Turkey has maintained a contingent of 825 troops there and has twice led the NATO ISAF mission in Afghanistan (Cook & Sherwood-Randall, 2006). However, all these have had little impact on USA aid to Turkey with the exception of 2002. In 2001, USA economic aid was US \$5 million and military assistance US \$2 million but these jumped to US \$242 million and US \$84 million respectively in 2002 (Table 5.1). As an explanation of this, Migdalovitz (2002) has pointed out that Turkey has graduated from the position of an aid recipient to a trade partner. As noted in the previous chapter, unlike Egypt and Pakistan, Turkey no longer needs USA economic assistance.

Overall, the USA aid allocation in the 'war on terror' period illustrates, particularly in the context of USA aid to Pakistan, that currently 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 illustrated in Chapter Two, with varying degrees most Western donors followed this policy in the Cold War years. Today the principal objective of USA aid to Pakistan is not ABC but ABT, or 'anything but terrorism' (Jentleson, 2003). Hence, Pakistan, a pariah state for the USA during the 1990s, has once again emerged one of the largest recipients of USA aid not because it has become needier or more eligible overnight but because it has become a key USA ally in the campaign against terrorism.

5.11 Conclusion and summary

This chapter has examined the role of geo-strategic, security and political factors in the allocation of USA economic aid to the four comparators. The overall empirical analysis has shown that at certain points in time there are obvious correlations between USA economic aid (the dependent variable) and military aid and arms sales (independent variables) to most of the comparators. These trends and correlations among the three variables are also clearly noticeable in Figure 5.1 to Figure 5.5. These tendencies indicate that at certain points in time, the allocation of USA ODA has a direct relationship with the provision of USA military aid and arms sales. As military aid and arms are solely sanctioned to geo-strategically important states, this analysis indicates that so is the case with most USA economic aid. In other words, the USA has delivered huge economic and military aid as well as arms to these four countries, keeping its geo-strategic goals and priorities at the forefront.

Analysis and findings have demonstrated that the USA aid allocation to Israel remained consistent for most of the period, particularly following the 1967 Arab-Israeli War up until the late 1990s. This chapter has shown that both USA economic as well as military aid witnessed a

manifold increase towards Israel following the 1967 and 1973 Arab-Israeli wars. Although the volume of USA economic aid has sharply declined over the last decade, Israel remained the largest recipient of total USA ODA as well as military assistance during the period between 1948 and 2008, irrespective of the fact that it is not a poor country and it has a bad record in terms of showing respect for human rights. The distribution of USA economic aid to Israel is one of the prime examples of the nature of politicised aid motivated and sustained by geo-strategic and political factors.

The provision of USA aid to Egypt has striking parallels with the allocation of USA aid to Israel, particularly since the mid-1970s. It is clear from the USAID data that USA ODA to Egypt was not consistent in the 1950s and 1960s. However, since the mid-1970s, and particularly after the signing of the Camp David accords with Israel in 1979, the aid relationship has remained steadfast and consistent. Though USA aid to Egypt has been gradually decreasing over the last few years, it remained the second largest recipient of aggregate USA economic and military assistance from 1948 to 2008. As noted in the previous chapter, the USA has never linked the allocation of aid to Egypt with the improvement of human rights situations or democracy.

Although less than Israel and Egypt, the USA has also given substantial aggregate economic and military aid to Turkey between 1948 and 2008. In terms of arms purchases, Turkey remained the second largest customer for USA arms after Israel. Being a NATO member and having had various USA bases on its soil, Turkey was also among the largest recipients of USA aid in most of the Cold War period and during the first Gulf crisis. At times bilateral relations between the two countries remained cold, for example after the Turkish-Greek conflict on the CyprUSA issue in 1974, which resulted in the suspension of USA aid. However, for the most part, the two countries have remained close allies. Although now no longer a USA aid recipient, Turkey remained among the largest recipients of both USA economic and military aid in the group.

Based on statistical data, graphical presentation and empirical analysis, this chapter has shown that the USA gave substantial aid to Pakistan when, like the other comparators, Pakistan was required to serve USA interests. As a key USA ally in the region during the preliminary years of the Cold War, Pakistan was the largest recipient of USA economic assistance in the group (see years during 1955-1968 in Table 5.1). Besides economic aid, the USA also sanctioned substantial military assistance and supplied considerable armaments during most of the Cold War period. However, due to the 1965 and 1971 India-Pakistan wars, the 1977 military coup by General Zia, and the pursuit of nuclear technology, the USA-Pakistan relationship deteriorated in the late 1960s and 1970s. Consequently, USA aid also declined sharply. The USA-Pakistan alliance was rekindled by the Soviet invasion of Afghanistan in 1979. Throughout the 1980s, the USA allocated significant economic and military aid to Pakistan. However, the post-Cold War decade of the 1990s was nothing short of hostility between the two countries as Pakistan was under USA sanctions and all channels of USA aid were dry. The current state of affairs, particularly the alliance between the two countries in the 'war on terror' seems akin to the

relationship the two countries had during Cold War period. With the commencement of the 'war on terror' in October 2001 soon after 9/11, the USA lifted all sanctions against Pakistan when, like in the Cold War period, Pakistan's services were required in Afghanistan: this time to fight al Qaeda and dismantle the Taliban regime. Thus, the overall history of USA bilateral aid has remained incoherent and inconsistent or, to put it another way, USA aid has been consistently motivated by geo-strategic and security goals. This approach has led to a common perception in Pakistan that the USA is an unreliable ally. Umar Ayub, former Minister of State for Finance who headed the ministry during the Musharraf regime, told me during an interview in Islamabad:

The perception that the USA is not interested in the actual socio-economic development of Pakistan is due to US/USAID short-term objectives in the past. Going by our relations in the past, we cannot trust the US. We have a bitter history and it haunts USA most of the time when we think of the USA as an ally (Islamabad, July, 2009).

Somewhat similar opinions were expressed by a number academics, government functionaries and member of think tanks that I interviewed in Pakistan.

This chapter has examined the realpolitik of aid, constituting one of the main themes of this thesis. It has demonstrated how political, security and geo-strategic dynamics influence and determine the USA bilateral aid distribution. All the four comparators have received huge amounts USA foreign aid for decades due to the above factors. However, USA aid to some of these recipients is more political than the others. Clarke (1997) has aptly remarked that USA official aid to Egypt and Israel is politically untouchable, and that there can hardly be justifications for aid to these two countries on the basis of their needs or poverty levels. This can be more accurate in the case of Israel, which at times received more USA foreign assistance than all the nations of black Africa put together (Sheffer & Hofnung, 1987). Comparing the scale of poverty, life standards and needs of the poor and destitute in Africa on the one hand, and the developmental status of Israel and Egypt as well as that of Turkey and Pakistan on the other, the dynamics behind the allocation of USA aid to these countries become evident. It is called the politics of aid.

The contribution of this chapter is: firstly, it has empirically examined the allocation of USA aid 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 USA 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 poverty needs of the recipients. Secondly, this chapter has looked at the allocation of USA aid to Pakistan from a comparative perspective: comprising the investigation and assessment of USA aid to other strategically important USA allies including Egypt, Israel and Turkey. Thirdly, by examining the allocation of USA aid in the context of key global and regional events, this chapter has combined specific country-contexts and cross-country empirical analysis. Qualitative assessment together with quantitative analysis has given greater vitality to

the overall findings and analyses concerning key determinants behind the USA aid distribution. All these have provided additional support to the assumption that the USA has been providing ODA to developing countries not primarily because of their needs or poverty but due to strategic and political compulsions.

The overall findings of this chapter are consistent with the existing literature on aid allocation. The dominant argument that emerged from the literature review was that in comparison to needs of recipients, a majority of bilateral aid donors prioritise 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 USA 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, particularly in the context of Pakistan. The analysis and findings illustrate that as in the past, the principal determinants of most USA aid today are not solely poverty needs of the aid recipients. Thus, the argument is reinforced that there is a continuum in USA aid policies as the main motivations behind USA aid to some of these countries, particularly 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 day. If the past is to be the guide of the future, development aid is likely to be used as a tool of foreign policy unless there is a clear division and segregation between aid for development and aid for diplomacy.

Chapter 6 Pakistan: Country profile and implications of its past and present alliance with the USA

6.1 Introduction

The main aim of this chapter is to explore the geographical and socio-economic standing of Pakistan as well as implications of the past and contemporary USA-Pakistan alliance for the country, particularly in the context of the USA-Pakistan aid relationship. It argues that while Pakistan's geo-strategic position has been an asset which attracted the USA 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 USA in return for USA economic and military assistance as well as USA arms. Thus, if the USA needs Pakistan to pursue its geo-strategic and security goals in the region, Pakistan needs USA assistance to counterbalance its internal and external challenges. In this context, this chapter also discusses the past and present of USAID and its development works in Pakistan. To this end, I explore the overall developmental role of USA aid in different sectors and highlight what USAID is currently doing in different areas in Pakistan. The chapter then discusses that although Pakistan received substantial USA economic and military aid during the Cold War period and is now once again one of the largest recipients of USA economic and security aid (discussed in some detail in the previous chapter), the USA-Pakistan alliances, both the Cold War one and the current one, have had extremely negative repercussions on the state and society of Pakistan. The overall advantages and disadvantages of the USA-Pakistan alliance during the Afghan War years and the 'war on terror' period are, therefore, examined. The chapter concludes with both a critical overall synopsis of Pakistan's current socio-economic picture and the repercussions of the USA-Pakistan coalition in the 'war on terror' for the country.

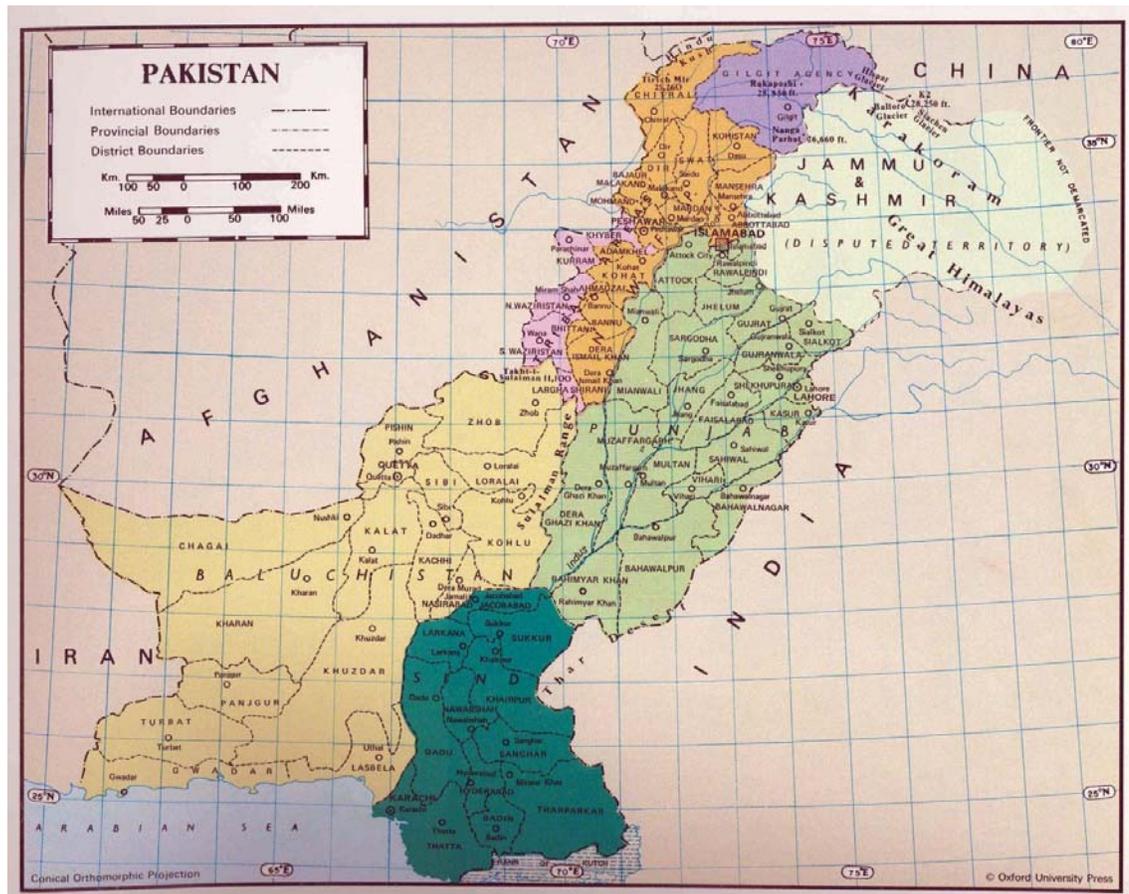
6.2 Pakistan: a geographic and socio-economic profile

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. The West Pakistan or the present-day Pakistan is situated in the north-western zone of the Indian sub-continent and it occupies an important strategic position in the world map (see Figure 6.1 below). 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 like the Cold War and the so-called USA-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 36th largest country in the world in terms of geographical size (The World Factbook, 2010). Its current total population is about 177 million (Government of Pakistan, 2011d), and it is the 6th largest population in the world and 2nd 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).

Figure 6.1 Administrative map of Pakistan



Source: Government of Pakistan (2011a).

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’. The administrative portfolio of the Federally Administered Tribal Areas (FATA) is different. It directly comes under the authority of the President of Pakistan, who is empowered under the constitution of the country to issue special regulations related to peace, governance and development of the tribal areas. All such issues are administered and overseen by the

Governor of KP in his capacity as a representative of the Federal Government and President of Pakistan. Table 6.1 below shows key demographic features of these administrative units separately as well as of the country as a whole¹².

Table 6.1 Administrative units of Pakistan and their demographic features

Administrative unit	Area (square kilometre)	Total population	Percentage of total population	Urban population	Rural population	Literacy rate	Literacy rate (Male)	Literacy rate (Female)
Khyber Pakhtunkhwa	74,521	17,743,645	13.41	16.9	83.1	35.41	51.39	18.82
FATA	27,220	3,176,331	2.40	2.7	97.3	17.42	29.51	3.00
Punjab	205,345	73,621,290	55.63	31.3	68.7	46.56	57.20	35.10
Sindh	140,914	30,439,893	23.00	48.8	51.2	45.29	54.50	34.78
Baluchistan	347,190	6,565,885	4.96	23.9	76.1	24.83	34.03	14.09
Islamabad	906	805,235	0.61	65.7	34.3	72.88	80.64	62.39
Pakistan	796,096	132,352,279	100.00	32.5	67.5	43.92	54.81	32.02

Source: Government of Pakistan (1998b)

The data in the above table illustrates that there are wide differences in terms of both urban-rural population in different provinces as well as in literacy rates, both across different regions and across gender. While Sindh has the largest proportion of urban population among the provinces (about 48 percent), FATA has the lowest as only 2.7 percent of the total population is urban. With respect to literacy rate, the federal capital has the highest literacy rate of 72.88 percent, followed by Punjab and Sindh with 46.56 and 45.29 percent respectively. At the other extreme are FATA, Baluchistan and KP with literacy rates of 17.42, 24.83 and 35.41 percent respectively. In terms of the overall literacy rate at the national level, the data shows that in 1998 Pakistan had 43.92 percent literacy rate. Male Literacy rate was 54.81 percent while female literacy rate was 32.02 percent in 1998. The 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 55.63 percent of the country's population. According to the latest data, cited in 'Pakistan Economic Survey 2010-11', the overall current literacy rate is 57.7 percent, 69.3 percent for male and 44.7 percent for female (Government of Pakistan, 2011c). Similarly, literacy rate is higher in urban areas (73.2 percent) than in rural areas (49.2 percent) (Government of Pakistan, 2011c). Like the urban-rural disparity in literacy rate, there is also a substantial difference in poverty in urban and rural areas as nearly 80 percent of the of the total poor population lives in rural areas while only 20 percent resides in urban areas (Ministry of Finance, 2010). The overall data shows that there are significant inter-regional, urban-rural and cross-gender disparities in terms of key demographic features.

¹² The table is based on the 1998 Census. The next national census is scheduled to be launched in late 2011.

In the beginning of the 21st century, due to its nuclear programme and a lack of democracy, Pakistan was under USA sanctions and as a result of a lack of foreign aid and investment as well as due to the remnants of the Cold War (this is discussed in section 6.5), political instability and bad governance, the economic environment was continuously deteriorating. The incidence of poverty increased from 26.1 percent in 1990-91 to 32.1 percent in 2000-01, 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 USA ally in the 'war on terror', due to 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 2006-07, Pakistan maintained an impressive annual GDP growth rate averaging 7 percent (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 percent of GDP. Nonetheless, because of the 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 percent to barely 5.8 percent in fiscal years 2007-08 (Ministry of Finance, 2010). Due to these factors, the economy grew a modest 1.2 percent in 2008-09 (Government of Pakistan, 2010a). Despite all these challenges and global economic turmoil, Pakistan's economy showed some resilience in 2009-10 and the growth rate was recorded 4.1 percent. However, due to the 2010 monsoon devastating floods, the growth rate once again lowered to 2.4 percent in 2010-11 (Government of Pakistan, 2011c).

Although Pakistan maintained satisfactory economic growth over the 1950-1999 period (Easterly, 2001), overall socio-economic indicators are not promising. In comparison to other countries having 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 like infant mortality and female primary and secondary enrolment are among the worst in the world. In terms of the UNDP Human Development Index (HDI) measuring the level of education, health, income and living standards, Pakistan stood at 125th out of 169 countries in 2010 (UNDP, 2010). Similarly, according to the 2008 report of the Transparency International (TI), Pakistan scored 2.5 out of 10 on the TI Corruption Perception Index (CPI) and was ranked the 46th most corrupt country out of the total 180 countries surveyed by the TI (Transparency International, 2008). In its 2009 and 2010 reports, Pakistan's CPI scores were 2.4 and 2.3 respectively and it was ranked at the 42nd and 34th position in corruption in the world, which indicate that corruption has increased in recent years (Transparency International, 2009, 2010). In its 'Country Study Report Pakistan 2003', the TI estimated that widespread corruption in all public sectors causes over PKR 200 billion annually to the country's economy¹³ (Transparency International, 2003). Owing to all these

¹³ In 2003, 1 US\$ was equal to PKR 53. It means that in 2003, a total of US \$3.8 billion was lost due to corruption. All this happens despite the existence of anti-corruption bodies both at the

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 factionalised elites, graded Pakistan at the 10th position in The Failed States Index 2010 (Foreign Policy, 2010).

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

Since its independence, Pakistan has been facing several challenges on the internal as well as external fronts. On the domestic front, as discussed in the previous section in the 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 both for male and female, high child and maternal mortality, gender disparity, corruption, political instability and low respect for human rights. For example, in terms of literacy rate, due to high population growth and incapacity of the state to provide education to all children, total number of illiterate people has increased over the years. According to the government own report, illiterate population has increased from 20 million in 1951 to 48 million by 2005 (Government of NWFP, 2009). Even where the government has provided services such 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 percent respondents were satisfied with roads, 27 percent with health services, 26 percent with gas supply, 20 percent with sewerage services, 15 percent with agriculture services and merely 8 percent with garbage disposal services in 2004. 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 social harmony, law and order and economy of the country. This is explored in

Federal and Provincial levels. There are two anti-corruption bodies at the Federal level and four at the Provincial levels. The organisations at the Federal level are: Federal Investigation Agency (FIA) and National Accountability Bureau (NAB), and at the Provincial levels there are Anti-Corruption Establishments (ACE) in every province.

section 6.5 in this chapter in the context of the implications of the USA-Pakistan alliance during the Afghan War period that extremist ideologies were nurtured and pampered in the 1980s for creating cadres of young fighters to fight against the Soviet troops in Afghanistan. Overall, if extremism is the product of the USA-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 today 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 spends 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 under spending on health and education as a percentage of GDP. Real defence spending more than doubled from PKR 68 billion to PKR 150 billion during the period 1980-2000, while real development spending decreased in absolute terms from PKR 116 billion to PKR 95 billion over the same period (Government of Pakistan, 2001). It is often argued that due to 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).

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 USA-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 due to 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 due to these internal and external challenges, particularly the latter, which have persuaded Pakistan to look for the support of international powers, such as the USA and China. That is why the country willingly entered into various pacts including the Mutual Defence Assistance Agreement with the USA and SEATO and CENTO with other western countries during the Cold

War. Hence, Pakistan was ready to play a proxy role for the USA during the Cold War and in return receive economic and military aid as well as arms from the US. However, as this chapter highlights, Pakistan's policy of seeking support from external powers has also resulted in numerous internal problems. Before analysing the repercussions of the USA-Pakistan alliance during the Cold War period, particularly during the Afghan War and the 'war on terror', it is pertinent to look at the past and present of USAID in Pakistan. As currently Pakistan remains one of the largest recipients of USA foreign aid and USAID delivers most USA assistance in the country, therefore, it is essential to explore what USAID has done in the past and what it has been doing at present in different areas.

6.4 USAID in Pakistan: its past and present at a glance

As illustrated in Chapters Four and Five, the USA-Pakistan aid relationship and development partnership is decades-old and has witnessed several ups and downs owing to dramatic geo-strategic and political upheavals in the region. Pakistan was one of the largest recipients of USA economic and military aid in the 1950s and 60s, but USA assistance declined sharply in the mid-1960s and remained low in most of the 1970s. As a result of USA security interests, Pakistan again became a key USA aid recipient in the 1980s but was under USA sanctions in the 1990s. It has once again become a key USA ally in the post-9/11 period and hence one of the largest USA aid recipient. This thesis has empirically shown that the USA aid allocation to Pakistan (as well as the other countries) is inherently a political decision, depending upon the nature of the ties between the USA and Pakistan. Aid organisation or agency of a particular donor country tends to follow the same guidelines and pursues the same objectives as determined by the administration or government of that country. This is conspicuously the case with USAID. Since the start of its operations in the early 1950s in Pakistan, USAID has not been able to remain solely focused on aid and development and dissociate itself from geopolitical compulsions pursued by Washington. Hence, it has remained active in Pakistan when the overall USA-Pakistan relationship was cordial, as in the Cold War period and now in the 'war on terror' era. On the other hand, USAID has remained absent from Pakistan when the country was of little significance to USA foreign policy interests, as in the post-Cold War decade of the 1990s. Thus, the history of USAID in Pakistan is the replica of the overall USA official policy towards the country: characterised by ups and downs.

It was against the backdrop of the Cold War that the USA started the disbursement of aid to Pakistan in the 1950s. A comprehensive report prepared by Johnson and Associates (1981) gives an overall assessment of USAID practices and development interventions in Pakistan from 1952 to 1980. The report states that besides focusing on disaster relief and refugee rehabilitation including food aid, USA aid delivered in the initial years also proved helpful in the country's future agricultural and industrial growth. The same report points out that USAID supported Pakistan's efforts to boost agriculture and rapidly expand its industrial sector, and it invested heavily in water, power, transportation, and communications. In the 1950s and 60s, the

most common modalities of USA foreign assistance were the transfer of capital investment and technical assistance to help the country in increasing economic growth. The first technical assistance agreement was signed in 1951. Under this, the USA Department of Agriculture (USDA) sent agricultural extension experts to Pakistan to help in the field of farming and cultivation, and about 90 Pakistanis were sent to the USA for training (Johnson & Associates, 1981).

In most of the 1970s, the major focus of donors was on infrastructure projects such as roads, ports, telecommunication and dams as well as the agriculture sector in the form of machinery, fertilizers, pumps for irrigation, pesticides and insecticides and better quality of seeds (Degnbol-Martinussen & Engberg-Pederson, 2003; Thorbecke, 2000). In tune with the philosophy of the age, USAID invested substantially in large-scale infrastructure in water and power as well as in the agriculture sector in Pakistan during this decade. Along with other major international donors, USAID financed two of the world's largest dams in Pakistan during these years: Tarbela and Mangla (Johnson & Associates, 1981). Similarly, USAID helped in modernising water and irrigation systems by working jointly with Pakistani agricultural scientists and engineers. Besides these, USAID also played a major role in building five new barrages and eight link canals from rivers, thus bringing vast areas under irrigation in the Punjab province (Johnson & Associates, 1981). In the same period, the USA also supported nutrition research, malaria control, population planning and health care for rural areas as well as fertilizer production. However, this period also witnessed a rapid decline in USA assistance after the 1971 India-Pakistan War, and later after the 1977 military coup of General Zia. On account of Pakistan's secret nuclear programme, the USA announced the suspension of both USA economic and military aid in 1979. After these developments, USA economic aid to Pakistan declined and remained very low until 1982 when Pakistan became an important USA ally in its covert operation against the Soviet forces in Afghanistan.

The Afghan War decade of the 1980s is considered a landmark in the USA-Pakistan relationship as it witnessed massive allocation of USA aid. It is evident from the USAID (2010c) and SIPRI (2010) data (see Table 6.2 and Figure 6.1) that in the 1980s the USA sanctioned substantial economic and military aid to Pakistan besides providing arms worth hundreds of millions of dollars. As the data shows, both USA economic as well as military assistance remained quite consistent and almost over US \$500 million per year in most of the 1980s (Table 6.2). According to USAID (2010b), 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 did works in areas where even the GoP had not done 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 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 (Senior Reconstruction Engineer, USAID, Islamabad, August, 2009).

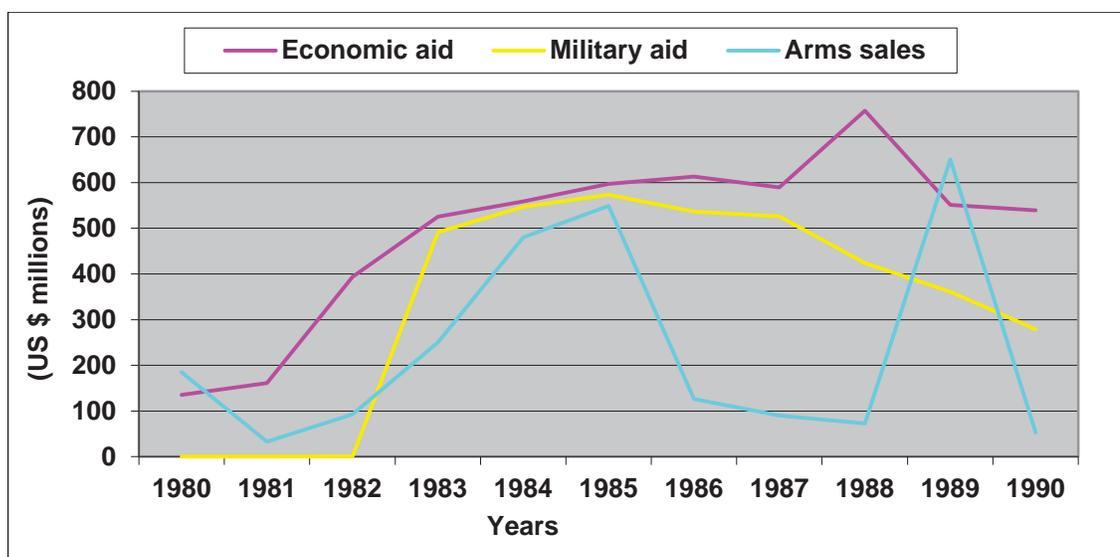
On the one hand USA economic aid contributed to the country's economic growth and helped bridge a major hard currency deficit, on the other hand USA military assistance and arms sales also tangibly improved the fighting capabilities of Pakistan's defence forces, (Hilali, 2002). Besides making some progress 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 USA unwillingly turned a blind eye to Pakistan's clandestine nuclear programme during this period. However, after the withdrawal of Soviet forces from Afghanistan in 1989, the USA imposed sanctions under the Pressler Amendment and cut off all kinds of aid to Pakistan due to its nuclear programme. During the interval 1991-2001, the USA delivered a meagre amount of aid to Pakistan. Overall, this period can be characterised as a hiatus as USAID remained absent from Pakistan.

Table 6.2: USA Economic and military assistance and arm 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 (2010c) and SIPRI (2010).

Figure 6.2: USA economic and military aid and arm sales to Pakistan in the 1980s (constant 2008 US\$)



Sources: Author, based on USAID (2010c) and SIPRI (2010) data.

The allocation and delivery of development aid is innately a political phenomenon. Hence, the presence or absence of USAID in Pakistan has depended on whether or not the country fits in the USA foreign policy framework. USAID returned to Pakistan in 2002 following the dreadful events of 9/11, the subsequent USA-led ‘war against terrorism’ and Pakistan’s alliance with the USA as a frontline state. After a long intermission, USAID reopened its office in Islamabad in July 2002. The USAID data in Table 6.3 below shows that the USA has been allocating significant aid to Pakistan in the post 9/11 years. The data shows that USAID has delivered more than US \$500 million per year in economic assistance since the resumption of aid in the ‘war on terror’ period. The table also contains data concerning USA military aid and arms sales to Pakistan. The correlations among the three have already been expounded in the previous chapter.

Table 6.3: USA economic and military aid, arms sales to Pakistan in the ‘war on terror’ period

Year	Economic aid (US 2008 \$, millions)	Military aid (US 2008 \$, millions)	USA arms sales(US 2000 \$, millions)
2002	921.41	347.63	20
2003	371.75	304.18	0
2004	399.32	95.65	57
2005	482.47	341.41	134
2006	681.94	324.72	124
2007	678.8	319.37	341
2008	605.36	358.09	288

Sources: USA Overseas Loans and Grants (Greenbook) (2010c) and SIPRI (2010).

Currently, USAID has been carrying out projects in education, health, economic growth and governance. Since 2003, USAID's US \$254.6 million health programme has focused on improving maternal, new-born and child health care, enhancing the accessibility of family planning services, preventing the spread of infectious diseases and strengthening key institutions in Pakistan's health sector (USAID/Pakistan, 2009c). During this period, USAID has invested over US \$404 million on education "to reform and revitalize Pakistan's education system" (USAID/Pakistan, 2009b, p. 1). To this end, USAID has continued to remain active in improving schools' infrastructure, building and equipping computer laboratories and upgrading teachers' skills through capacity building measures.

In addition to its core development strategy, USAID also played an essential role in helping Pakistan respond to the devastating earthquake of October 2005, which had killed more than 74,000 people (Provincial Earthquake Reconstruction and Rehabilitation Authority, 2009). After the initial rescue and relief operations, USAID started its four-year US \$200 million Earthquake Reconstruction Programme (USAID/Pakistan, 2009a). The main focus of the programme was the reconstruction of schools and healthcare facilities and restoration of livelihoods and economic opportunities in the earthquake-hit areas.

To show its long-term development commitment to Pakistan, as mentioned in Chapter One, on June 16, 2009, the USA Senate's Foreign Relations Committee passed the Enhanced Partnership with Pakistan Act, known as the Kerry Lugar Bill (KLB), subsequently signed by President Obama into a law on October 15, 2009. Under the KLB, Pakistan is going to receive US \$1.5 billion per annum in aid, a total of US \$7.5 billion from 2010 to 2014 as the USA intends "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, pp. 9-10). Although the GoP, particularly the Pakistan Army expressed reservations about certain strings and conditionalities attached with the KLB, specifically the country's role in the 'war on terror', still it can be heralded as a new era in the USA-Pakistan aid relationship¹⁴.

The preceding discussion shows that except some years of the 1970s and the decade of 1990s, the USA has been allocating considerable economic and military aid to Pakistan over the last six decades. While the overall aid relationship has oscillated between engagement and estrangement, USAID has carried out development works in several areas including education,

¹⁴ For example, the Act has 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).

health, agriculture, energy and infrastructure. Although USA economic and military assistance has helped the country in one way or the other in helping Pakistan counterbalance its internal and external challenges, the USA-Pakistan aid relationship has also resulted in various unexpected domestic issues, which are discussed below.

6.5 The USA-Pakistan alliance during the Cold War and its implications

Despite the fact that the USA channelled significant assistance to Pakistan during the Cold War, particularly during the Afghan War, the alliance also brought immense problems for Pakistan and has had profound impacts on the Pakistani society up until the present day. During the Afghan War decade Pakistan absorbed the burden of more than three million Afghan refugees (Ali, 2008; Fielden, 1998), of whom about two million are still living in various Pakistani cities (Lodhi, 2011a). Internally, the Afghan refugees not only created political, economic and socio-cultural problems for Pakistan, but the culture of drugs and Kalashnikov was also a gift 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". 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". Besides 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.

The most significant development of this period 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. The growth of these '*madrassas*' multiplied exponentially during the Afghan War with ample funding from the USA as well as Arab states. 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 eight thousand (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 to 50,000 and claims that the USA and Saudi Arabia channelled \$3.5 billion to these '*madrassas*' during the Afghan war. In the years 2001-02, there were about 58 religious political parties and factions and more than 20 armed military groups, 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 brought to Pakistan from 43 Islamic countries during the Afghan War period (Rashid, 2000). These freedom fighters were facilitated and trained in collaboration by the USA 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 to its main headquarters in Langley, Virginia (Woodward, 1987). In the words of Hanif (2008, p. 66), "Islamabad was a whirl of conspiracies and dinner parties; there were more CIA subcontractors and cooks per household than meals in a day", and according to the same author, "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) report 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. 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). Jalal (2011, p. 14) has aptly stated that "for all the lip service paid to Islam, Pakistan remained a relatively liberal and moderate Muslim state until the 1970s". However, this was no longer the case after the end of the Cold War that left the country facing "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 assumed that despite some tangible gains in the form of USA military aid and armaments and USAID developmental works, Pakistan paid a heavy price for allying with the USA during this period.

6.6 Repercussions of the contemporary USA-Pakistan coalition

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 baptised General Musharraf and transformed him into a staunch USA 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 USA has brought several advantages to Pakistan, particularly in the form of substantial foreign assistance. As illustrated in Table 6.3, along with economic aid, the USA also restarted considerable military aid as well as arms sales to the country after 9/11.

However, like the alliance during the Afghan War, the current coalition between the two countries is also not an absolute windfall for Pakistan. The protracted war in neighbouring Afghanistan has had dreadful spill over effects and consequences for the country. After the fall of the Taliban regime in late 2001, capitalising on factors such as the proximity of the border, inhospitable terrain, semi-autonomous nature of the region and old Afghan war ties and common religious beliefs, many Taliban and al Qaeda operatives fled Afghanistan and made sanctuaries in Pakistan's tribal areas bordering Afghanistan. Due to its alliance with the US, and also under pressure from the Bush administration, for the first time in the country's history Pakistan mobilised troops in the region. To this end, more than 100,000 army personnel were deployed along the 2,500 kilometre-long Pak-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 of KP. 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 USA and NATO mission in Afghanistan, which is viewed by the Taliban and their sympathisers "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 increased militancy in Pakistan.

Since 2002, Pakistani military forces have launched four major military operations against the Taliban and al Qaeda operatives in the tribal areas resulting in significant casualties on both sides. During these years, Pakistan has held numerous top-ranking al Qaeda and Taliban leaders and handed over to the USA authorities. In his well-known book '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 have been 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 USA embassies in Kenya and Tanzania) and Abu Faraj al-Libi (2005) (who was number three in the al Qaeda hierarchy). Due to these developments, though Pakistan under Musharraf tried to please the USA as much as it could, it invited the wrath of the extremists. General Musharraf himself had two assassination attempts but was lucky to survive.

Perceiving Pakistan an ally of the USA and their adversary in the USA-led 'war on terror', the Taliban militants have 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 bomb blasts. According to the comprehensive report prepared by Planning and

Development Department of FATA Secretariat (2009), the conflict has cost FATA a total of US \$2.146 billion (see Table 6.4 for details). 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.

Table 6.4: Losses caused by the 'war on terror' in FATA

Sector	Tentative cost (in million)	
	(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 IDPs costs	45,766	572
Grand total	171,671	2,146

Source: FATA Secretariat (2009).

The conflict and its costs are not confined to FATA only as the spill over 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 the 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 due to 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 more than one billion USA dollars in losses due to militants' insurgency and the subsequent military action (Asian Development Bank and World Bank, 2009). Data in Table 6.5 shows that Pakistan has suffered more than US \$67 billion in total due to the 'war on terror' since 2001.

Table 6.5 Cost of the 'war on terror' for Pakistan

Year	Pak. Rs (billions)	US \$ (billions)
2001-02	163.9	2.669
2002-03	160.8	2.749
2003-04	168.8	2.932
2004-05	202.4	3.410
2005-06	238.6	3.986
2006-07	283.2	4.670
2007-08	434.1	6.940
2008-09	720.6	9.180
2009-10	1136.4	13.560
2010-11	1528.0	17.830
Total cost	5,036.8	67.926

Source: Government of Pakistan (2011c).

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 Table 6.6 showing the number of human fatalities that the 'war on terror' has affected Pakistan more than any other USA allies. There is hardly any major city in the country that has not been targeted by the militants. 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. There were more than a dozen bomb blasts and suicide and rocket attacks in 2009 alone, killing hundreds of city-dwellers. Spending several months during the fieldwork in 2009, I felt that residents of the town were mentally prepared for the worst anytime and anywhere.

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 International Security Assistance Force (ISAF). While until September 2011 the USA has lost a total of 1,676 soldiers in Afghanistan (US Department of Defense, 2011a), data in Table 6.6 shows that security forces in Pakistan have suffered more than twice the number of these casualties. High ranking military officials including lieutenant general and brigadiers have been killed by insurgents/militants. All this indicates that Pakistan has been the worst victim of the 'war on terror'.

Table 6.6: 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	2,249	591	2,031	4,871
*Total	11,659	3,916	21,919	37,494

*Data till September 2011

Sources: South Asia Terrorism Portal (SATP) (2011) and various Annual Security Reports of Pakistan Institute for Peace Studies (PIPS).

The preceding discussion illustrates that despite some gains in the form of USA economic and military assistance as well as availability of USA arms, Pakistan has been paying a heavy price for allying with the USA 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 (Ministry of Finance, 2010) 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. In a meeting with a USA Congressional delegation in Pakistan in 2010, President Asif Ali Zardari stated that Pakistan has suffered losses worth billions of dollars as a result of the fight against militancy and terrorism (Yasin, 2010). The government has stated that due to 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 \$67 billion (Government of Pakistan, 2011c). On the other hand, it is clear from the USAID data quoted earlier that the country has received less than US \$5 billion in economic aid since joining the USA-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 USA in the form aid. According to a detailed report of the International Crisis Group (2009), both the government of Pakistan and the international community have 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

these myriads of problems single-handedly. The USA has the capability and necessary resources to compensate Pakistan for what it has suffered and is suffering in the war. The report 'Afghanistan and Pakistan on the brink: Framing USA policy options' (Barton, Hippel, Irvine, Patterson, & Samdani, 2009), prepared by former USA 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.

6.7 Conclusion and summary

This chapter has served two important functions in the context of this thesis on the USA-Pakistan aid relationship. Firstly, it has introduced a profile of Pakistan focusing on its geo-strategic and socio-economic aspects. Pakistan's distinctive geographic location is an asset which has attracted USA policy makers and allowed Pakistan to play an active role in world politics and events of global significance, such as during the Cold War and now in the 'war on terror'. At the same time, 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. Thus, this chapter has concluded that if Pakistan's geo-strategic significance has remained its strength to lure the US, its internal and external issues have been the primary factors that force Pakistan to seek alignments with the USA and acquire USA assistance that could help in addressing the country's socio-economic and military requirements.

Secondly, in view of the above strengths and weaknesses which have motivated both the USA and Pakistan to forge alliances, this chapter has examined the overall advantages and disadvantages of the USA-Pakistan aid relationship for Pakistan, focusing particularly on the Afghan War years of the 1980s and the 'war on terror' period. During the first Afghan War, the USA allocated substantial economic aid to Pakistan and USAID carried out development works in various sectors. Besides economic cooperation, USA military aid and sales of military hardware also played an essential role in advancing warfare potential of the Pakistani military. The Afghan conflict, however, also has had detrimental impacts on the state and society of Pakistan. It was during this period that '*mujahedeen*' of the day and 'militants' and 'terrorists' of today were funded and trained in Pakistan. This chapter has argued that thanks to the USA-Pakistan alliance against the Soviets, Pakistan in the post-1980s was strikingly different to how it

was before this period: faced with grave issues such as illegal weapons, drugs, sectarianism and religious extremism. Similar conclusions can be drawn from the USA-Pakistan alliance in the 'war on terror' period. This chapter has highlighted that although the USA been sanctioning substantial aid since 9/11, Pakistan has been paying a heavy price for joining the USA-led 'war on terror'. Besides incurring financial losses worth over US \$67 billion, more than 37,000 Pakistani citizens and personnel of law enforcement agencies have lost their lives in the conflict and Pakistan has become one of the most dangerous places on the planet. Thus, this chapter has shown what advantages Pakistan has harvested and what it has lost on account of its alliances with the US.

This chapter has also illustrated that USAID, which has delivered over US \$500 million annually in aid since 9/11, is active in different sectors in Pakistan including education, health, economic growth and earthquake reconstruction. It is within this context that the modus operandi of USAID and the GoP are examined in the delivery and utilization USA aid from the perspective of the 2005 Paris Declaration principles, which is the focus of the second research question of this thesis. The next chapter, therefore, looks at the five PD commitments and the various initiatives undertaken by the GoP for effective utilization of development aid.

Chapter 7 The 2005 Paris Declaration on Aid Effectiveness and Pakistan

7.1 Introduction

This chapter examines the 2005 Paris Declaration (PD) on Aid Effectiveness and the contemporary aid effectiveness architecture of Pakistan. Thus, there is a shift in focus from the USA aid allocation to the comparators to the USA aid delivery and utilization in Pakistan. The key motivations behind the provision of USA aid to the comparators as well as the repercussions of the USA-Pakistan alliance over a span of more than half a century were discussed in Chapters Four to Six, which addressed the first research question that focused on the predominant determinants behind USA foreign aid policies. 'Why' the USA provides aid to Pakistan and the other comparators has been answered, now the focus is on the second research question that examines to what extent both the Government of Pakistan (GoP) and USAID have incorporated the commitments made under the 2005 Paris Declaration. To this end, this chapter looks at the PD commitments and explores the factors that prompted the emergence of the PD at the global level. The chapter then examines policy initiatives as well as institutional set ups undertaken by the GoP for effective utilization of aid within the PD framework. The main aim is to explore the gaps and linkages between the aid effectiveness agenda of the PD and the strategies formulated by the GoP. Therefore, both the PD and GoP plans are critiqued to examine to what extent these fulfil the prerequisites for improving aid effectiveness. In doing so, the stage is set for the second research question looking at both USAID and GoP policies and practices in Pakistan from the PD perspective.

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 and backed by the World Bank and the UN. These efforts and initiatives resulted in the 2005 Paris Declaration on Aid Effectiveness, which aims at greater aid effectiveness by means of five overarching commitments: ownership, alignment, harmonisation, management for results and mutual accountability between donors and partner countries. These principles symbolise 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 aid. 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 needs. In the 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 development plans of the GoP that I collected during my fieldwork in Pakistan 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 on-going debate regarding the significance of the PD principles besides identifying the continual disconnect and missing links between the PD agenda and GoP strategies. In this way, besides looking at the overall GoP efforts in relation to the implementation of the PD at the domestic level, this chapter also adds to our understanding of how the donor-recipient aid relationship has been reshaped by the PD.

7.2 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” (Riddell, 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 concern regarding the way donor-recipient aid relationships were operating. For effective utilization of 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, but “the formation and execution of development policies must ultimately be the responsibility of the recipient alone” (Pearson, 1969, p. 127). This means that for five decades at least parts of the international aid community have realised that to make aid more effective, there must be meaningful and active engagement of developing countries in the identification, prioritisation 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 the developing world were important players in development. 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 theoretical perspective, McMichael (1996, p. 147) has 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 “the nation state was to be the vehicle of these shared goals” (McMichael, 1996, p. 147). Therefore, a common argument and agreement was that for achieving development, nation states or aid recipient governments needed to be assisted.

This situation was reversed due to 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 &

McIlwaine, 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 minimising 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 perception 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 minimised 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 decentralised, resulting in numerous isolated projects with related scrutiny and control mechanisms and therefore aid would be more effective (Stern et al., 2008).

Nevertheless, there was unabated disillusionment with these trends in the prevailing aid paradigm as they resulted in more negative and less 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 of aid to procurement of services and goods, resulting in over-spending 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.

Due to 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 harmonisation 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 ‘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 rightly 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 emphasising donor-recipient partnership and harmonisation 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 harmonisation 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 harmonisation and minimise the negative effects of unpredictable aid flows (Paris Declaration on Aid Effectiveness, 2005, p. 1).

It was an unprecedented success to bring 61 donors, including both bilateral and multilateral, and 56 recipient countries to an agreement. Due to this, the PD is recognised 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 learnt 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 have 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 co-ordinated, streamlined and harmonised 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 maximise 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. 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.

One dominant argument 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. Riddell (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 been asked to assist them in attaining those outcomes. In both the PD and the Accra Agenda for Action, donors have committed to use developing country systems including national arrangements and procedures for public financial management, procurement, audit and monitoring and evaluation (OECD, 2010). 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 USA aid and in the identification, selection and execution of USA-funded development interventions.

7.3 The 2005 Paris Declaration commitments

As noted earlier, the PD has five major principles: ownership, harmonisation, 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 that connects them to more effective aid.

7.3.1 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 utilising 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” (2005, p. 3). In practice, it means that countries receiving aid need to be at the forefront to identify, prioritise 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 centralised 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 centralised 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 organisations.

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 in 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 prioritising 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.

7.3.2 Alignment

The PD principle of alignment asks donors to “base their overall support on partner countries’ national development strategies, institutions and procedures” (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, donor 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 due to 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 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 with the current democratic regime in Pakistan, which has become increasingly unpopular on account of widespread corruption. In 2009, Pakistan scored 2.4 out of 10 on the Transparency International (TI) Corruption Perception Index (CPI) and was ranked the 42nd most corrupt country out of the 188 surveyed (Transparency International, 2009). In 2010, Pakistan’s CPI score was 2.3 and it has jumped from the 42nd to the 34th position in the list of corrupt countries (Transparency International, 2010). 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 Chapter Eight 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” (2005, p. 2). That is why the declaration has emphasised 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 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 USA aid to Pakistan.

7.3.3 Harmonisation

Harmonisation means enhanced and improved co-ordination, simplification and streamlining of donors’ actions. The PD advocates that to be “collectively effective” (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 co-ordination 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 harmonisation 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 minimise the burden on developing countries that could arise due to unnecessary fragmentation of donors at the national level.

Another important aspect of harmonisation is complementarity, specialisation or division of labour. Under this approach, donors commit to give an assessment of their comparative advantage in particular sectors and pledge to utilise their respective comparative advantage for the execution of programmes and projects in those areas. To further elaborate this concept, the European Union (EU) (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 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 due to the worsening security and law and order situation, lack of institutional capacity and corruption. It implies that harmonisation 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 harmonisation. In the PD framework, the commitment to harmonisation 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, harmonisation 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 prioritisation 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).

7.3.4 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” (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 USA aid (see Chapters Four and Five). In such circumstances, it becomes hard to draw a line between 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 harmonisation. 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, the Millennium Development Goals (MDGs) are 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 Report (PMDGR) 2010 and primary data collected during the fieldwork, it is also highlighted in the next chapter how Pakistan and its development partners are performing to achieve these targets.

7.3.5 Mutual Accountability

The mutual accountability component of the PD commits donors and recipients to embed aid relationships characterised 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 besides involving 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" (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 realisation 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 striking, particularly compared to 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 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 tax payers 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 general public, then 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 realised if there are independent bodies having the required capacity and mandate to carry out such analysis and share it with all the interested actors.

In the present situation, in an explanatory note even the OECD (2009, p. 5) has acknowledged that "there is no simple formula for building mutual accountability" and therefore there does not exist any practical example of a fully developed mutual accountability mechanism. At the same

time, it also points 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 characterised by regular dialogue and negotiation. Besides 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 criticised due to 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 much 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 USA aid to Pakistan, where the main motivations are the pursuit of USA foreign policy goals. Therefore, although the PD has provided the guidelines on how to utilise 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 characterised by institutional constraints and widespread corruption?

Despite the above criticisms, there has been a growing consensus that the PD is a critical step towards the aid effectiveness agenda of the new aid paradigm aiming at donor-recipient relationships characterised by reciprocal and more equitable partnership. The 2010 report of the OECD points towards this unique aspect of the shared nature of the commitments made in the declaration. The report argues 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". It implies that for enhancing aid effectiveness, both donors and recipients need to work towards and adhere to the PD commitments and both are accountable to each other in bringing improvements in the way aid is managed.

7.4 The PD commitments: rhetoric and reality

Upon signing the PD, all signatories including the USA and Pakistan have committed to undertake three rounds of 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; the last one is scheduled in 2011. In the 2008 survey for monitoring the PD implementation, 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 main issue identified by the survey was that despite having systems of good quality in recipient countries, donors still tended to bypass those systems and institutions and “too many donor activities remain uncoordinated at the country level” (OECD, 2008a, p. 3). For achieving the targets concerning the PD implementation, the survey recommended systematically stepping up efforts “to use and strengthen country systems as a way of reinforcing country ownership of aid, strengthen accountability for development resources, [and] curb the cost of delivering and managing aid” (OECD, 2008a, p. 3).

Besides the above OECD surveys at the global level, different case studies focusing on specific country contexts have also shown that the PD reforms have not been practically implemented. Three recent studies by Hayman (2009), Monye, Ansah and Orakwue (2010) and Blunt, Turner and Hertz (2011) focusing on donors’ practices in Rwanda, Nigeria, Cambodia and Indonesia respectively, have explored the repercussions of the PD reforms on the donor-recipient relationship on the ground. In the following paragraphs, the findings of these studies are briefly discussed.

In the case of Rwanda, Hayman (2009) has found that along with weak capacity in several government ministries, the failure of aid effectiveness efforts are further exacerbated by donors’ behaviour and approaches. Hayman states that in Rwanda, donors come up with predetermined projects that are not aligned to the needs and systems of the host government: “many donors, including the United States which is one of the largest bilateral donors to the country and Global Fund interventions, continue to rely on stand-alone projects” (Hayman, 2009, p. 586). The PD emphasises donor-recipient partnership and collaboration and requires donors to “base their overall support on partner countries’ national development strategies, institutions and procedures” (Paris Declaration on Aid Effectiveness, 2005, p. 4). The primary aim is to put recipients at the forefront in the delivery and utilization of aid so that it could be more effective in poverty alleviation. In practice, however, this largely does not happen as “donors still control the resources; government may increase its control over how those resources are used, but ultimately choices about who, how and what to fund remain in the hands of donor governments” (Hayman, 2009, pp. 594-595).

In the context of Nigeria, donors’ actual practices reveal a similar picture. Contrary to the PD principles of recipients’ ownership and enhanced alignment, Monye, Ansah and Orakwue (2010, p. 763) state that “donors have tended to arrive with predetermined projects and programmes

which must be implemented as conceived". They further add that due to this approach, "donors have assumed the leadership role and designed programmes to match their own priorities" (p. 763), and hence aid funds are spent on activities that are not the foremost priorities of recipient government. As a result, "the objectives of these development interventions have failed to reflect the priorities of the Nigerian government" (Monye et al., 2010, p. 763).

According to Blunt, Turner and Hertz (2011), aid practices of the majority of donors reveal lack of commitment to the PD principles in Cambodia as well as in Indonesia. These authors have found that it became increasingly evident that the post-PD aid effectiveness agenda was spearheaded by donors in a way that was responsive to the needs of donors rather than the recipient governments. While donors have committed to respect recipient country-ownership under the PD, the reality is that there is disconnect concerning what "donors say what they mean" and that considerable gaps continue to emerge "between rhetoric and real intentions and actions" (Blunt et al., 2011, p. 8).

Alongside the above-mentioned issues from the donors' end, there are also constraints from the recipients' side, which have been revealed in the case of Rwanda as well as Nigeria. The PD states that the attainment of targets depends on "action by both donors and partner countries" (2005, p. 2). Thus, donors are not to be blamed wholly and solely as aid-receiving governments are equally responsible for translating the PD commitments into actual practice. In Nigeria, weak institutional capacity and corruption were mentioned by Monye, Ansah and Orakwue (2010). According to these authors, "there are two possible arguments for the ineffectiveness of aid in Nigeria" (Monye et al., 2010, p. 769): one is insufficient capacity and the other is corruption. Hence, all these practices, both by the donors and recipients, indicate that there is a disconnect and significant gap between what both donors and recipients have agreed upon as signatories to the PD and what they practice.

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 view, the next section looks at policy initiatives undertaken by Pakistan and explores the gap and linkages between these strategies and the PD agenda.

7.5 Paris Declaration and development plans of the GoP

After signing the PD, aid recipient governments are supposed to take a leading role in the effectiveness of aid by preparing comprehensive 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 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 (Paris Declaration on Aid Effectiveness, 2005).

Regarding these pre-requisites and being a signatory to the PD, Pakistan has prepared a range of policy plans such as PRSPs, the MTRF and Vision 2030. In these policy documents, the government has 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 policy plans, 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 strategies undertaken by the GoP are reviewed in the context of the PD requisites. By looking at these policy documents, it is explored what these development plans offer to the PD and how the two can complement each other for advancing the aid effectiveness agenda.

7.5.1 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. Due to this, the GoP could not formulate a Five Year Plan between 1971-78. The process was resumed with the launching of the Fifth Five Year Plan 1978-83 and continued until the Eighth Five Year Plan 1993-98. This exercise was disrupted again after the country detonated a nuclear device in May 1998. After this, new medium- and long-term policy documents have replaced the old policy ones. During the last few years, 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 MTRF 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 IMF. This was based on the World Bank's four Comprehensive Development Framework (CDF) principles consisting of (i) long-term, holistic vision; (ii) country ownership; (iii) country-led partnership and (iv) result-oriented (World Bank, 1999). As noted earlier in this chapter in section 7.2, 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, in 2001 the GoP unveiled the first

policy document 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 organisations as well as a selected group of NGOs/Community Based Organisations (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-for-profit organisation based in Islamabad having offices and branches in all the 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 get feedback from communities regarding effective strategies for poverty alleviation (Ministry of Finance, 2003). Hence, the GoP claims that it has followed a comprehensive participatory process in the formulation of the PRSP and that the inputs of all stakeholders have been incorporated in the plan.

However, the PRSP process has been criticised in general as well as in the context of Pakistan. It is pointed out that the move from SAPs to PRSPs is merely cosmetic and the inherent principles of neoliberal lending have not actually changed (Chant & McIlwaine, 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 World Bank (Hague & Harrop, 2004; Newton & Van Deth, 2005). Besides this, Western capitalist forces also influence policies in these organisations to achieve their interests in developing countries. For example, to further its economic and foreign policy objectives, the USA has regularly exercised its authority in influencing lending policies in the IMF (Andersen, Harr, & Tarp, 2006; Oatley & Yackee, 2004; Thacker, 1999) and 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 organisations. Under these circumstances, real country ownership of PRSPs can be challenged on the grounds that 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 all this, it seems that the journey from the infamous SAPs of the 1980s and 90s to PRSPs in the new millennium is not a radical shift but sufficient enough to keep the lenders satisfied and happy.

Besides this, 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 to what extent are the more relevant stakeholders or intended primary beneficiaries 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 that fact 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 practiced.

The formulation of the PRSP process has been criticised 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 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, WB, 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 has outlined a development agenda emphasising the role of the private sector, macroeconomic 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 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 Pakistani NGOs to the GoP mentioned earlier, the IMF observation seems quite ironic but at the same time also very encouraging 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 few years (Ali, 2005).

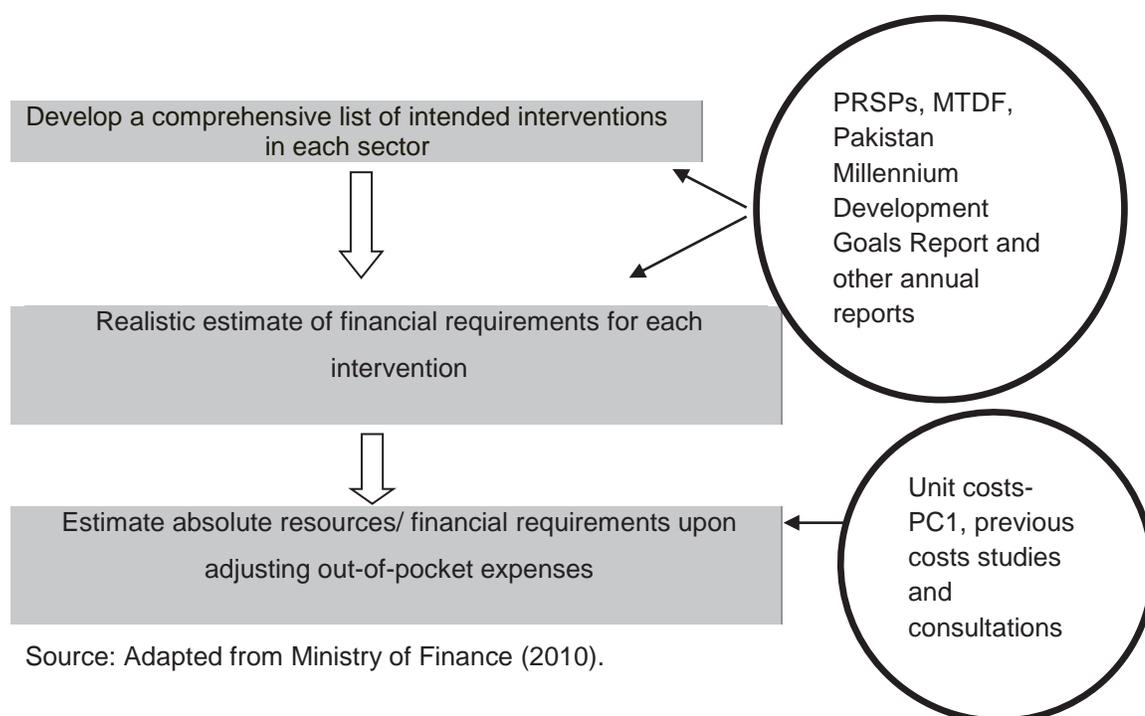
In 2010, the GoP launched the second generation PRSP. The PRSP-II covers the period 2008/09 to 2010/11 but the government claims that the document provides a policy framework that is relevant and applicable beyond this timeframe (Ministry of Finance, 2010). A number of key areas related to poverty reduction have been prioritised and identified in the plan. There are 17 pro-poor sectors, which come under five main themes consisting of (i) market access and community services, (ii) human development, (iii) rural development, (iv) safety nets, and (v) governance (Ministry of Finance, 2010). These sectors are comprised of (i) roads, highways and buildings, and (ii) water supply and sanitation under the market services; (iii) education, (iv) health, (v) population planning and (vi) natural calamities under human development; (vii) agriculture, (ix) land reclamation, (x) rural development and (xi) rural electrification under rural development; (xii) subsidies, (xiii) social security and welfare, (xiv) food support programme, (xv) Peoples' Works Programme and (xvi) low cost housing in the category of safety nets while governance includes (xvii) administration of justice and (xviii) 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 male and 568 female 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 has 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) has been 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 gender¹⁵.

From the perspective of the PD and the effectiveness of aid, 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 has more clearly anchored the MDGs (Ministry of Finance, 2010). Figure 7.1 presents a synoptic view of how the government has measured costs and Table 7.1 shows the total amount as well as the net amount of funds required for achieving the MDGs in the above-mentioned three sectors. The figure shows that first the document has formulated a detailed directory of required interventions in various areas in the form of the PRSPs, MTFD and other long-term development plans. Then, financial estimates of the interventions required for education, health, and water supply and sanitation have been measured and the gap has been calculated to be filled by external resources after subtracting the amount to be allocated by the government.

¹⁵ For example, as discussed earlier in Chapter Six, according to the 1998 Population Census, FATA is among the poorest parts of the country on the basis of major socio-economic indicators. Literacy rate is 17.42 percent, compared to 43.92 percent at the country level, and only 3 percent females aged 10 years and above are literate in the FATA compared to 32.02 percent at the national level. Similarly, health care indicators are equally disappointing as there is one doctor for every 7,670 persons in FATA in comparison to one doctor for 1,226 persons across the country (Government of Pakistan, 1998b). Similarly, about 80 percent of the of the total poor population lives in rural areas while only 20 percent resides in urban areas (Ministry of Finance, 2010), which shows the difference of poverty between rural and urban areas.

Figure 7.1: Steps undertaken in estimating costs to achieve the MDGs



Source: Adapted from Ministry of Finance (2010).

Based on the above process, as given below in Table 7.1, the PRSP-II has measured the estimated amount of funds that are needed to accomplish the MDG targets in the selected three social sectors.

Table 7.1 Estimated cost of the MDGs in Education, Health and Water and Sanitation

	Education		Health		Water and Sanitation		Total resource gap
	PRSP allocation	MDG costing	PRSP allocation	MDG costing	PRSP allocation	MDG costing	
Grand Total for the PRSP period (PKR millions)	778,494	880,261	283,206	305,759	77,222	172,268	-219,366

Source: Ministry of Finance (2010).

The total costing allocations for the three sectors during the PRSP-II period shows a deficit of PKR 219.366 billion. This indicates that the GoP has not been able to allocate sufficient budget to these three social sectors which is needed for attaining the MDGs. As discussed in Chapter Six, due to 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 can play a key role in donors' alignment of aid efforts with the GoP needs and priorities, it has also been acknowledged that the costing mechanism suffers 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 are the estimated expenditures only and are not real figures. The costing estimates, however, can 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 serve a significant reference point and pool of information for development partners to align and harmonise their aid efforts with the needs and priorities of the GoP, which aim at the attainment of the MDGs.

7.5.2 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 GoP 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” (Planning Commission, 2007, p. xi). The document was prepared focusing on six thematic areas, encompassing the 17 pro-poor sectors mentioned earlier in the PRSP-II. The 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 (Planning Commission, 2007). The long-term plan emphasises the commitment of the government to remain focused on areas such as macroeconomic stability, poverty reduction, infrastructure development, human resource development and energy growth. The document clearly perceives that the role of the 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” (Planning Commission, 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 top-down approach; coming up with already perceived 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 decide where and how to spend aid (Planning Commission, 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. The Vision 2030 is to be operationalised and reached at through a series of medium-term plans. To this end, the government came up with MTFD, which envisioned the development priorities of the GoP for the phase of next five years. Although the first MTFD (2005-2010) was launched before the Vision 2030, it was the beginning of the series of medium-term plans. It was the first MTFD 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, the Vision 2030 broadens that dream further and makes it the corner stone to be achieved. The MTFD synchronised 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 MTFD provided a framework for translating the first phase of the 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 MTFD as well as the Vision 2030. The MTFD is much like its predecessor - the five year plans which the Planning Commission used to prepare. 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 MTFD and aligned with the MDGs" (Planning Commission, 2005, p. 12). It implies that like the PRSP, the MTFD 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 in the MTFD. While this may be the case, the participatory nature of the MTFD is even narrower than the PRSP. During the preparation of the MTFD, 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). As the government had identified key policy areas in relation to poverty reduction in both PRSPs, one fails to see any new dimension added by the MTFD except that it has also incorporated the aims and targets set up in PRSPs.

Overall, it can be assumed from all these major medium- and long-term policy plans that to some extent the GoP has 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 the Pakistani context, PRSPs, the MTFD and the Vision 2030 are key policy documents which have envisaged national medium- and long-term development priorities and intended strategies. At the international level, all development targets identified by government in these policy documents are aligned with the realisation of the MDGs. For example, the 17 pro-poor sectors identified and prioritised in the PRSP-II under five main themes consisting of (i) market access and community services, (ii) human development, (iii) rural development, (iv) safety nets, and (v) 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 an ideal sense, development partners, be it USAID or multilaterals such as UNDP, should pool their resources together and utilise in proper collaboration and co-ordination 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, as discussed in section 7.5.1, 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 general sense, all 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.

7.6 Other practical initiatives of the GoP in the PD framework

Besides coming up with major medium- and long-term policy plans, Pakistan has taken several other steps aimed at the realisation of the aid effectiveness agenda. These initiatives have been launched in collaboration with various development partners, both bilateral bodies and multilateral organisations. The government has taken these practical 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.

7.6.1 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 institutional 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 Effective 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 of the GoP exclusively dedicated to issues related to aid effectiveness, though I was also told that the unit was not appropriately staffed to fully perform its functions (Senior Official, Aid Effectiveness Unit/EAD, Islamabad, April, 2009). The official stated that the key areas in which the AEU has been working include the finalisation 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. Besides these, the AEU also coordinates with donors on thematic issues and follows up proceedings and recommendations made in the Pakistan Development Forum (PDF), an annual meeting between donors and the GoP (Senior Official, Aid Effectiveness Unit/EAD, Islamabad, April, 2009). Formerly known as the Aid-to-Pakistan Consortium, the PDF gives 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 communicate their priorities related to aid and its allocation to different sectors. Between 2001 and 2010, the GoP has held eight PDFs with the development partners to discuss aid in the context of major national policy documents such as the 2003 PRSP and the 2005 MTF. Hence, the overall role of the AEU is to coordinate with a range of stakeholders and work towards the effective utilization of aid at the country level.

7.6.2 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 Development Assistance Database (DAD) in 2006 (DAD Pakistan, Undated). DAD is maintained by the Aid Effectiveness Unit and bilateral and multilateral donors provide 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 assistance. The Director of the Aid Effectiveness Unit 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 (Senior Official, Aid Effectiveness Unit/EAD, Islamabad, April, 2009). Hence, the development of DAD is considered as a first step towards the realisation of an efficient, timely and harmonised aid information sharing mechanism, as outlined in the PD. If effectively maintained and regularly updated, the DAD has the potential to play a key role in promoting the aid effectiveness agenda by means of increased donors' harmonisation 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 still not very keen to provide timely aid information through the system, irrespective of the fact that they have committed to this in Paris in 2005 (Senior Official, Aid Effectiveness Unit/EAD, Islamabad, April, 2009). Due to this, the validity and reliability of the data and the consequent accuracy of the

reports generated by the system can be questioned. There is also evidence that the reliability and accuracy of DAD remains in doubt not only in Pakistan but also in other developing countries including Indonesia and Sri Lanka (Agustina & Fahmi, 2010). It is, therefore, essential both for the GoP and its development partners to enhance the capacity of DAD and fully utilise its potential role, which could eventually play a critical role in attaining the PD commitments of mutual coordination, harmonisation and accountability.

7.6.3 GoP-Partner Aid Effectiveness Steering Committee

Like the Aid Effectiveness Unit, establishment of the GoP-Partner Aid Effectiveness Steering Committee in 2006 is another initiative aimed at aid coordination and effectiveness. Unlike the Aid Effectiveness Unit, which is primarily staffed by GoP officials, the Aid Effectiveness Steering Committee is 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 is 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 are discussed by the committee. However, unlike the Aid Effectiveness Unit, it is more a kind of an ad hoc approach as there are no streamlined and standardised mechanisms regarding the number of donors in the committee and the frequency of meetings (Senior Official, EAD, Islamabad, April, 2009).

7.6.4 Establishment of Joint Working Groups on Aid Effectiveness

Another important initiative of the government in partnership with development partners is the formation of Four Joint Working Groups on Aid Effectiveness. Unlike the Aid Effectiveness Steering Committee which does not have a specified area of concern, the focus of the working groups is on four key areas consisting of (i) financial management and procurement, (ii) sector-wide approaches, (iii) harmonisation and, (iv) capacity development (Government of Pakistan, Unpublished). The four working groups are comprised of 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 are to sort out hindrances in the implementation of the PD commitments by bringing improvements in the above four areas. So far, the Joint GoP/Development Partner Working Group on Aid Effectiveness has 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 include: harmonisation of financial management and procurement and improving country systems, emphasis on sector-wide approaches, capacity development, and harmonisation of monitoring and evaluation systems (Government of Pakistan, Unpublished).

7.6.5 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 twelve 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 percent, was reported in the government budget, two thirds of which was disbursed through government systems, the overall level of harmonisation 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 percent of the total ODA received by the country in 2005 was targeted at technical assistance. However, the survey found that only 28 percent of total technical cooperation was coordinated as against the 48 percent global baseline target (Government of Pakistan, 2006).

The survey data indicated that 88 percent 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 percent foreign aid has been disbursed through the GoP system while 53 percent has been disbursed outside the GoP arrangement (Minister of State for Economic Affairs, 2010)¹⁶. 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 donors 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 to the level of information sharing (Government of Pakistan, 2006). Based on my

¹⁶ Similar figures were mentioned to me by a former Minister of States for Finance during an interview in 2009, which is discussed in some detail in the next chapter.

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 section 7.5 in this chapter, a somewhat similar assessment can be drawn from these various initiatives of the GoP. As there are various development plans but no uniform and comprehensive aid and development policy which tells where aid is actually required, so is 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 standardised procedures. As this chapter has illustrated, the GoP aid effectiveness architecture possesses these in the form of PRSPs, the Aid Effectiveness Unit and DAD, but unfortunately they do not function as they need to. Rather than one specialised aid coordination body or agency that could coordinate effectively with donors as well as with different government ministries and departments, there are 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 complicates the process rather than streamlining and simplifying it. In the absence of one dedicated government organ specialised for the task, aid coordination and effectiveness seems a daunting challenging at the country level. Due to this, the government falls short of coming up with clearly formulated sector level plans and priorities and subsequent requirements for foreign assistance. This results in the lack of proper coordination and inefficient allocation of funds to certain areas, all contributing to the ineffectiveness of aid.

Overall, there is an evident lack of GoP ownership and leadership regarding how more effectively aid can be utilized and how donors can align and harmonise 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 are not cohesive and there is a lack of coordinating mechanisms among different GoP institutions and between the GoP and donors 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. Thus, to an extent a number of officials at different tiers of the government were not very familiar with the PD commitments as they ought to have been. However, as the following chapter illustrates, the GoP is not to be solely held responsible as there is a lack of will on the part of some donor agencies as they deal with the GoP on the basis of mutual bilateral partnership rather than the one outlined in the PD framework. The lack of political will and ownership on the part of the GoP can be judged from

the fact that though 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 has taken some steps regarding the aid effectiveness agenda in the post-PD period. It shows that although the overall GoP aid effectiveness architecture is still at the embryonic stage as the government coordinating mechanisms are not very cohesive, they do indicate that Pakistan has taken some steps in the right direction.

7.7 Conclusion and summary

This chapter has covered three important topics: firstly, the new aid paradigm and the 2005 PD as its embodiment, secondly, the actual global development landscape in the light of the PD principles and thirdly, 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 USA 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 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 to 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 has identified targets to be achieved within specified periods, this chapter has illustrated that the overall progress towards the attainment of the PD commitments has been poor. In two rounds of surveys undertaken by the OECD in 2006 and 2008

respectively, it was found that the overall international development landscape has not changed much in terms of showing greater commitment to the PD principles. The OECD surveys have pointed out that one of the critical issues in the relations between donors and recipients is that the former tend 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 has prepared and put in place full PRSPs and other long-term development plans such as the MTRF and the Vision 2030. These plans fulfil some of the prerequisites outlined in the PD as they are comprehensive in nature, home-made, result-oriented and have been formulated involving a range of national stakeholders and donor agencies. These documents translate the GoP vision and strategy into a clear intended path of development. The key targets of these plans are to achieve macroeconomic stability, economic growth and poverty alleviation. These development plans are interrelated and complement each other. For example, targets and strategies identified in PRSPs are also incorporated in the MTRF. These intended targets are in line with the attainment of the MDGs as they focus on reduction of extreme poverty and hunger, achieving universal primary education, minimising and removing gender disparities, reducing child mortality, improving maternal health and ensuring environmental sustainability. Besides having linkages with the MDGs, these development plans also outline 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 has taken some practical steps such as 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 has not followed an extensive and profound participatory process, which the PD has deemed to be a pre-condition for successful poverty alleviation strategies. Similarly, although the GoP development plans outline domestic budgetary allocations and gaps to be filled by external assistance, there is no uniform and single national development policy that details sector level priorities and foreign aid requirements. Existing policy documents do not give details regarding where foreign aid is precisely needed. These plans do not mention specific interventions that need to be carried out in different sectors to achieve the intended development targets. In this sense, a gap continues 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 are also linkages between these development plans and the PD as the latter has made it clear that aid-receiving governments need to have result-oriented strategies to which donors align and

harmonise their practices. Thus, the GoP has certainly moved some way forward as it has 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.

Chapter 8 The delivery of USA aid in Pakistan and the Paris Declaration principles

8.1 Introduction

This chapter addresses the second research question that focuses on the delivery and utilization of USA aid in Pakistan within the 2005 Paris Declaration (PD) framework. In this way, it brings together the earlier chapters that examined both USA aid flows to Pakistan (as well as the other USA allies) and the emergence of the PD alongside the GoP aid effectiveness architecture (Chapter Seven). Here, the aim is to examine the approaches and procedures of both the GoP and USAID in relation to the selection, design and execution of development projects within the PD paradigm. To this end, the respective roles of different ministries and departments of the GoP and the role of USAID are examined within the parameters of the five principles committed to under the PD.

The chapter is divided into two parts. The first section gives an overview of the role of the GoP in donor-funded projects. The remainder of the chapter looks at USAID interventions from the perspective of the five PD commitments. Keeping the PD agenda central, it investigates the role of the EAD, the central ministry dealing with donors, and that of USAID in the selection, planning and implementation of development projects. The modus operandi of USAID is further explored at the implementation level in the province of Khyber Pakhtunkhwa (KP) and Federally Administered Tribal Areas (FATA), where primary and secondary data was collected during the fieldwork in 2009. This is done by describing and analysing USAID interventions, focusing on aspects such as who has ownership, to what extent these are aligned with the country needs and systems, and whether there is harmonisation among donors. The chapter then sheds light on the development results of USAID projects in the country and the concept of mutual accountability, the last two of the five PD commitments. The chapter concludes with an overall summary of the findings regarding the gap between the avowed policy of both the USAID and GoP and the actual practices within the PD framework.

8.2 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 have 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, it is essential to let recipient governments play a leading role in managing and utilising aid so that they could “exercise effective leadership over their development policies and strategies” (2005, p. 3). It implies that aid-receiving governments need to be at the forefront in the identification, prioritisation and implementation of national development plans and utilization of aid. This may be so in theory but as the following discussion illustrates, in the context Pakistan, it is not the GoP but USAID that decides where and how to spend USA ODA.

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 is mandated to carry out 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 (Government of Pakistan, 2005).

Before commencing operations in Pakistan, each bilateral and multilateral donor as well as INGO signs an agreement or Memorandum of Understanding (MoU) with the GoP. After this, a particular development partner is allowed to work in the country. As given in Appendix IX of this thesis, there is a standard format of such agreements/MoUs for INGOs, irrespective of their scale and nature of activities in the country. However, in the case of donors, agreements largely depend on the nature of the overall bilateral relationship between the GoP and a particular donor country. Hence, for different aid donors there are different standards and procedures which allow them to carry out development works in Pakistan. Due to this, different aid donors and their implementing partners often follow their own policies and procedures rather than uniform country-led standardised approaches while carrying out development activities.

Once particular donors are permitted to commence work in Pakistan, they either plan projects of their own choice and discuss them 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 a higher EAD official who said that a majority of aid donors come up with projects and sectors already in their mind (Joint Secretary, EAD, Islamabad, April, 2009). 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 on-going and intended sectoral projects, and second, there is no specialised aid coordination agency with the requisite manpower and mandate to negotiate with donors or convince them towards aid modalities preferred by the government in particular areas. Due to 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 assistance or to direct them to lower transaction costs by enhanced and improved coordination and harmonisation. Officials in the EAD admit that at the

domestic level the government has not yet enacted an aid policy containing specific rules to make donors use GoP's financial or procurement systems. At the same time, they add that as signatories to the PD, development partners have committed to use country systems and execute projects already envisioned by the GoP rather than having donors come up with their own plans. An official in the EAD told me:

We have prepared PRSPs, MTFD and Public Sector Development Programme (PSDP) - projects and programmes already conceived and planned by the government. There would be ownership and alignment if donors give serious consideration to these policy documents and choose activities from these development plans (Deputy Secretary, EAD, Islamabad, May, 2009)

In Pakistan, at the national or domestic level, future areas or sectors are prioritised 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 keeping in view available or committed assistance from donors, its own knowledge regarding needs and priorities of the GoP already envisioned in PRSPs and MTFD, 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 a practice followed by the GoP in the identification and prioritisation of future development plans.

According to several EAD officials, the procedures 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.

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

8.3.1 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" (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 requirements. As signatory to the PD, the USA 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 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 interviewed 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 implementing partners. A senior official in the Aid Effectiveness Unit in the EAD said:

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 (Senior Official, Aid Effectiveness Unit/EAD, Islamabad, April, 2009).

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 said that instead of the GoP, INGOs get and utilise the lion's share of USA funds (Senior Official, Ministry of Finance, Islamabad, April, 2009). The GoP officials were of the view that instead of involving INGOs and bypassing government ministries and departments, USAID should more fully involve country institutions. It was pointed out that USAID should choose 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 MTRF, USAID comes 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.

From the donor perspective, USAID officials explained that there is close coordination and collaboration between USAID 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. A USAID official based in Islamabad said:

It is true that being a department of the USA government, the USA Congress/government indicates to USAID which areas and sectors to target and we

carry out our developmental projects keeping in view directives of the USA Congress and government. At the same time, we also closely coordinate and collaborate with the GoP ministries to address their needs (Outreach and Public Information Officer, USAID, Islamabad, July, 2009).

A similar opinion was also expressed by the Education Chief of USAID. She said that USAID is aware of the significance of the PD 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 (Education Chief, USAID, Islamabad, August, 2009).

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 is one of the main reasons for USAID hesitation to design and implement projects through government departments. The official said:

When USAID carries out interventions through INGOs and external contractors, government officials are unable to get some commission out of them and thUSA they say that USAID ignores or bypasses government institutions in its projects. The reality is that USAID utilises its funds more efficiently than government of Pakistan and its departments (Senior Official, USAID, Islamabad, June, 2009).

It is an undeniable fact that corruption has been one of the main causes of distrust between the GoP and donors. 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. Due to 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. 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 UASID practices is discussed later in administrative costs of USAID and the PD in section 8.3.1.

As a whole, it can be concluded from the opinions of the EAD officials that this main ministry of the Federal Government feels it has minimal ownership of USAID projects. They, like the USAID officials, acknowledge that there are prior consultations and dialogue, but ultimately it is USAID which decides how and by whom to utilise funds. The implementing parties of USAID are mostly its international partners. Hence, the role of GoP institutions, particularly at different phases of projects' selection, implementation and monitoring and evaluation is minimal. In other words, it is USAID which has 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 USA-funded projects¹⁷. This is because USAID has undertaken several projects in different sectors, particularly in the education sector in KP and FATA. Since 2002 when USAID resumed work in Pakistan, the agency has utilized US \$404 million in the education sector to reform and revitalize Pakistan's education system (USAID/Pakistan, 2009b). According to the same report, more than 600,000 children and 60,000 teachers benefit from USAID-funded education programmes.

The question arises here 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 have prepared an Education Sector Plan (2007-2015), which has clearly defined the aims and objectives of the provincial education sector. The official said that this plan has been put before donors to choose activities and interventions to be undertaken in the education sector in the province.

Various donors including USAID have signed MoUs with us to choose activities from this Plan. Being a signatory, USAID has also been helping USA in Teachers' Education plan and training etc. These are quite helpful programmes where teachers are expected to learn new techniques and improve their professional aptitude (Senior Official, Department of Education, KP/Peshawar, September, 2009).

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 informed me that line departments were fully involved in USAID activities. An official in the Directorate of Education FATA Secretariat stated that USAID has been regularly in touch with the FATA Secretariat and all projects in FATA are 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 realised that it was not possible to carry out projects without the collaboration of the FATA Secretariat. After its first failed attempt USAID came back to them and

¹⁷ As explained in Chapter Six, governance, development and administrative issues of FATA do 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 deal with law and order, administrative and planning and development matters in FATA.

then they started doing it with mutual consultation and collaboration (Senior Official, FATA Secretariat, Peshawar, July, 2009).

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 has neither received any direct aid from the USA nor it is fully involved in USA-funded projects. He disclosed that USAID carries out its activities through the UN agencies and other international NGOs. The official pointed out that recently a US \$15 million Peshawar Beautification project has been started funded by USAID but the P & D Department does not know of its methods, mechanisms and procedures as it has neither been consulted nor involved in any of the stages of the identification, selection and implementation of the project (Senior Official, P & D Department, Provincial Secretariat, Peshawar, September, 2009).

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 is 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 USA policy and practice was also largely because of the deteriorating law and order situation. The Director General (DG) Projects in the FATA Secretariat told me that line departments of the FATA Secretariat are fully involved in the identification and selection of projects with USAID and its implementing partners as FATA and some parts of KP have become no go areas for foreigners or other outsiders due to increased militancy and incidents of kidnapping for ransom (DG Projects, FATA Secretariat, Peshawar, August, 2009). He stated that it was too risky for USAID or INGOs to operate on the ground, as a result of which USAID has been 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 is more consultation and dialogue between USAID and its Pakistani counterparts than prior to the 2005 PD, but the projects are actually implemented by USAID's international partners rather than GoP institutions. The local departments are involved, but they do not carry out projects. They are consulted on certain issues, but these are USAID contractors that implement development interventions. For example, interventions in the education sector were undertaken by Academy for Educational Development (AED) and American Institute for Research (AIR). Similarly, in the health sector, USAID projects are implemented by John Snow Inc. (JSI), Abt Associates, Save the Children, Research Triangle Institute (RTI) and World Health Organisation (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 USA-based construction company, American Institute of Research (AIR), International Rescue Committee (IRC) and Citizens Network for Foreign Affairs (CNFA) respectively. All these organisations are USA-based. Local government departments and community organisations were also involved, but the implementing partners of USAID were these international contractors which, according to an EAD official, were not INGOs but actually USA companies, firms and institutes (Deputy Secretary, EAD, Islamabad, May, 2009).

The preceding discussion illustrates that USAID has been carrying out its works through international firms and consultants. Thus, government line ministries and provincial and district departments are 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 is also quite high, which dwarfs the actual development budget.

The costs of the lack of ownership

One of the main arguments and rationales for improving aid effectiveness emphasised 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 to 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 service delivery.

In the context of USAID in Pakistan, due to the twin problems of a lack of adequate capacity and prevalence of corruption, and the USAID's propensity in giving a central role to INGOs or other contractor as implementing partners, the administrative cost of overall USAID interventions is 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 USA aid goes back in consultancy services and other charges. A former Minister of State for Finance told me in an interview that USAID administrative costs are at least up to 50 percent of their total budget (Umar Ayub, Former Minister of State for Finance, Islamabad, July, 2009). An official of a private organisation who worked in USAID as a consultant stated that based on his personal experience, the administrative costs of USAID are up to 70 percent while the rest is spent on developmental activities (Former USAID official, Peshawar, July, 2009). Contrary to these statements, a USAID official based in Islamabad was of the view that a total of 20-30 percent is spent on administrative issues, including expenditures on different kinds of experts like educationists, environmentalists, hydrologists and geologists (Senior Official, USAID, Islamabad, June, 2009).

In view of these contradicting statements, it was quite hard to know the reality of how much USAID has been spending on managing aid. 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 then Minister of Finance said that the government received only 50-55 percent of the aid, 40-45 percent became expenses because of intermediation costs by the USA (Financial Times, 2010). The minister urged the USA to channel and deliver aid through government agencies to reduce high costs incurred by USA counterparts and implementing partners. Three months later, in November 2009, Prime Minister Yousuf Raza Gilani, in a meeting with the USA Deputy Secretary of State for Resources and Management and USAID administrator, also asked the USA to disburse aid to Pakistan through the existing government channels (The News International, 2009). He emphasised that the disbursement of aid through NGOs involved additional administrative expenses, sometimes from 35 to 40 percent of total aid, and hence the actual amount spent on public welfare got drastically reduced.

From the perspective of the Paris agenda, it means that USAID still largely follows the old aid delivery mechanisms and procedures. These trends in USAID activities and aid delivery processes indicate that there exists a big gap between what donors pledged in Paris and what they do in practice. On the part of the recipient government, lack of capacity and corruption are the main challenges, which according to the PD, “impede effective resource mobilisation ... it inhibits donors from relying on partner country systems” (2005, p. 2). The PD has added that corruption erodes accountability and transparency in the utilization of public funds and undermines the quality and standard of programmes. However, despite prevalent corruption, government officials claim 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 organisations are better placed to make better use of aid money due to their superior knowledge of the local needs and contexts.

Say, for example, if 20 percent goes to the pockets of the government officials, but despite that even if we get the rest of the money, the government can utilise this money in a far better way than USAID does...look at their perks and privileges, high transaction costs and consultancy charges (Senior Official, EAD, Islamabad, April, 2009).

It means that due to lack of capacity and corruption on the part of the government, USAID does not rely on the GoP to manage aid and execute projects. Consequently, a significant amount is 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 substantially minimise administrative costs of USAID projects. At the same time, such approaches would also enlarge the capacity of government institutions, leading to an increased collaboration between the GoP and USAID. 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 at and by whom to administer projects: government institutions or international contractors.

Lack of ownership, creation of project implementation structures 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 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 cause a brain drain as staff from local departments prefer to work with donors than with GoP organisations because of the above-mentioned incentives (Senior Planning Officer, Department of Health, Peshawar, September, 2009). 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 GoP institutions as experienced government functionaries prefer to work with donor agencies than in their own organisations. Thus, such practices of donor agencies, in this case that of USAID, result 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 sheer 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, Carr and McAuliffe (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 have committed to under the PD have not been fully translated into actual practice. There are various constraints from both the GoP as well USAID side. The lack of appropriate capacity of government institutions and the issue of corruption are the major obstacles which make 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 USA needs to select development works from the PSDP and PRSPs and carry out these through existing government channels. However, the findings illustrate that most USA aid is utilized through USAID contractors, giving a limited role to government institutions and departments, particularly in project design and implementation. Therefore, the issue of ownership can be questioned on the grounds that if USAID conceives and develops projects and executes them through its USA-based implementing partners, how can the GoP take ownership.

In the following section, USAID practices are examined in the 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 has been translated into action.

8.3.2 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 development outcomes. The aim is to target aid at activities which aid recipients have prioritised. 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 has identified and prioritised key areas for interventions. Donors, including USAID, carry 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 is 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 are mainly at the discretion of USAID. An official in the MoF dealing with USAID from the GoP side said:

In the case of USAID, the GoP is involved to some extent to prioritise 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 decided by USAID (Senior Official, Ministry of Finance, Islamabad, April, 2009).

This issue is further explored in the context of KP and FATA where USAID has been undertaking different projects. USAID practices are discussed in the 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 shed light on the 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 Six that due to external challenges, mainly hostility with 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. The government allocated only 2.3 percent of the GDP for education and 0.7 percent

for health in its 2009-10 annual budget¹⁸. In contrast to Pakistan, other developing countries in the region spend more on education. For example, in 2007, India spent 3.8 percent of its GDP on education, Maldives 8.3 percent, Iran 5.6 percent, Bhutan 5.8 percent and Nepal allocated 3.8 percent of its GDP to the education sector (UNESCO, 2010a). Pakistan spends at least nine times more on its military than on public health (Asian Development Bank & Government of Pakistan, 2008), although defence expenditures as officially acknowledged and reported by the GoP are largely under-estimated as a number of defence projects are to be considered in the civilian arena (Siddiq, 2007). For instance, on September 22, 2010, a media report revealed that three million retired personnel of the armed forces were getting Rs 72 billion in annual pensions from the civilian budget (Klasra, 2010). The report further stated that the pension bill for the retired personnel of the military forces rose from Rs 26 billion in 2001 to Rs 72 billion in 2010 and all of it is categorised as non-defence spending. These facts indicate how much Pakistan is spending on defence in comparison to what the country is spending on social sectors.

According to the 1998 National Census Report, the overall national literacy rate was 43 percent and about 48 million people were illiterate in Pakistan in 1998 (Government of Pakistan, 1998a). The literacy rate increased from 45 percent in 2001-02 to 56 percent in 2007-08 but Pakistan still lags behind the international targets and is ranked 10th among the Asian countries on the basis of literacy rate (Government of NWFP, 2009). Nearly 50 million Pakistanis (half the country's adult population) cannot read while just 60 percent of children complete 10 years of school and only 10 percent complete 12 years (USAID/Pakistan, 2009b). In 2004, a country-wide survey was conducted by Devolution Trust for Community Empowerment (DTCE) and Community Information, Empowerment and Transparency (CIET), two NGOs, in partnership with some donors and the GoP. The survey focused on the views and perceptions of people regarding public service delivery. In relation to government education services, in 2004, the level of household satisfaction was only 53 percent across the country (DTCE/CIET, 2005). These are some of the facts and figures which present a dismal scenario for the education sector in the country.

On paper, however, the government has given special consideration to the education sector in both the PRSPs as well as in other policy documents, and has set specific targets. These policy plans aim at achieving universal primary education and quality education for all, increasing the adult literacy rate to 86 percent for both males and females by 2015, and reducing illiteracy by 50 percent (Ministry of Finance, 2010). At present, the Education for All (EFA) Plan of Action (2001-2015) is under implementation in the country. Another major education policy is Education Sector Plan (2007-08-2015-16), which presents a comprehensive strategy for strengthening the education sector covering all segments of school education. The mission of this plan is

¹⁸ In the 2011-12 budget, a total of PKR 495.215 billion was allocated for the armed forces. In view of this, a news report revealed that the country spends PKR 1.35 billion a day on defence which was equivalent to the full year expenditures of the Ministry of Education (Cheema, 2011).

“developing human resources in Pakistan as a pre-requisite for global peace, progress and prosperity” (Government of NWFP, 2009, p. 1). To complement this mission, the plan envisages to provide “quality education to enable all citizens to reach their maximum potential, to produce responsible and skilled citizens [and] to integrate Pakistan into the global framework of human centred economic development” (Government of NWFP, 2009, p. 1) . The targets set in this plan are aligned with the Millennium Development Goals (MDGs) and the Education For All (EFA) initiative of the United Nations Educational, Scientific and Cultural Organisation (UNESCO), to which Pakistan is a signatory.

Overall, the USA has a total of US \$750 million 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 country-wide USAID project is focused on the education sector. It aims 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 consist 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 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 are being done in coordination and collaboration with our line department (Senior Official, Directorate of Education, FATA Secretariat, Peshawar, July, 2009).

From the perspective of this official, 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 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 library but the project (Ed-Links) itself came up with the plan. Regarding their needs and priorities, the principal of the school stated:

For over 500 students we have only 10 class rooms and three functioning toilets. We need new class rooms 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 class rooms would have been more beneficial at this stage (Principal of a Government High school, Khyber Agency, September, 2009).

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 needed and what is given. 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 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 this exercise 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 imply 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 synchronise 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 staff, 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 USA to utilise aid in a particular project, sector and area. Beggars cannot be choosers ... USA aid is 100 percent in grants so we do not have any leverage over them to compel them to choose projects from our PSDP (Senior Official, EAD, Islamabad, April, 2009).

It indicates that as almost all USA aid is in the form of grants and not loans, Pakistani officials either do not have enough bargaining power or see all such aid as a windfall due to the country's rentier status on account of its geo-strategic significance in the 'war on terror'. At times, it appeared that though Pakistani officials are aware that USA assistance would be more effective if utilized on activities the country is in greater need of, but as the USA is interested in something else, the GoP agrees to the USA proposal where to target aid at.

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 donors-recipient relationship (Foresti et al., 2006). It implies that besides the donor-recipient transactions, effectiveness or ineffectiveness of aid programmes is determined by a range of other stakeholders such as provincial, district and local governments as well as community based organisations. 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 donors or governments (Cox & Healey, 2000). The case of Ed-Links project mentioned 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, library books and above all, sending students to the USA for short trips, as explained in the following pages.

Alignment of the capacity building initiatives in the education sector

Another important component of the Ed-Links project was aimed at capacity building of teachers. According to Ed-Links (2009), its main aim is 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 appear to align with Pakistani government plans for the sector: capacity building for teachers, students and education department staff. Capacity building for teachers is 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 pointed out that these training sessions are too short for teachers to learn something valuable as they cannot learn something substantial in one day of computer training (Principal of a Government High School, Khyber Agency, September, 2009). Another principal of a government school informed me that instead of attending these training for some real benefits and professional grooming, a majority of participants join these sessions only to get travel and daily allowances (Principal of a Government High School, Peshawar, September, 2009). The crux of training, seminars and workshops in the name of capacity building measures was summarised by an official of a USAID project. 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 (Project staff, USAID, Mansehra, September, 2009).

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 has found that a majority of training programmes often rely heavily on lectures by visiting experts that emphasise 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 has taken capacity building in a narrow sense comprising short training sessions and seminars only. At the same time, donors such as USAID support such activities with little follow-up to measure the impact of these courses on class-room 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-going students to the USA 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 and that I have also mentioned in the first chapter of this thesis. Overall, the idea was a good one in the sense of promoting understanding about the USA 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 USA 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 school-going 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:

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 USA and why not help the government to provide basic services and facilities in Pakistan? (Umar Ayub, former Minister of State, Ministry of Finance, Islamabad, July, 2009).

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, religious and educational backgrounds. An official of the education department told me in an interview in Islamabad that 20 students have also been selected from various schools in Islamabad to visit the USA 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 USA (Senior Official, FDE, Islamabad, September, 2009).

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 also accept such activities when they see 'free money' in the form of foreign 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 later in sections 8.3.4 and 8.3.5 respectively.

There are other important issues that need to be considered in the context of alignment and harmonisation 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, donors have committed to use country systems, institutions and channels for aid disbursement. In this context, one of the significant issues resulting in the ineffectiveness of aid is the practice of tying aid. It was discussed in the light of the available literature in Chapter Two that tying aid reduces the true value of foreign assistance and it leads to the ineffectiveness of the overall aid effort. Paragraph 31 of the Paris accord specifically relates to this issue. It states that "untying aid generally increases aid effectiveness by reducing transaction costs for partner countries and improving country ownership and alignment" (Paris Declaration on Aid

Effectiveness, 2005, p. 6). Therefore, for increased alignment and greater aid effectiveness, the PD has emphasised greater use of country procurement systems and the untying of aid.

In practice, however, there seems to be little improvement either from the GoP or 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 procurements 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 follow their own procedures and approaches for the procurement of goods and services. At the same time, in view of the Transparency International annual reports quoted earlier, there is also a gap between rhetoric and reality regarding what the GoP claims in terms of procurement rules and the actual practices. Besides this, 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 due to 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 is nominated by those donors who fund 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 is the FATA Capacity Building Project (FCBP) which aims at strengthening the institutional capacity of the FATA Secretariat, FATA Development Authority (FDA) and line departments to develop, manage and implement development programmes. It is a three year (2008-2011) US \$43 million project and the USAID implementing partner is Development Alternatives Inc. (DAI), a USA-based contractor 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 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 USA 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 (Anonymous, Monitoring and Evaluation Cell, FATA Secretariat, Peshawar, July, 2009).

Explaining the supply of these expensive computers to the FATA Secretariat under the capacity building initiative, the same official confided that supplies were managed through a USAID contractor based in Karachi, the main port city and commercial hub of the country (Anonymous, Monitoring and Evaluation Cell, FATA Secretariat, Peshawar, July, 2009). 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.

It is also interesting to note that when I carried out my fieldwork research in 2009, 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 (Anonymous, Monitoring and Evaluation Cell, FATA Secretariat, Peshawar, July, 2009). The official added that little has been achieved so far regarding on-the-ground achievements and goals of the project. In January 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. Besides 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 USAID or other donors follow these practices? It has been highlighted in Chapter Two 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 USA Foreign Assistance Act of 1961, sometimes referred to as the 'Buy America' stipulation, restricts the consumption of USA assistance outside USA markets (US Government, 2003). The act related to the procurement of goods and services ensures that maximum aid funds be spent on USA made commodities and employ USA nationals as consultants, professionals and managers in USA-funded interventions. Besides goods and services, Section 604 also deals with the

transportation of commodities in USA flag carriers and it states that all goods must be shipped through USA freight companies (US Government, 2003). 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 USA foreign assistance is used in the procurement of goods and services from the US. It is hard to find how much aid flies back to the USA due to these practices, but among bilateral donors, the USA often ties the largest amount of aid. In 2007, about 31 percent of the total USA ODA was deemed to be tied (Tarnoff & Lawson, 2009).

8.3.3 Harmonisation 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 aid, there is a need to avoid concentration as well as fragmentation of donors. Such approaches lead to reduce transaction costs for aid-receiving governments, minimise waste and duplication and encourage effective division of labour in certain areas. Here, the issue of harmonisation 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 harmonisation is complementarity. It implies that aid recipients clearly prioritise 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 minimise the burden on aid-receiving governments that could arise due to unnecessary fragmentation of donors as well as to respect partners’ prioritised aid delivery mechanisms. The PD states that “excessive fragmentation of aid at global, country or sector level impairs aid effectiveness” (2005, p. 6). Therefore, the declaration has emphasised 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 and the ADB, the DAC donors including Japan, US, UK, Germany, Canada, Australia and Norway as well as non-DAC donors including China, Saudi Arabia, Kuwait and Oman are active in different sectors. Along with these, there are other DAC and non-DAC donors engaged in various sectors in many small and isolated projects. According to the Pakistan Development Assistance Database, currently there are a total of 1,216 on-going projects across a range of sectors, excluding the 461 in the earthquake-hit area (DAD Pakistan, 2011). Among these, there are 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. Besides these, there is one project in oil and gas, three in science and technology, nine in trade, 11 in information technology and telecommunication and 12 in employment and income generation. Donor-wise, the UN is engaged in 322 activities, the USA 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 are involved in a number of activities in different areas.

According to officials in the EAD, there has been 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 said 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 (Senior Official, EAD, Islamabad, April, 2009). Consequently, as the above data has demonstrated, there is too much fragmentation of donors in certain areas and negligence of other sectors and areas. The following three instances from three different areas briefly illustrate to what extent a majority of donors, including USAID, have adhered to the principle of harmonisation while undertaking development interventions in Pakistan.

Lack of coordination and harmonisation in the aftermath of the 2005 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 the 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” (Paris Declaration on Aid Effectiveness, 2005, p. 2). In times of natural calamities, the declaration has emphasised that “worldwide humanitarian and development assistance must be harmonised within the growth and poverty reduction agendas of partner countries ... the principles of harmonisation, alignment and managing for results” need to be adhered to (Paris Declaration on Aid Effectiveness, 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.

In Pakistan, the October 2005 Kashmir earthquake was a natural disaster of unprecedented proportion in the history of the country. According to Provincial Earthquake Reconstruction and Rehabilitation Authority (PERRA) (2009), the main provincial body set up by the government for the reconstruction and rehabilitation of earthquake-affected population, 74,000 people were killed, 70,000 injured and more than 2.8 million people became homeless in the earthquake. Due to the enormity of the disaster, the response of the international community was swift and generous. In the relief stage, more than 85 bilateral and multilateral agencies and over 100 international NGOs participated. In the reconstruction phase, nearly 200 donors and over 100 INGOs carried out about 4,000 projects in the education, health, agriculture, housing and water and sanitation (Senior Official, Management Information System (MIS), PERRA, Abbottabad, October, 2010).

On account of the engagement of such a large number of diverse actors, aid coordination and harmonisation posed a gigantic challenge. The long-term rehabilitation and reconstruction

process was plagued by similar problems which donors committed to get rid of upon signing the Paris agenda. In relation to the commitments made in Paris, the PERRA 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 harmonisation 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. A higher level official in PERRA informed me that scores of donors and INGOs were carrying out activities in education and there was a clear lack of coordination and harmonisation.

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 (Provincial Donor Coordinator, PERRA, Abbottabad, October, 2009).

In the earthquake area, USAID also carried out a four years (2006-2010) US \$13 million project in the education sector namely 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 (Project Officer, RISE/USAID, Islamabad, June, 2009). He said 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 PKR 45,000¹⁹.

Although the PERRA officials interviewed acknowledged the services of donors, including USAID in various areas, they had their own reservations concerning donors' harmonisation. The Provincial Donor Coordinator of PERRA told me that the overall role of USAID was worthwhile in the reconstruction as it completed some very good works 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 participation of the parents of students playing an active and direct role in the improvement of teaching and learning at schools (Provincial Donor Coordinator, PERRA, Abbottabad, October, 2009). 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 PERRA 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

¹⁹ About US \$550.

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 PERRA 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 an 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 were undertaking a host of projects with a 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 his 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 harmonisation 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 has remained an elusive undertaking, whether in the context of Pakistan or elsewhere.

Donors' harmonisation and the GoP health sector programme

Another example of the lack of harmonisation, which is also closely related to alignment, can be witnessed in the GoP country-wide health programme: National Programme for Family Planning and Primary Health Care, also 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 objectives of the programme are also aligned with the MDGs as they focus on maternal,

newborn and child health, and provision of family planning services (Government of Pakistan, 2011b).

Officials in the Ministry of Health (MoH) in Islamabad stated that the government has been allocating PKR 9 billion per year to this programme and there has been no assistance from any donor towards this country-wide initiative in the health sector. A senior official told me:

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 (Senior Official, MoH, Islamabad, September, 2009).

Another interesting example of the lack of donors' coordination and harmonisation was their response towards Acquired Immune Deficiency Syndrome (AIDS). 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 needs of the GoP. There was no division of labour among donors to undertake programmes related to creating awareness as well as prevention and control interventions about AIDS. According to National AIDS Control Programme (NACP) (2010), irrespective of the fact that the prevalence of AIDS is only 0.1 percent, a number of donors are busy in the area. 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 disclosed:

The prevalence of AIDS is only 0.1 percent 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 percent 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 (Senior Planning Officer, Department of Health, Peshawar, September, 2009).

As explained earlier, USAID has been carrying out 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 designs new projects in these areas. A USAID official stated in an interview:

I do not know about the PD Principles but 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 (Project Management Specialist (PMS), Health Office, USAID, Islamabad, August, 2009).

The USAID official also acknowledged that AIDS has not been a major health issue in Pakistan compared to 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.

To sum it up, though USAID has been active in various areas in the health sector, proper coordination, collaboration and harmonisation among donors and with GoP institutions would have resulted in division of respective labour and a more effective utilization of aid.

Mining sector in FATA and the role of donors

I came across another example of donors' priorities and lack of harmonisation, particularly the complementarity aspect of the commitment to harmonisation in the context of the mining sector in FATA. Before discussing this issue, it is appropriate to throw some light on the socio-economic indicators of FATA and the potential of the mining sector. According to the 1998 Census (the most recent the country has), the total population of FATA is approximately 3.18 million, nearly all of who live in rural areas (Government of Pakistan, 1998b). FATA is among the most impoverished parts of the country and lags behind in almost all socio-economic indicators. Literacy rate is 17.42 percent, compared to 43.92 percent at the country level and a mere 3 percent of females aged 10 years and above are literate in the tribal belt, compared to 32.02 percent at the national level (Government of Pakistan, 1998b). Health care indicators are equally below par, with astounding figures of only one doctor for every 7,670 persons in FATA in comparison to one doctor for 1,226 persons across the country (Government of Pakistan, 1998b).

Like the PRSPs and other policy documents of the GoP at the national level, the FATA Secretariat has prepared a long-term (2007-2015) FATA Sustainable Development Plan (FATA SDP). The goal of SDP is "to secure social, economic and ecological well-being by promoting a just, peaceful and equitable society" in FATA (FATA Secretariat, 2007, p. 27). The document has acknowledged the role of the mining sector and has mentioned that it has "the potential to become a major employer in the long term" (p. 86). The priority interventions in this plan are to "improve existing roads to increase accessibility, facilitate the transportation of goods and agricultural produce, and promote mineral development" (FATA Secretariat, 2007, p. 77). It has also been stated that due to the use of out-dated technology and antiquated methods, mostly focusing on blasting, about 75 percent of mineral resources are wasted in FATA.

In 2006, FATA Development Authority (FDA) was created as a new organisation focusing solely on development projects in different sectors in FATA. A senior official in FDA stated that overall 15,000 to 20,000 people are engaged in mineral sector in FATA in coal, marble and gypsum mining (Senior Official, FDA, Peshawar, August, 2009). He said that though the USA has a number of projects worth US \$750 million (2007-2012) under the banner of FATA Development Programme (FDP) and Livelihood Development Programme (LDP), there is nothing for the

mining sector. He pointed out that there is a huge potential in this sector to play a role in the employment-generation and eradication of poverty. The FDA official said that they asked USAID only for technical assistance and not funds but USAID was only interested in social sectors. Besides USAID, the official added that no donor has shown interest in the development of this sector.

A senior USAID official based in Islamabad said that USAID has a diverse portfolio and it has been carrying out projects in various sectors. The official said that though there have been no specific works in the mining sector in FATA, projects focusing on the reconstruction and improvement of infrastructure definitely contribute to the overall development of the region (Senior Reconstruction Engineer, USAID, Islamabad, August, 2009).

Two main conclusions can be drawn from this discussion. On the part of the donor community, these instances illustrate that there has been a lack of harmonisation 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 a clear leadership on the part of the government in the country's aid effectiveness paradigm. This thesis has found that the GoP is yet to formulate a comprehensive aid policy specifying a detailed index of key interventions to be funded by aid donors. Due to this, instead of a strong and uniform country-led approach around key development priorities, the government interacts with different donors on the basis of the nature of bilateral ties Pakistan has with these partners. This is also specifically the case with the non-DAC donors. An official in the EAD stated that the non-DAC donors are often exempted from various joint coordination mechanisms and forums related to aid policies (Senior Official, EAD, Islamabad, April, 2009). The latest example of this statement is a newspaper report published in April 2011. The report stated that the government has given the contract of Kohala Hydropower Project to a Chinese firm named China International Water and Electric Corp. (CWE), in violation of the Pakistan Procurement Regulatory Authority (PPRA) rules and without holding International Competitive Bidding (ICB) (Mustafa, 2011). It shows that the government itself grants undue relaxation and even exemption from certain rules and regulations based on Islamabad's ties with different donors. 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 result in the overall lack of coordination and harmonisation, which consequently lead to ineffective development aid in terms of the alleviation of poverty.

8.3.4 USAID and its development impact: Managing for Results

Managing for results or managing for development results is an important principle of the PD that commits both aid donors and recipients to utilise 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 is the attainment of the MDGs. The PD signatories have 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.

The developmental role of USAID in Pakistan is first considered from this perspective. In Islamabad, the Centre for Research on Poverty Reduction and Income Distribution (CRPRID) of the Planning Commission deals with the assessment of all data pertaining to the status of the attainment of the MDGs and the publication of annual MDG reports. A researcher working as a Monitoring and Evaluation Officer (MEO) at the CRPRID told me during an interview that the attainment of the MDGs seems impossible. He stated that:

Except immunisation, nothing is on the track. Only 30 percent can be said to be on the right track and 60 percent are lagging behind. We can achieve 2-3 indicators out of 33 by 2015. Some indicators cannot be achieved even by 2050 (MEO, CRPRID, Islamabad, June, 2009).

The 2010 Pakistan Millennium Development Goals Report (PMDGR), which was released in September 2010, confirmed what the official stated in 2009. The report acknowledged that the country would not be able to meet MDG targets. It said 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, 2010b). The report revealed 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. It also mentioned that the global financial crunch, rising militancy, increased expenditures on the ‘war on terror’, political instability, and the 2010 monsoon floods as the main reasons for not meeting the MDG targets (Government of Pakistan, 2010b).

From the PD perspective, it indicates that the country has not been performing 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 MTRDF, some of the MDGs and the required financial expenditures have been calculated. 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 harmonised 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 USA-Pakistan donor-recipient aid partnership has not produced significant results at sector or macro level²⁰.

Besides the MDG targets, the overall developmental role or record of USAID in Pakistan is not as visible to most Pakistanis as that of China or Japan. Regarding the role of USAID in the socio-economic development, most interviewees, government officials as well as members of think tanks, analysts and academics, were not very optimistic. It was commonly pointed out that though the USA 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 USA aid in Pakistan in the form of a modern hospital, university, dam, road or industry that has been built with USA money. This perception has been summarised by Dr Farrukh Saleem, a known researcher, analyst and columnist writing in the English daily The News International. In August, 2010, he wrote about the impacts and results of recent USA aid in Pakistan. An extract from his column follows:

Where have all the billions gone? ...92 percent of all USAID projects go to USA 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 USA 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

²⁰ 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 will be 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 which is required to allocate adequate resources for meeting its development outcomes.

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 organisations received more than 70 percent 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 percent women – to the benefit of more than 12 million women and children around the country. Skilled birth attendance is up 33 percent, and utilization of obstetric facilities by 50 percent – 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 USA assistance are not as high as all of USA would like, but we beg to differ that our programmes have made no discernable positive impact on millions of Pakistanis (Wilson, 2010).

Similar opinions were expressed by various USAID officials that I interviewed during my fieldwork in Pakistan in 2009. It was 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 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 (Project Management Specialist (PMS), Health Office, USAID, Islamabad, August, 2009). For example, the USA-funded Pakistan Initiative for Mothers and Newborns (PAIMAN), a six year (2004-10) US \$93 million project in the health sector concluded in 2010. At the concluding ceremony, USAID Senior Deputy Mission Director claimed that the initiative has reduced neonatal mortality by 23 percent in the targeted areas (USAID/Pakistan, 2010a). The USAID news release pointed out that the programme achieved these results by focusing on training health workers and upgrading basic health facilities.

However, these two contradictory perceptions are widely held in both the USA and Pakistan regarding how USA aid is delivered and what it has achieved. For example, in June 2008, Senator Biden, the chairman of the Senate Foreign Relations Committee and one of the key officials behind the proposal and passage of the Kerry Lugar Bill, stated in the same context that they believe they are paying too much and getting too little while Pakistanis believe just the opposite (The News International, 2011a).

In Pakistan, however, the opinion expressed by the columnist quoted earlier, is a dominant perception. Several academics, independent analysts and members of different Islamabad-

based think tanks such as Institute of Policy Studies (IPS), Islamabad Policy Research Institute (IPRI) and Institute of Strategic Studies Islamabad (ISSI) that I interviewed believe that USA aid is less effective and that its impacts and results are not known or visible in comparison to the works of other donors (such as Japan and China). A similar opinion was expressed by a senior official in the Planning and Development (P&D) Department in FATA Development Authority (FDA), one of the principal government departments for strengthening administrative structures to bring about socio-economic and infrastructure development in FATA. Regarding the role of USAID within the PD framework, the official said that it would be better if USAID selects projects from the PSDP, PRSPs and MTRF, which are prepared keeping in view needs and requirements of the population but USAID comes up with its own plans and projects.

We have been working on FATA and we know very well our needs and requirements. We know what we need to do, where and how to do. We point out very important and useful projects to USAID...small and medium dams, roads and skills development centres. USAID does not select projects from our PSDP which is prepared keeping in mind our urgent and long-term aims and objectives. USAID does not give any reason why it does not select projects from our PSDP. It is best known to them why they do as they do (Senior Official, FDA, Peshawar, June, 2009).

The same official further said that USAID itself does not properly share all its project reports or impact assessment studies, so it is very difficult to say what it has achieved and what not but there are hardly any tangible achievements and results of USAID projects on-the-ground.

Nonetheless, based on my own fieldwork 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 done a number of good works. 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. Robert Macleod, Team Leader of the USAID Reconstruction Unit told me in an interview that USAID has a grant of over US \$200 million for the earthquake area and so far it has built 56 High Schools, 19 health facilities including 15 Basic Health Units (BHUs), three regional health centres (RHCs) and one hospital (Team Leader, Reconstruction Unit, USAID, Islamabad, August, 2009). Similarly, USAID has established class-room libraries in government schools in FATA and has provided computers and arranged training sessions, which aim 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, seven ambulances with another 28 in the pipeline, and has carried out capacity building initiatives for local staff (Senior Official, Directorate of Health Services, FATA Secretariat, Peshawar, July, 2009). 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 is engaged in 70 targeted schools in establishing computer labs, carrying out in-service teacher training and sending students for two weeks to the USA (Senior Official, FDE, Islamabad, September, 2009).

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 aiming at creating jobs, revitalising 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 USA 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 USA 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 (A primary beneficiary of FATA LDP, FATA, July, 2009).

A number of primary beneficiaries of different USAID projects that I interacted with during my fieldwork in 2009, expressed similar sentiments and opinions regarding USA 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 works and developmental impact. However, the real issue is its tangible impact or visibility in the country as has been admitted by its mission chief in his letter quoted earlier. From the perspective of the Paris accord that has explicitly mentioned “achievement of the MDGs” (2005, p. 1) as one of the main aims of aid giving and indicator of its effectiveness, not only the contribution of USAID or other donors is visible but the overall performance of the GoP is also lackadaisical.

8.3.5 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 emphasises 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 to what extent the USA or USAID and Pakistan are 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 tax-payers 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 participate while relevant technical staff is ignored. It is 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 (Anonymous, Monitoring and Evaluation Cell, FATA Secretariat, Peshawar, July, 2009).

In circumstances when such practices prevail in the name of capacity building and development resources are utilized on less productive endeavours, the implementation of the PD principle of accountability seems a distant reality. But donors are not to be blamed alone, as in a majority of cases higher officials in the governments receiving aid 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 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 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 TA/DA, enjoy trips and learn nothing to implement (Monitoring and Evaluation Officer (MEO), USAID project, Islamabad, June, 2009).

These are the kinds of perceptions that some of the GoP and USAID officials have about one another. As mentioned in the previous chapter as well as earlier in this chapter, corruption has been a serious issue in Pakistan. Instead of taking serious efforts to reduce corruption, it has increased in recent years. As noted earlier, in 2009, Pakistan scored 2.4 on the Transparency International (TI) Corruption Perception Index (CPI) and was ranked the 42nd corrupt country out of 188 surveyed by the TI (Transparency International, 2009). According to its 2010 report, corruption has increased in Pakistan as its latest CPI score is 2.3 and it has jumped from the 42nd to 34th position in corruption in the world (Transparency International, 2010). It is largely due to these reasons that USAID has been carrying out projects through its 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; it is also 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 The News International, broke a story in relation to corruption in USAID-funded USA-based NGOs: 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 organisations. 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 funds was siphoned off by USA 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-km Bareng Road. In this case, USAID awarded the contract to Sheladia, a USA-based firm, for Rs 350 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 at least Rs 80 to Rs 100 million (Abbasi, 2010).

These instances jeopardize the credibility of USAID as 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 in section 8.3.2 of this chapter, the audit report by the Office of the Inspector General/USAID (2010) had instructed USAID to ensure transparency or terminate contract with DAI, a USAID implementing partner in FATA, on account of such practices. First, it was DAI, and now there are AED and Sheladia, USAID contractors primarily staffed and run by USA 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 USA-based partners in Pakistan.

As elaborated in Chapter Seven, the commitment to mutual accountability is challenging for both aid recipients and donors. Even the OECD (2009, p. 5) has acknowledged 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 characterised 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 is 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 has 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.

Recently USAID has shown concern towards the problem of corruption by taking some initiatives to try to ensure more transparent utilization of USA aid in Pakistan. In September 2010, USAID signed a US \$3 million agreement with Transparency International Pakistan (TIP) under which the entire US \$7.5 billion KLB assistance is to be monitored and supervised by TIP (Transparency International Pakistan, 2010). The aim is to create awareness among citizens and civil society organisations regarding corruption and to enable them to report any malpractices in USA-funded projects through internet, fax and telephone or by post to an Anti-Fraud Hotline.

Another initiative was announced a few days after the release of the TI 2010 report. Under this, USAID launched a five-year US \$45 million Assessment and Strengthening Programme (ASP). The aims of ASP is to guarantee transparent and effective spending of US \$7.5 billion to be disbursed under the KLB (The News International, 2010). USAID's Chief Financial Officer stated that under this programme, capacity needs of local organisations will be assessed and their capacity will be increased in financial management, administration and procurement matters for spending USA funds. Quoting USA embassy spokesman, it was also reported in the media that USAID will establish special units within government ministries receiving USA assistance to manage and oversee USA aid (The News International, 2010).

Viewed within the PD framework of mutual accountability, these are positive and encouraging steps aimed at ensuring transparent and efficient disbursement and consumption of USA aid. However, there is also a fear that it will lead to extra costs on management, administration and implementation of projects. As has been pointed out, it is believed that about 40-50 percent of aid is spent on administrative activities. Even before the passage of the KLB into a law, it was reported in the media in September 2009 that US \$175 million would be spent by different USA departments on functions related to management, review and audit of aid coming under this programme (Butt, 2009). It was reported that an additional 250 USA and about 200 Pakistani

nationals would be employed totalling their number to about 500-600 USA officials and approximately 1,200 Pakistanis (Butt, 2009).

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 taxpayers. For mutual accountability, full sharing of, and access to information and transparency are the essential preliminary steps towards meeting the PD principle. It was regrettable that during the fieldwork in Pakistan in 2009, both the GoP and USAID officials were clearly 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, he said that he cannot 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. That is why the PD has stated that “corruption and lack of transparency ... erode public support, [and] impede effective resource mobilisation” (2005, p. 2).

8.4 Conclusion and summary

The main aim of this chapter was to investigate to what extent the 2005 PD commitments to ownership, alignment, harmonisation, managing for results and mutual accountability have been translated into actual practice while delivering USA aid at the country level. To this end, the roles of USAID and GoP institutions have been examined in USA-funded projects within the PD framework. The findings have revealed that both partners have moved some way forward as there are consultations and dialogue between USAID and GoP institutions concerning the utilization of aid in different areas. For instance, in KP and FATA, USAID has more closely involved government departments and institutions to address their needs, although primarily because of security reasons as USAID or INGOs cannot work there. Hence, government ministries and departments, such as the FATA Secretariat and its line departments and the KP Department of Education have been engaged in USAID-funded projects in the education sector, which indicates that the overall level of ownership of development projects has increased in these areas as local departments are more on board with USAID. However, seen within the PD framework in its entirety, the overall modus operandi of USAID remains more or less the same. Regarding the overall level of ownership, the findings have revealed that USAID has 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 is primarily USAID which conceives, prepares and implements 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 keeping in view the country's needs and priorities, USAID comes 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 prioritised 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 harmonisation. The case study findings have demonstrated that almost all donors carry out development works in Pakistan following their own approaches and procedures. By highlighting three different instances, this research has illustrated that there was hardly harmonisation or effective division of labour among donors. It has been noted that like other donors, USAID has been undertaking interventions in different areas and there has been no precedent where donors have common arrangements for planning, disbursement and reporting to the GoP regarding their practices and aid flows. As a result of the lack of harmonisation and proper division of labour, there was either excessive fragmentation or unnecessary concentration of donors in different sectors. Donors' investments in the mining sector in FATA and the amount of funds coming to the education sector or aid for AIDS are the instances of the lack of harmonisation and complementarity. Whereas the former has been completely ignored by donors, the latter two have received proportionately a lot, particularly in terms of ill-conceived capacity building measures.

Regarding development results, the fourth principle of the PD, it is largely due to 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 lack a coherent and harmonised approach to bring visible improvements in certain areas. Due to the lack of GoP ownership as well as lack of alignment and harmonisation, most aid is not aligned with the development priorities of the GoP. Aid is spent on less urgent and less important activities and practices than those that could actually benefit the poorest communities. Had there been proper coordination among donors as well as with the GoP, more central role of GoP institutions, and had the GoP clearly indicated in the PRSPs, MTRF 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, due to the absence of fully independence and powerful domestic accountability instruments, lack of transparency and incidence of widespread corruption continue to tarnish the image of the country. Annual reports of the Transparency International, over the years, have categorised Pakistan among the most corrupt countries. At the same time, however, implementing partners of USAID are no better as USA-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 come to up to the expectations. Although recent USAID steps are 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.

The overall case study findings have shown that there are a number of issues from the government as well as USAID side that have 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 are among the key factors resulting in the lack of progress towards achieving the PD commitments. On the part of the US, contrary to its commitments under the Paris accord, USAID continues 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 formulate and carry out projects funded by USAID. While the PD, being an essence of the new aid paradigm, stipulates a more central role for aid recipients in the delivery and utilization of aid funds, GoP institutions have little say in the formulation and execution of USA-funded projects. On account of these factors on the part of both the GoP and USAID, the actual implementation of the PD principles has remained an elusive undertaking, resulting in less effective use of aid for poverty alleviation.

Chapter 9 Discussion and conclusion: an assessment of the USA aid allocation and delivery to Pakistan

This chapter draws together the major themes of this study and highlights the contribution it has made regarding the allocation and delivery of USA development assistance to Pakistan. The thesis has argued that the key determinants driving the USA foreign aid architecture are the same today as they were during the Cold War period: geo-strategic, political and security oriented. The chapter opens with an examination of incidents such as the Raymond Davis episode and the killing of Osama bin Laden to underscore the nature of the USA geo-strategic and security interests in Pakistan and how the USA has been using aid as a strategic tool to accomplish those objectives. In relation to the delivery and utilization of USA ODA within the PD framework, the study has found that there still exists a substantial gap between what aid recipients and donors agreed to in Paris in 2005 and their actual practices. From the recipient end, the GoP has taken some steps towards the attainment of the PD commitments but factors such as lack of institutional capacity and corruption constrain the PD implementation. From the donor end, too, some progress is evident but there is still a mismatch and disconnect between declared policies and actual development practices during the identification, selection and execution of projects and programmes. Based on these findings and analysis, the thesis questions the official narrative and discourse concerning a shift towards a new aid paradigm, and adds to the burgeoning body of academic critique that the paradigm shift has actually not occurred in practice.

9.1 The events of Raymond Davis and Osama bin Laden and the politics of the USA aid allocation

In relation to the provision of USA aid to Pakistan, three significant developments have taken place during the course of this research: the passage of the Kerry Lugar Bill in 2009, the Raymond Davis case in early 2011 and the killing of Osama bin Laden in Pakistan in May 2011. As noted in Chapters One and Six, the Kerry Lugar Bill has authorised the allocation of US \$1.5 billion in aid to Pakistan per annum for five years (2010-2014), which can be viewed as a symbol of a long-term USA commitment to Pakistan. However, the other two subsequent events seriously jeopardised the USA-Pakistan alliance and can be perceived as a prelude to the future USA-Pakistan aid regime. The significance of these events in the context of this thesis is that these clearly manifested how the USA has been manipulating aid to pressure Pakistan and accomplish its own security objectives. These two episodes, explained below, also illustrate how shaky the USA-Pakistan alliance is and how fraught it is with suspicions and mutual distrust.

On January 27, 2011, a USA national shot dead two Pakistanis on a busy road in broad daylight in Lahore, the second largest city of the country. Police arrested the killer, named Raymond Davis, while he was trying to escape the scene. Another Pakistani citizen was run over and killed by a USA Consulate car that was coming to the rescue of the killer. The driver left the site of the

incident, gained anonymity in the USA Consulate and was never heard of since then. 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 USA 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 (Wahab, 2011; Yusufzai, 2011).

On January 28, the USA Embassy in Islamabad issued a press release stating that a staff member of USA Consulate General in Lahore was involved in an incident, that regrettably resulted in the loss of life, and that the USA Embassy was working with Pakistani authorities to determine the facts and work towards a resolution (US Embassy Islamabad, 2011a). The next day, the USA Embassy changed or refined its earlier stance²¹. The press release claimed that the arrested American was a diplomat assigned to the USA 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 USA-Pakistan alliance was facing another litmus test. The USA 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 USA 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 USA State Department that 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' job:.

And for America, the case risks revealing many awkward truths. Who exactly is Raymond Davis, described by the USA as a member of "technical and administrative staff"? What sort of "diplomat" carries a weapon? What was he doing driving alone

²¹ Pakistani press and electronic media pointed out that in its first press release, the USA Embassy stated that the accused was attached to the USA Consulate General in Lahore, while in the second one they altered their earlier stance and described him 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 USA 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).

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 secret USA agents 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 USA administration as well as President Obama himself stepped up pressure on Pakistan to release their 'diplomat'²². 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 country-wide protesters demanding execution of the killer.

The relevance of this whole episode to this thesis was that it created a severe deadlock and diplomatic tussle between Washington and Islamabad and put the long-term USA aid commitment at risk. The USA 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 Gilani, three senior USA Congressmen warned that the detention of 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 the Congress to bring an amendment to the law dealing with the allocation of aid to Pakistan, there would be enough support to modify it. Less than a week later, John Kerry, the influential USA senator behind the Kerry Lugar Bill, also visited Pakistan to talk to authorities regarding the Davis issue. 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 issue amicably (Dogar, 2011).

The USA 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 multidimensional 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 USA imposed sanctions on Pakistan after its geo-political significance dwindled with the demise of the USSR, the USA may again abandon Pakistan once its geo-strategic mission in Afghanistan is accomplished. In the course of my fieldwork in Pakistan in 2009, a wide range of interviewees consisting of high-ranking government officials as well as academics and members

²² The USA exerted pressure on Pakistan through telephone calls from Hillary Clinton to 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 USA has been pressurising 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. The lady stated that she took this extreme step due to utter frustration to receive justice as the government would crumble under the USA pressure and the killer of her husband would be released (The News International, 2011b).

of think tanks expressed similar apprehension regarding long-term USA aid dealings with Pakistan. Even people belonging to the upper echelons of power such as Umar Ayub, who remained Minister of State for Finance in the Musharraf cabinet, expressed a similar concern about the volatility of USA aid. The grandson of former president General Ayub (in office from 1958 to 1969), who himself was a close ally of the West 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 USA aid can be curtailed any time. We should not be very optimistic and confident about its availability and continuation for a long time (Former Minister of State for Finance, Islamabad, July, 2009).

However, this apprehension and perception about the unpredictability of USA aid or the unreliability of the USA 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 USA engagement with Pakistan. Even the Act itself has mentioned that the USA aid commitment to Pakistan will go beyond 2014. It states:

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).

When the bill was passed, I was in Pakistan for the collection of data for this thesis and I was also interviewed by the Voice of America (VOA) Pashto radio service. I was of the opinion that this move is a strong signal of a durable USA commitment to the development of Pakistan, though apprehensions and suspicions were also there due to the attached strings concerning Pakistan's role in the 'war on terror'. The USA threat of an amendment to the bill to cease aid to Pakistan over the Davis issue underlines that those very senators who passed the law can also reverse it for the sake of a 'diplomat', who the USA administration was aware, was not a 'diplomat' at all²³. Fortunately for some and unfortunately for others, the Raymond Davis case was resolved, though in unprecedented haste after so-called 'blood money' was paid to the heirs of the victims (Miller & Hussain, 2011). And in Pakistan, country-wide anti-USA and anti-government demonstrations followed his release as opposition politicians and the media accused the government of bowing to USA 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

²³ Though the entire USA administration including President Obama referred to Davis as our 'diplomat', it was tacitly acknowledged that he was actually a CIA contractor (Kessler, 2011).

“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 USA 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 USA did not share any kind of prior information with Pakistan concerning the May 02, 2011 midnight operation in which the al Qaeda chief was killed. There was a similar repetition of statements after the Osama saga, but the scale and intensity were much higher. On the second day after the incident, several USA senators once again raised the issue in a congressional session and asked that USA aid to Pakistan be suspended immediately (Chaddock, 2011). The USA 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 USA officials’ visits to Pakistan, again including John Kerry. For domestic public consumption, as in the case of Raymond Davis, Pakistan also showed resentment that the USA 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 USA who alleged that some elements within Pakistan's government machinery, particularly in the military must have been aware of bin Laden's presence. To build more pressure on Pakistan, a group of USA senators wrote a letter to the USA Secretary of State and Defence Secretary to review aid to Pakistan (BBC News, 2011c). All the threats were followed by a joint press conference by Robert Gates, USA Defence 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 USA aid to Pakistan should continue as the USA has considerable interests in that country (US Department of Defense, 2011b).

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 USA military officer alleged that Pakistan's spy agency had assisted the Haqqani group in carrying out the attack on the USA 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 USA economic as well as military assistance to Pakistan's willingness to fight militants including the Haqqani network (The News International, 2011a). In response, Prime Minister Gilani convened the All Parties Conference that issued a joint

resolution and refuted all USA allegations regarding the Haqqani network and sought to revisit Pakistan's policy towards the 'war on terror' (The Express Tribune, 2011a). Even former president Musharraf, the closest USA ally, termed Mullen's statement as irresponsible and stated that the USA was using Pakistan as a scapegoat for their failures in Afghanistan (The 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 USA invasion.

The preceding discussion illustrates that the USA continues to manoeuvre aid to promote and pursue its geo-strategic and security interests in Pakistan. This is, in the real sense of the word, the politics of aid. This is one of the main themes of this study: the allocation of USA development aid to Pakistan is intrinsically political, driven by USA geo-strategic and security goals. During the Cold War period, the main motivation was the containment of communism, and currently the overarching determinant of USA aid giving to Pakistan is the 'war on terror'. This has been clearly pronounced in the USA National Security Strategy unveiled by President Obama in 2010. The document states that the USA will provide assistance to Pakistan "as part of a broader campaign to disrupt, dismantle and defeat al-Qaeda" (The White House, 2010, p. 8). Focusing on the first central component of this thesis regarding the USA aid allocation to Pakistan, the following section highlights the major contributions of this study.

9.2 The allocation of USA aid: what does this thesis contribute?

This thesis has made three major contributions concerning the allocation of USA aid to Pakistan. First, it has clearly delineated the hitherto empirically obscure and untested role of geo-strategic factors in the provision of USA aid to Pakistan. Previous studies focusing on the USA-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 USA aid distribution to Pakistan. The distinctive contribution of this study is that it has examined the USA 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. Though it has always remained a dominant and common perception that USA foreign assistance to Pakistan is politically motivated, this is the first study that has empirically demonstrated this argument.

Second, alongside the empirical investigation, this thesis has analysed the USA aid allocation to Pakistan in a comparative perspective. This comprised of the investigation and assessment of USA aid policies towards other strategically important USA allies: Egypt, Israel and Turkey. Thus, the study has provided additional support to existing arguments and concepts, reviewed in the second chapter, that aid has primarily been used more for strategic and political leverage

and less for developmental objectives. The findings in the fourth and fifth chapter concerning the principal determinants of USA aid reinforce the assumption and strengthen the argument that there is continuity regarding the main motives behind USA aid policies. Analysing the USA aid regime in three distinctive periods over a span of 60 years, the study informs USA that the USA foreign assistance architecture, both historical as well as contemporary, has been standing on and sustained by vital USA foreign policy goals: political, security and geo-strategic orientations.

The third contribution of this thesis is that along with the empirical investigation of historical and contemporary USA aid policies in a comparative framework, 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, such as the aid allocation literature reviewed in the second chapter. On the other hand, qualitative studies often rely solely on specific country situations at the expense of robust empirical investigation and analysis that have their unique qualities of generalisation to other countries, cases and regions. The distinctive contribution of this study 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 USA aid to Pakistan, this thesis has combined the universally applicable and comparable empirical observations with more nuanced, detailed and specific regional- and country-focused scholarships.

9.3 The PD, GoP and USAID: has the paradigm shift occurred?

The second major theme of the thesis was to examine the delivery and utilization of USA ODA in Pakistan. Specifically, it has investigated the role of GoP institutions and USAID in USA-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 co-ordinated and harmonised procedures among numerous donors. Within this conceptual framework and the corresponding parameters, the thesis 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.

9.3.1 The GoP as a 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 Seven. 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 is still half-hearted and lacks consistent leadership and commitment. The GoP neither has a comprehensive aid policy nor does 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 be comprised of a loose and uncoordinated set of institutional structures which was 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 clear lack of continuous and systematic preparation as well as little follow-up mechanism. 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 equipped with knowledge and skills to perform the assigned tasks. Consequently, neither of these had the capacity and 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 corruption. The Paris accord has clearly stated 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). As discussed in Chapters Six and Eight, rather than taking concrete steps for curbing corruption and improving and enhancing the capacity of state institutions, recent TI annual reports are a clear testimony that the situation has deteriorated further in Pakistan. In circumstances where institutions lack capacity and are plagued by bureaucratic inefficiencies and corruption, it is naive to expect donors to use country systems per se. Consequently, the majority of donors, including USAID, avoid disbursing aid through government ministries and departments and implementing projects through them. Therefore, keeping in view the PD principle that recipients need to improve their

institutional capacity and take measures to eliminate corruption, the GoP has largely failed to come up to the mark required in the PD.

9.3.2 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 discussed in the previous chapter, although there was more coordination between some GoP institutions and USAID in certain cases, the overall modus operandi of USAID has 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 are 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-room libraries and to send school-going students to the USA for short trips (Chapter Eight). 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 USA-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.

9.3.3 The PD as an essence of the new aid paradigm and the contribution of this study

In view of the preceding analysis, this thesis questions and challenges the dominant official narrative that the aid paradigm shift has actually occurred. This research shows that the new aid agenda, which symbolises the donor-recipient dealings characterised by reciprocal and more equitable terms of engagement, exists largely in theory and not essentially in practice. As the USAID-GoP relationship has illustrated, it is still the old aid regime in practice – with donor-led development interventions as it was USAID that came up with pre-conceived projects and utilised aid where and how it wanted to. Hence, these practices indicate that the new aid paradigm, the embodiment of which is the PD, is no doubt profound in theory and has been hailed to be the beginning of a new era in the policy and practice of aid and development, but the shift has not yet happened in practice, at least in the USAID-GoP case.

From the perspective of USA aid delivery and utilization in Pakistan, the original contribution that this research has made is to pull together the insights of both the recipient and donor in relation to the way aid is delivered and the way it needs to be utilized in view of the PD principles. The thesis has clearly identified that there is a disconnect between GoP and USAID policies and practices as both have failed in meeting the PD expectations. While identifying the continual disconnect and missing links between the GoP and USAID modus operandi, the study

has striking parallels with donor-recipient relationships elsewhere. As noted in Chapter Seven, along with three other recent studies by Hayman (2009), Monye, Ansah and Orakwue (2010) and Blunt, Turner and Hertz (2011) focusing on donors' practices in Rwanda, Nigeria and Cambodia respectively, the findings of this study contribute to the scarce body of academic literature that has investigated the implementation of the PD at the country level. It is interesting but disappointing that the other studies also come to similar conclusions concerning the aid effectiveness paradigm as an official narrative and its implications for actual policies and practices undertaken by aid donors and recipients.

As was found in Pakistan, Hayman states that in Rwanda, donors come up with predetermined projects rather than the ones prioritised by the host government, as "choices about who, how and what to fund remain in the hands of donor governments" (Hayman, 2009, pp. 594-595). In the context of Nigeria, donors' actual practices reveal the same picture that has been witnessed in Pakistan, Rwanda and Cambodia. Contrary to the PD principles of recipients' ownership and enhanced alignment, Monye et al. (2010, p. 763) reveal that as donors come up with their own interventions so instead of the host government, "donors have assumed the leadership role and designed programmes to match their own priorities". This is similar to the case of USAID in Pakistan that came up with its own plans in different sectors, such as unilateral student exchange programme in the education sector. Due to these policies and practices, as was revealed in the context of Pakistan, aid funds are spent on activities that are not the foremost priorities of recipient governments. As a result, "the objectives of these development interventions have failed to reflect the priorities of the Nigerian government" (Monye et al., 2010, p. 763), in same way as in the case of Pakistan and Rwanda or indeed other aid recipients where such practices prevail.

Alongside the above-mentioned issues from the donors' end, there are also constraints from the recipients' side, which have been revealed in the case of the GoP as well as Rwanda and Nigeria. The PD states that the attainment of targets depends on "action by both donors and partner countries" (2005, p. 2). In Pakistan, weak institutional capacity and corruption were the key maladies on the part of the GoP that constrained the realisation of the PD goals. In the context of Nigeria, precisely the same issues were mentioned by Monye, Ansah and Orakwue (2010, p. 769) stating that "two possible arguments for the ineffectiveness of aid in Nigeria" include insufficient capacity and corruption. Hence, these practices of both donors and recipients indicate that there is a significant gap between what donors and recipients have agreed upon and what they actually practice.

Moving from the context of specific countries to the global level, attaining the PD partnership commitments has been a daunting challenge. The 2008 survey on monitoring the PD implementation has found similar trends across the majority of the OECD donors and recipients. It has warned that in view of the current pace of progress that lacks political commitment and determination, "it will be impossible to meet the 2010 targets for improving the effectiveness of aid" (OECD, 2008a, p. 3). This is what this study has found in the context of the GoP and

USAID. Thus, the findings of this thesis underscore what has been revealed in the wider intellectual discourse concerning the issues which the contemporary aid regime faces. Given the current state of progress and the substantial gap between the PD principles and actual practices of donors as well as recipients, it appears that the PD partnership commitments may take quite a long time to be implemented, if they ever will be. Thus, the available evidence indicates that at present, the practical implementation of the PD pledges by aid donors and recipients seems a distant reality.

9.4 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 has 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” (2008a, 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 learnt in the 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. These are outlined and explained below.

9.4.1 To the GoP

- A comprehensive aid and development policy
- A more capable and resourceful institution working as aid coordination agency or organisation
- 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; 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 MTRF need to prioritise issues faced by poor communities and need to have an accurate assessment of their urgent, short-term and long-term needs. It has been found that 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. This plan needs to have clear sector level priorities and requirements of the GoP and it needs 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 in donors’ aligning and harmonising their aid efforts with the GoP needs and systems.

Secondly, in addition to the need for a comprehensive aid 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 on-going 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 donors and will minimise 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, second, the creation of a single list of projects and programmes to inform 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 donors 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.

Lastly, 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 emphasised that recipients need to improve their institutional capacity and take measures to eliminate corruption. As noted in Chapter Six, although public accountability and anti-corruption bodies do exist in Pakistan such

as Federal Investigation Agency (FIA), National Accountability Bureau (NAB), Anti-Corruption Establishments (ACE) as well as Auditor General of Pakistan (AGP), Wafaqi Mohtasib (Ombudsman) and Public Accounts Committees, 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 characterised by greater transparency and accountability regarding how, where and by whom the government spends and manages public funds. 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.

9.4.2 To USAID

In order for USA aid to be more effective in assisting the GoP address the development challenges of Pakistan and showing real progress towards accomplishing the PD targets, USAID needs 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 the 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 minimise this mismatch and align its aid efforts with those of the GoP, USAID needs to revisit its current procedures. Instead of coming up with pre-conceived 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, USA aid will be spent precisely on activities that the GoP prioritises but is unable to execute due to lack of sufficient 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 has 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 has noted that even donors’ “stand-alone projects are not immune to corruption” (OECD, 2010, p. 49). This can specifically be said of certain USA-funded projects discussed in the previous chapter that how 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 these are 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.

Lastly, this study has shown that there is also a considerable lack of transparency concerning how much aid the USA spends in particular areas and what are its tangible impacts. 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” (Paris Declaration on Aid Effectiveness, 2005, p. 8). Therefore, the USA ought to show greater commitment towards increased transparency. As discussed in Chapter Eight, this can be realised 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 USA 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 are its developmental impacts.

9.4.3 The significance of the PD principles in a complex environment

In Chapter Eight, it was argued that the implementation of the PD is critical to enhance the effectiveness of aid not only in the normal donor-recipient relationship, but also in complex environments and situations. The PD states that “enhancing the effectiveness of aid is also necessary in challenging and complex situations” (Paris Declaration on Aid Effectiveness, 2005,

p. 2). This section offers reflections and observations from my Pakistan research on the application of the PD principles to 'challenging and complex' aid contexts.

According to the PD, complex and challenging environments can be of two types: natural disaster and humanitarian crisis or "environments of weak governance and capacity" (2005, p. 2), such as documented in the case of Pakistan (and also in many other developing countries, as illustrated from the case studies of Rwanda, Nigeria and Cambodia). In these contexts, the PD reiterates that signatories on both sides will dedicate additional resources and energies to ensure that the PD commitments are aspired to so that the aid effectiveness agenda is pursued in these complex scenarios.

As the findings of this thesis have shown, based on the parameters of good governance and institutional capacity, and also in view of the fact that Pakistan is geo-strategically very significant for the USA and the international aid community (on account of its role in the 'war on terror'), the case of Pakistan can be categorised as complex. With Pakistan regarded as a frontline ally in the USA-led anti-terrorism campaign, donors such as the USA bring their own set of interests and agendas in helping Pakistan overcome its developmental challenges. The mix of priorities that aid donors come up with and their institutional limitations further complicate the prioritisation of aid delivery modalities and the areas and sectors to which aid should be directed and to where it is ultimately targeted. Pakistan's internal institutional weaknesses, bureaucratic inefficiencies and corruption have also aggravated this situation. Hence, donors' own interests on the one hand, coupled with Pakistan's internal governmental limitations on the other make the domestic development aid landscape an exemplar of the complex and challenging situation referred to in the PD.

In view of such a complex and difficult situation, the PD becomes more significant for aid effectiveness as it has placed the onus of reforms and improvements on both donors and recipients. The PD has committed aid donors to channel aid through existing local "systems and procedures to the maximum extent possible" (Paris Declaration on Aid Effectiveness, 2005, p. 4). However, the declaration has further elaborated that if existing institutional set ups are not up to the appropriate standards, donors need to "establish additional safeguards and measures in ways that strengthen rather than undermine country systems and procedures" (2005, p. 4). On the part of aid recipients, the PD has stated that they need to "undertake reforms that may be necessary to ensure that national systems, institutions and procedures for managing aid and other development resources are effective, accountable and transparent" (2005, p. 4). Hence, the PD has explicitly mentioned that in the case of such complex situations and environments, "capacity development is the responsibility of partner countries with donors playing a support role" (2005, p. 4), so that aid recipients improve and strengthen their institutional arrangements for effective utilization of development resources.

The primary aim of making both donors and recipients responsible for aid effectiveness in such difficult settings is that the ideals of the PD (in particular the principles of ownership, alignment and harmonisation) do not get lost in the reality of donors' interests and recipients' institutional fragility. As this study has found, due to the mismatch in their needs, priorities and modus operandi, there is a significant room for improvements from both the GoP and USA side to bring their aid partnership to the level committed to under the PD. Recipient governments can take more ownership and management of development aid by becoming more assertive. They can take a leading role in the development partnerships by replacing innumerable isolated projects with long-term, holistic and sustainable development programmes in the form of Sector Wide Approaches (SWAs) in health, education or other social sectors which are more aligned to their needs and priorities, as they identify in a PRSP or MTRF. In view of the realities on the ground and the typically slow pace of institutional reform and strengthening, it is unlikely but not impossible for key government organs dealing with donors to take more responsibility and assume a leading role in the national aid architecture to improve aid effectiveness. In a recent study in the context of Colombia, McGee and Heredia (2012, p. 118) have pointed out that due to the high-levels of local capacity in the form of institutions (such as the Presidential Agency for Social Action and International Aid and the Aid Directorate of the Ministry of Foreign Affairs), the Government of Colombia, "assumed the management of prominent aid-funded programmes in highly sensitive conflict regions". As a result of this, McGee and Heredia observe that Colombia has formed effective development partnerships with various bilateral donors which have led to "more alignment, thematically and in terms of aid distribution across regions ... [as well as] ... sectoral-support and basket-funding mechanisms" (2012, p. 120). Hence, if eradicating corruption and overcoming the overall internal governmental weaknesses in Pakistan is not possible in the short term, the EAD and its units such as the AEU can play a more active and leading role regarding commitment to the PD and relationships with donors, seeking to enhance aid effectiveness in this complex domestic aid environment.

Now the question arises as to what the USA or other donors can do in such demanding and challenging contexts characterised by converging but not always identical priorities and goals of both partners. As the previous section identified, there are a number of areas for improvements on the part of the USA to show real progress towards improved aid delivery mechanisms in line with the Paris agenda. It is argued that general budget support and SWAs are highly effective aid modalities both for enhancing the recipient country capacity and ownership as well as for successful poverty reduction programmes (Banks, Murray, Overton, & Scheyvens, 2012; Cox & Healey, 2003; Lawson, Booth, Msuya, Wangwe, & Williamson, 2005). However, given the prevalence of corruption and weak governance in these contexts, as well as the different set of objectives that the USA and other donors typically bring, it is highly unlikely that donors would agree to disburse most of their aid in the form of general budget support. Hence, a more politically feasible alternative could be to move away from multiple discrete projects towards a more recipient-owned and -led initiatives in the form of SWAs in areas identified and

prioritised by both donor and partner country (health and education are typical examples). The PD has also encouraged such approaches by stating that “increased use of programme-based aid modalities can contribute” significantly to aid effectiveness and ultimately to the alleviation of poverty (2005, p. 6). Therefore, to effectively deliver aid in the complex contexts such as Pakistan, the first step for the donor could be to move away from its modus operandi of bringing innumerable preconceived projects towards longer-term, comprehensive and government-owned development programmes. To sum up, my research indicates that whatever the complexity of the domestic situation, both the partner country and donor can work towards increased aid effectiveness in the light of PD aspirations by looking towards different ways of doing aid away from the traditional project or programme assistance towards modalities that both seek to build capacity and achieve the partners’ development agendas.

9.5 Limitations of this research

There are some factors that I need to acknowledge and which may limit the generalisation of this research to other areas and contexts. These include data limitations and methodological issues. In the case of the former, there were some constraints while analysing the quantitative data obtained from the World Bank, USAID and SIPRI. The World Bank data was not available prior to 1960 while the human rights data was available from 1976 onwards. Also, it was in the mid-1970s that the USA Congress approved legislation linking the allocation of both USA economic and military aid to human rights. Hence, due to data limitations a selected set of variable was analysed as it was not possible to include a large number of missing variables and carry out a comprehensive econometric or statistical analysis. Overall, the quantitative data and its analysis and subsequent discussion covered three distinctive periods which was the focus of this study: the Cold War, the post-Cold War and the ‘war on terror’. Hence, the overall analysis was vigorous and valid enough to safely draw conclusions about the role of geo-strategic factors as drivers behind USA aid allocations. One more limitation is that this research did not focus on other factors affecting USA aid allocation such as the role of domestic lobbies and groups in the US, voting patterns in the UN General Assembly and cultural or religious affiliations. Other studies examining aid allocation policies of the USA as well as other aid donors from the perspective of these factors have found that these are also important determinants of aid to certain countries (Alesina & Dollar, 2000; Mearsheimer & Walt, 2007; Neumayer, 2003d).

Another factor which may limit the overall scope and generalisation 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 fieldwork coincided with the military operation against the Taliban militants in the Malakand region in KP province²⁴. Due to severe security issues and worsening law and order situation,

²⁴ In April 2009, a military operation was launched against militants in the Malakand region of Khyber Pakhtunkhwa, which displaced between two to three million people.

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.

9.6 Future research

This research has examined two aspects of USA aid to Pakistan: the allocation and delivery. It has not specifically focused on the developmental impacts of USA aid in different sectors and areas. The impact or developmental role of USA aid has been discussed in general in the light of the opinions of different think tanks, academics and researchers 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 education and health sectors, however, it was beyond the scope of this research to thoroughly examine the role of USA 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 USA aid during different military and civilian regimes in Pakistan. Although this study has found that the USA has allocated more aid to the country when military dictators were in office, the developmental role 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 were combined with efforts to encourage democratisation. Hence, in the context of Pakistan, it could also generate interesting analysis and results regarding the effectiveness of USA 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 thesis has noted that Pakistan has remained among the most corrupt countries and the effects of this on the behaviours of donors. 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. Recently, a somewhat similar opinion was expressed by the ambassador of the European Commission of the EU to Pakistan. While addressing a seminar in Islamabad, the ambassador stated that corruption has become a bigger hurdle than terrorism for the country's economic progress (Khan, 2011). In the same context, the TI chief in Pakistan

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 percent of the country's development budget (Transparency International Pakistan, 2009). In view of these opinions, future research could well investigate the effects of widespread corruption on aid ineffectiveness.

Along the same lines, future research can also explore how much foreign aid Pakistan really 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 more than two decades back 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.

9.7 Conclusion

This study has addressed two important dimensions of USA 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 thesis has shown that USA foreign assistance regime has continued to be swayed by security and geo-strategic factors. There is a continuum in USA aid policies as in the past key determinants were political and security intentions, and today also the USA aid programme is guided largely by USA 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 did during the Cold War period. What does this foretell about the future of development aid? If the past is to be the guide to the future, the nature of the donor-recipient relationship and the way aid has been allocated over the past half a century 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 the 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 six 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 compartmentalisation 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 the expectations, there have been fewer on-the-ground radical changes and reforms in the 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 been actually practising puts a big question mark on the real nature of the PD commitments. Starting from the 2000 UN Summit and the Millennium Declaration emphasising 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 harmonisation and managing for results, the 2005 Paris Declaration and the 2008 Accra High Level Forum, 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 study, it appears that in these international fora notions such as ownership, alignment, harmonisation, achieving results and mutual accountability are used and reused, more solemn pledges are made, targets are set up 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 characterised 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 unrealisable dream, particularly in the case of the USA-Pakistan bilateral aid relationship.

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 USA provided about US \$13 billion to Europe during 1948-53.

1949, USA President Truman's Point Four Programme, 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 USA Congress passed the Act for International Development, and established 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 to administer USA aid to Europe under the Marshall Plan. Since then, the OECD has been engaged in the field of aid and development. Today, the OECD has 34 member states.

1961, Foreign Assistance Act (FAA) of the USA Congress. The Act reorganised USA aid programmes, separated military and civilian assistance, authorised the creation of agency for the administration and overseeing of ODA. Subsequently, USAID was established the same year for this purpose. Besides other things, the Act states that the USA will not give aid to governments involved in human rights violations.

1969, the Pearson Report, the first major report under the auspices of the World Bank to scrutinise and assess aid and its role in the past two decades, and to give future recommendations. Besides other things, the Commission called for quantitative and qualitative increase in aid. In terms of quantity, the report urged the international community to raise the amount of aid to reach to 0.7 percent of GNP by 1975. For enhancing aid efficiency, it asked donors to let the recipients lead the process of development by having 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 percent 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 in their own good. The Brandt Reports, echoing the Pearson's, called for doubling of ODA to reach the target of 0.7 percent by 1985.

1990/91, the World Bank report on attacking poverty, giving a new multidimensional approach to poverty. From here onward, poverty alleviation became the central aim of aid and development organisations/agencies.

1995, World Summit for Social Development in Copenhagen, under the UN auspices, the international community pledged to recognise social development and human well-being, and commitment 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 harmonisation 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 macroeconomic environments, open trade regimes, efficient public bureaucracies and sound institutions.

2000, the UN Summit and the Millennium Declaration, emphasising 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 equity and empowerment of women. Most of these goals are interrelated and the main focus is poverty reduction and the provision of basic human needs.

2002, the Monterrey consensus. In Monterrey, Mexico, heads of the UN member states agreed on the Monterrey consensus on aid. At Monterrey, rich industrialised countries once again pledged to achieve the 0.7 percent target of ODA. It also emphasised the role of donor-recipient partnerships and urged for aid harmonisation, 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 organisations, and representatives of the 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 Harmonisation 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 harmonisation.

2004, Marrakech, the Roundtable in Morocco brought together representatives from developing countries and aid agencies and discussed issues related to aid harmonisation and managing for results. Participants evaluated the past efforts and progress and discussed ways to strengthen country and agency commitments to harmonise 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 recognised to be distinctive due to the unprecedented number of countries and international organisations putting their signatures to the joint commitments contained in the Declaration. It was signed by 61 bilateral and multilateral donors, and 56 recipient countries. It has five interlinked partnership commitments namely ownership, harmonisation, alignment, management for results, and mutual accountability.

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 Accra Agenda for Action. The agenda consists of increased predictability of aid flows, governments in developing countries to take leading role in development policies, more inclusive and effective partnership between all stakeholders, and greater steps for untying of aid and relaxation of conditionality.

2011, 4th 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.

Appendix II: USA economic and military aid and arms sales to Egypt, Israel, Pakistan and Turkey

Year	Economic assistance (USA 2008 \$, millions)				Military aid (USA 2008 \$, millions)				USA arms sales (USA 2000 \$, millions)			
	Egypt	Israel	Pakistan	Turkey	Egypt	Israel	Pakistan	Turkey	Egypt	Israel	Pakistan	Turkey
1948	10.68	0.00	0.76	25.18	0.00	0.00	0.00	525.04	0.00	0.00	0.00	0.00
1949	0.00	0.00	0.00	249.55	0.00	0.00	0.00	616.49	0.00	0.00	0.00	0.00
1950	0.00	0.00	0.00	538.96	0.00	0.00	0.00	826.8	23	2	34	102
1951	0.71	0.71	2.85	354.24	0.00	0.00	0.00	1,209.23	0.00	1	0.00	121
1952	8.21	590.91	73.18	476.02	0.00	0.00	0.00	1,295.32	0.00	4	0.00	354
1953	86.63	494.28	737.37	393.54	0.00	0.00	0.00	1,119.49	0.00	5	0.00	549
1954	26.56	495.95	154.69	522.51	0.00	0.00	0.00	2,262.65	0.00	0.00	41	424
1955	436.4	346.88	722.06	683.23	0.00	0.00	261.98	147.38	0.00	0.00	105	281
1956	213.57	325.8	1,049.23	781.15	0.00	0.00	1,069.75	1,215.33	0.00	3	143	195
1957	6.18	252.78	1,062.43	611.87	0.00	0.00	430.62	562.74	0.00	10	233	579
1958	3.61	367.14	952.64	674.89	0.00	0.00	524.55	927.62	0.00	3	165	605
1959	264.61	294.73	1,344.91	983.43	0.00	2.36	360.64	1,240.64	0.00	17	323	531
1960	384.6	322.16	1,662.15	699.18	0.00	2.92	226.61	797.88	0.00	0.00	43	592
1961	422.92	276.77	973	1,336.65	0.00	0.01	256.12	872.22	0.00	12	67	330
1962	1,140.82	402.27	2,295.30	1,114.65	0.00	75.11	539.77	1,069.29	0.00	43	77	270
1963	824.37	356.27	2,031.99	928.89	0.00	74.74	287.39	1,025.62	0.00	4	195	565
1964	530.33	205.47	2,185.20	1,029.02	0.00	0.00	184.38	673.64	0.00	115	79	714
1965	532.82	266.41	1,897.63	1,053.63	0.00	70.42	76.12	801.07	0.00	165	16	349
1966	147.52	196.69	802.81	856.26	0.00	481.05	8.26	797.93	0.00	131	5	212
1967	65.24	31.58	1,192.98	776.68	0.00	36.25	25.89	971.59	0.00	172	11	358
1968	0.00	259.02	1,476.12	429.04	0.00	125.01	25.54	861.44	0.00	385	0.00	280
1969	0.00	175.5	532.7	436.59	0.00	406.46	0.49	856.82	0.00	1061	0.00	519
1970	0.00	186.36	951.28	408.99	0.00	136.03	0.85	825.97	0.00	1163	9	218
1971	0.00	240.97	465.97	357.14	0.00	2,353.60	0.72	924.23	0.00	1148	0.00	501
1972	6.19	429.7	680.84	275.89	0.00	1,237.15	0.41	916.68	0.00	753	0.00	587
1973	3.16	433.68	702.66	90.45	0.00	1,184.92	1.22	955.14	0.00	2389	26	709
1974	78.46	189.72	375.01	20.26	0.00	9,145.64	0.94	709.65	0.00	1218	74	705
1975	1,234.94	1,178.22	603.63	14.68	0.00	1,001.03	0.9	353.63	0.00	994	34	604
1976	1,445.01	2,223.39	632.72	0.00	0.00	4,668.36	1.26	0.00	0.00	1738	21	105
1976 TQ	1,666.61	237.1	194.26	0.00	0.00	904.95	0.3	377.06	56	0.00	0.00	0.00
1977	2,628.26	2,148.35	313.48	0.54	0.00	2,895.35	0.9	361.92	112	1100	12	44
1978	2,558.16	2,147.92	211.13	3.1	0.51	2,712.70	1.49	475.93	0.00	1385	200	743
1979	2,731.60	1,983.50	126.53	174.84	3,766.67	10,041.79	1.17	452.65	325	667	41	782
1980	2,692.22	1,814.05	135.17	457.21	1.95	2,308.10	0.00	480.64	406	1203	185	205
1981	2,376.46	1,606.10	161.44	422.64	1,157.89	2,943.12	0.00	531.38	883	1598	33	226
1982	2,095.34	1,585.86	393.96	592.37	1,775.47	2,754.60	1.18	793.01	1454	858	93	176
1983	1,893.92	1,479.24	525.24	538.99	2,500.40	3,203.44	491.41	758.98	1083	492	250	88
1984	2,006.57	1,653.76	558.57	253.58	2,483.65	3,089.44	546.62	1,305.34	380	278	480	82
1985	2,274.14	3,432.40	597.1	309.61	2,071.14	2,464.23	573.76	1,238.43	434	299	549	250
1986	2,224.65	3,265.51	613.06	205.77	2,142.95	2,963.11	536.63	1,063.74	1008	1167	126	274

1987	1,701.82	2,011.65	589.26	172.91	2,182.31	3,017.48	525.79	827.24	1170	1080	90	820
1988	1,419.57	1,950.30	756.99	52.58	2,115.26	2,925.45	423.89	801.74	280	582	73	524
1989	1,514.69	1,877.36	550.88	94.42	2,036.15	2,816.03	361.26	787.55	206	25	651	623
1990	1,649.25	1,802.33	539.24	22.19	1,954.80	2,815.12	278.87	756.06	428	70	53	861
1991	1,450.96	2,689.63	147.23	364.2	1,892.63	2,679.77	0.00	1,033.04	856	1217	27	916
1992	1,323.63	1,708.92	26.74	2.06	1,845.80	2,619.40	7.09	713.76	982	1293	20	1671
1993	1,044.95	1,664.09	73.05	277.97	1,805.95	3,241.18	0.00	675.36	1006	723	20	1958
1994	835.27	1,629.07	67.35	0.64	1,800.74	2,672.64	0.00	560.01	1722	842	20	1329
1995	1,297.51	1,598.81	22.76	221.27	1,782.40	2,506.29	0.00	480.12	1639	298	20	725
1996	1,075.61	1,735.02	22.43	45.38	1,792.25	2,390.66	0.00	564.18	768	59	186	612
1997	1,040.11	1,756.54	56.33	30.81	1,673.05	2,312.33	0.00	227.01	890	40	130	1168
1998	1,055.53	1,621.47	35.8	13.99	1,651.04	2,282.20	0.00	7.25	500	1344	20	1627
1999	1,077.89	1,437.91	100.71	7.53	1,690.36	2,352.44	0.22	19.48	437	737	6	1137
2000	909.96	1,252.63	45.06	2.18	1,634.57	3,482.90	0.00	4.52	784	91	0.00	497
2001	498.12	1,018.27	224.74	5.65	1,556.20	2,381.51	0.00	2.2	825	115	0.00	196
2002	1,058.52	853.73	921.41	242.88	1,528.73	2,421.54	347.63	84.11	492	299	20	472
2003	474.65	737.08	371.75	9.34	1,501.71	3,556.65	304.18	23.5	366	104	0.00	297
2004	745.16	625.04	399.32	11.55	1,451.97	2,430.43	95.65	44.88	476	835	57	112
2005	296.21	524.34	482.47	17.69	1,403.80	2,426.57	341.41	40.72	539	1105	134	307
2006	524.12	300.57	681.94	5.84	1,355.77	2,374.84	324.72	18.79	531	1108	124	5
2007	687.15	172.03	678.8	12.71	1,332.18	2,395.74	319.37	18.15	460	835	341	26
2008	201.04	44.11	605.36	11.61	1,290.71	2,380.56	358.09	9.69	162	652	288	47
Total	54,903.19	60,908.05	36,791.67	20,706.62	53,179.01	115,763.6	10,126.04	40,899.97	21,683	34,037	5,950	30,159

TQ: In 1976, the USA government changed the fiscal year from July-June to October-September. The Transition Quarter (TQ) reports the 3-month adjustment period.

Sources: USA Overseas Loans and Grants (Greenbook) (2010c) and SIPRI (2010).

Appendix III: GDP per capita, Life expectancy at birth and total population of the comparators

Year	GDP per capita (US \$, 2000 constant)				Life expectancy at birth (Years)				Total population (millions)			
	Egypt	Israel	Pakistan	Turkey	Egypt	Israel	Pakistan	Turkey	Egypt	Israel	Pakistan	Turkey
1960	432	5823	188	1579	46	72	49	50	28	2	46	28
1961	439	6266	193	1556	46	72	50	51	29	2	47	29
1962	458	6577	196	1602	47	72	50	52	29	2	49	30
1963	487	7017	208	1704	47	72	51	52	30	2	50	30
1964	513	7280	218	1753	48	72	51	53	31	2	51	31
1965	547	7675	234	1759	48	72	52	53	32	3	53	32
1966	539	7477	241	1909	49	72	52	54	32	3	54	33
1967	529	7375	247	1951	49	72	53	54	33	3	56	34
1968	531	8396	258	2038	49	71	53	55	34	3	57	34
1969	554	9289	264	2069	50	71	54	55	35	3	59	35
1970	572	9643	285	2082	50	71	54	56	36	3	61	36
1971	578	10393	278	2142	51	72	55	56	36	3	63	37
1972	578	11517	271	2241	51	71	55	57	37	3	65	38
1973	570	11430	281	2254	52	72	55	57	38	3	67	39
1974	571	11854	282	2320	53	72	56	58	39	3	69	40
1975	609	11970	285	2425	53	72	56	58	40	3	71	41
1976	683	11860	290	2615	54	73	57	59	40	4	73	42
1977	754	11597	292	2643	55	73	57	59	41	4	76	43
1978	779	11902	306	2623	55	73	57	60	42	4	78	44
1979	807	12329	308	2549	56	74	58	60	43	4	80	45
1980	867	12864	330	2433	57	74	58	60	44	4	83	46
1981	877	13260	346	2496	57	74	58	61	46	4	85	47
1982	939	13248	359	2529	58	74	58	61	47	4	87	48
1983	983	13466	373	2599	59	74	59	61	48	4	90	49

1984	1015	13411	382	2717	59	75	59	62	49	4	92	50
1985	1053	13631	400	2777	60	75	59	62	51	4	95	51
1986	1052	14065	411	2916	61	75	60	62	52	4	97	52
1987	1049	14835	426	3135	61	75	60	63	54	4	100	53
1988	1075	14886	447	3152	62	74	60	63	55	4	103	54
1989	1100	14763	457	3107	62	76	60	64	56	5	105	55
1990	1135	15291	465	3336	63	77	61	65	58	5	108	56
1991	1122	15507	477	3301	63	77	61	65	59	5	111	57
1992	1148	15823	501	3407	64	77	61	66	60	5	114	58
1993	1158	16265	497	3604	65	77	62	66	61	5	116	59
1994	1182	16947	503	3377	65	77	62	67	63	5	119	60
1995	1214	17603	515	3580	66	77	62	68	64	6	122	61
1996	1250	18113	527	3779	66	78	63	68	65	6	125	62
1997	1294	18173	519	3997	67	78	63	69	66	6	128	63
1998	1322	18522	520	4022	67	78	63	69	68	6	132	64
1999	1376	18652	526	3824	68	79	64	70	69	6	135	65
2000	1423	19836	536	4021	68	79	64	70	70	6	138	66
2001	1445	19366	533	3736	69	79	64	70	72	6	141	67
2002	1452	18853	537	3911	69	79	65	71	73	7	145	68
2003	1470	18796	550	4062	69	80	65	71	74	7	148	69
2004	1501	19390	576	4384	69	80	65	71	76	7	152	70
2005	1539	20022	606	4691	70	80	66	71	77	7	156	71
2006	1614	20711	630	4950	70	80	66	72	79	7	159	72
2007	1697	21405	651	5116	70	81	66	72	80	7	163	73
2008	1786	21869	650	5099	70	81	67	72	82	7	166	74

Source: World Bank (2010).

Appendix IV: Research participants and their profiles

No	Name of the interviewee	Job title/organisation
1	Waqar Abbasi	Director Aid Effectiveness Unit, EAD/MoF
2	Asif Hussain Shah	Section Officer, EAD
3	Syed Sibte-e-Abbas Zaidi,	Section Officer, EAD
4	Malik Afaq	Assistant Chief, EAD
5	Abdur Rauf Khan	Joint Secretary, EAD
6	Khalid Khan	Deputy Secretary, EAD
7	Asif Hussain Shah (2 nd interview)	Section Officer, EAD
8	Khadim Hussain	Monitoring and Evaluation Officer, USAID project
9	Asad khan	Senior Official, USAID
10	Asad Kakakhel	Ex-Official/consultant, USAID project
11	Afzal Yusufzai	Director Coordination, FDP, USAID
12	Syed Zakariya Ali Shah	Director General, P&D, FATA Development Authority
13	Joseph Truong	Outreach and Public Information Officer USAID
14	Khilji	Coordination Officer USAID FDP
15	Qasim	Senior Official, Ed-Links, USAID project
16	Robert Macleod	Team Leader, Reconstruction Unit, USAID
17	Zahid Noor	Senior Reconstruction Engineer, USAID
18	Aler Grubbs	Education Chief, USAID
19	Michael H. Hryshchyshyn	Director, Office of Democracy and Governance, USAID
20	Dr Ayesha Rashid	Project Management Specialist, Health Office, USAID
21	Kaleem-Ur-Rehman	Social Coordinator, CDM, USAID project
22	Ayaz Muhammad	Acting Regional Project Manager (RPM), USAID project
23	Imtiaz	Community Mobilizer, USAID project
24	Amir Asad	Project Staff, USAID
25	Javed Iqbal	Community Development Coordinator, USAID project
26	Najam Rafique	Director (Americas), Institute of Strategic Studies Islamabad (ISSI), Islamabad
27	Khalid Rahman	Director General (DG), Institute of Policy Studies (IPS), Islamabad
28	Ahmad Rashid Malik	Research Fellow, Islamabad Policy Research Institute (IPRI), Islamabad
29	Dr Ishtiaq Ahmad	Professor, academic, Quad-e-Azam University (QAU), Islamabad
30	Dr Musaddaq Nuri	President/Head, Islamabad Policy Research Institute (IPRI), Islamabad

31	Dr Tahir Amin	Head of the Department (HoD), Department of International Relations (IR), QAU, Islamabad
32	Naeem Sarwar	Monitoring and Evaluation Officer (MEO), Centre for Research on Poverty Reduction and Income Distribution (CRPRID), Islamabad
33	Dr Zahoor Ahmad Awan	Author, columnist and academic, University of Peshawar
34	Dr Ashfaq Hassan Khan	Academic and economist, National University of Science and Technology (NUST), Islamabad
35	Dr Ayesha Siddiq	Author, researcher and analyst
36	Dr Pervez Iqbal Cheema	Academic, National Defence University (NDU), Islamabad
37	Dr A Z Hilali	Academic, National Defence University (NDU), Islamabad
38	Dr Shireen Mazari	Analyst, columnist and Ex. Director General (DG), ISSI
39	Dr Sohail Jehangir Malik	Ex. USAID official, now consultant
40	Imran Ali	Director General, Ministry of Foreign Affairs (MoFA), Islamabad
41	Javed Khattak	Chief Executive, Small and Medium Enterprise Development Authority (SMEDA), Peshawar
42	Chand Bibi	District Education Officer (DEO) (female), Mansehra
43	Sarfraz	Assistant District Officer (ADO), Department of Education, Mansehra
44	Ali Raza	Chief Foreign Aid, P & D, Provincial Secretariat, Peshawar
45	Qaiser Alam	Additional Secretary Education, Department of Education, Khyber Pakhtunkhwa
46	Dr Fayaz	Senior Planning Officer (SPO), Department of Health, Peshawar
47	M Luqman	Deputy Director Training, Federal Directorate of Education (FDE), Islamabad
48	Umar Ayub	Former Minister of State for Finance
49	Dr Hamid Afridi	Deputy National Coordinator, Ministry of Health (MoH), Islamabad
50	Dr Fazal Ur Rehman	Provincial Donor Coordinator, Provincial Earthquake Reconstruction and Rehabilitation Authority (PERRA)
51	Khaleeq Ur Rahman	Assistant Director, PERRA
52	Sajjad Ahmad	Director Monitoring Cell, FATA Secretariat
53	Imran	Deputy Director Monitoring Cell, FATA Secretariat
54	Salahuddin	Deputy Director P&D, Directorate of Education, FATA Secretariat
55	Dr M Bashir	Director Livestock and Dairy Development, FATA Secretariat
56	Syed Mohammad Shah	Director Local Government and Rural Development (LG & RD), FATA Secretariat
57	Israr	Director Irrigation, FATA Secretariat

58	Dr Jamal Nasir	Deputy Director, Directorate of Health Services (DHS), FATA Secretariat
59	Bakhtiar Gul	Deputy Director P&D, South FATA Development Project (SFDP), Peshawar
60	Ijaz Malik	Deputy Director, FATA Rural Development Project (FRDP), Peshawar
61	M Yaqub Shah	General Manager (GM) Mineral, FATA Development Authority, Peshawar
62	Dr Fakhre Aalam	DG Projects, , FATA Secretariat
63	Shahadat Khan	Principal, GHS Hashim Abad, Jamrud, Khyber Agency, FATA
64	Rashid	Principal, Govt. Higher Secondary School (GHSS), Jamrud, Khyber Agency, FATA
65	Nasir Khan	Science Teacher, (GHSS), Jamrud, Khyber Agency, FATA
66	Naveed Iqbal	Principal, GHS No 1 Peshawar Cantt., Peshawar
67	Aziz Ullah	Male Beneficiary of a USAID project in FR Peshawar
68	Aqal Min	Male Beneficiary of a USAID project in FR Peshawar
69	Asim Jamal	Male Beneficiary of a USAID project in FR Peshawar
70	Muhammad Dildar	Male Beneficiary of a USAID project in Union Council Jabori, district Mansehra
71	Saiful Islam	Male Beneficiary of a USAID project in Siran Valley, district Mansehra
72	Bashir Ahmad	School Teacher, Dhodial, Siran Valley, Mansehra
73	Ajmal Siddiqui,	School Teacher Dhodial, Siran Valley, Mansehra
74	Shamim Akhtar	Female Beneficiary of a USAID project, Siran valley, Mansehra
75	Nisar Hussain	Male Beneficiary of a USAID projects, Siran Valley, Mansehra
76	Akhter Zeb	Male Beneficiary of a USAID Project, Mansehra
77	Sheikh Asad Rahman	Director Programmes, Sungi Development Foundation
78	Waseem	Senior Official, Sarhad Rural Support Programme (SRSP) Peshawar
79	Khan Muhammad	Chief Executive, Centre of Excellence for Rural Development (CERD), an NGO, Peshawar
80	Ikramullah Jan	Manager Operations, SRSP, Peshawar

Appendix V: Chronology of major events and dates affecting USA bilateral aid to and ties with the comparators

1947, the announcement of the Marshall Plan, USA aid to Turkey began with the Marshall Plan as it received considerable assistance under this initiative

1952 Turkey became a NATO member

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

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

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

1956 first Arab-Israeli war, the USA did not openly side with either party. Egypt was in the USSR camp, thUSA there was no USA aid while Israel was receiving some economic aid but minimal military assistance

1965, Pakistan-India war, USA cut off military aid to Pakistan and imposed an arms embargo

1967 the Six Day War of June 1967, Israel's crushing victory over its Arab opponents, beginning of unprecedented USA economic and military assistance as well as arms supply

1971 another Pakistan-India war; the USA 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

1973, the Yom Kippur War between Arab and Israel, unlike European countries, the USA substantially increased both economic and military aid to Israel soon after the year of crisis, after the 1967 Arab-Israeli War as well as after the 1973 conflict

1974, the Turkish military intervention in Cyprus, the USA imposed an arms embargo on Turkey which remained in effect from 1975 to 1978

1977, General Zia's military coup in Pakistan, the USA imposed sanctions

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

December 1979, Soviet invasion of Afghanistan, dramatic shifts in USA aid policies, beginning of new era in the USA-Pakistan aid relationship

1979, the signing of the Camp David accords between Egypt and Israel, huge USA aid flows to both Egypt and Israel

1989, withdrawal of the USSR from Afghanistan, after the USA accomplished its objectives, Pakistan's assistance was no longer required

1990, the first Gulf War, geo-strategic significant of both Egypt and Turkey, substantial USA aid, both economic and military

1990, the USA imposed the Pressler Amendment due to Pakistan's nuclear programme, aid was cut off and USAID Mission shut down

1998, Pakistan conducted nuclear tests to counterbalance India's threats, the USA imposed sanctions

1999 military coup by General Musharraf, the USA imposed additional sanctions

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

2003, Second Gulf War/ the invasion of Iraq by the USA and UK

Appendix VI: Information sheet for experts

I am Murad Ali, PhD candidate at Development Studies Programme, Massey University, Palmerston North, New Zealand. I am here for fieldwork to collect data for my doctoral thesis in Development Studies. The aim of my research is to examine USA aid delivery to Pakistan, particularly focusing on USAID policies, programmes and projects in the framework of the 2005 Paris Declaration principles aiming at ownership, harmonisation, alignment, results and mutual accountability between donors and partner countries. The study investigates to what extent the government and USAID have integrated these principles in their policies and practices.

For this research, some of the research participants have been identified from different organisations on the basis of their association with USAID, and experience and expertise in USA bilateral aid dealings with Pakistan. Hence, you are among the focal research participants. You are requested to spend time with me and you are welcome to ask further questions you may have about participating in the research. If you agree to participate in the research, you may be required to sign a consent form. You will be involved in one or two interviews lasting for about an hour depending on your availability.

If you decide to take part in this study, you have the right to withdraw any time. You have the right to refuse to answer any particular question. You also have the right to ask for the recording to be stopped and erase already recorded material at any point in time. You are free to express your views as an individual or as a representative of your organisation. If you require permission from your organisation before you speak for yourself or on behalf of your organisation, such permission will be obtained prior to your interview.

I will transcribe all the data and your privacy will be maintained. Your name will not be included in any publication without your consent. During the analysis, pseudonyms will be used and data will be referred to in aggregates to protect your confidentiality. All recorded interviews will be kept safe for your confidentiality during the research and will be the property of the university after completion of this research. The university will destroy the transcripts and consent forms after five years.

Associate Professor Glenn Banks supervises this research. If you have any queries regarding this research, my supervisor can be reached at Development Studies Programme, School of People, Environment and Planning, Massey University, Palmerston North, New Zealand, Telephone 0064 6 356 9099 Extension 2983, email g.a.banks@massey.ac.nz. This research project has also been evaluated by peer review and judged to be low risk. If you have any concerns about the conduct of this research that you wish to raise with someone other than the researcher, please contact Professor Sylvia Rumball, Assistant to the Vice Chancellor (Research Ethics), telephone 0064 6350 5249, email humanethics@massey.ac.nz. For any further queries, I can be contacted at ma_hardy1@yahoo.com or 0300-5838375 or 0345-9349049 in Pakistan or 0064 63569099 Extension 7998 in New Zealand.

I hope this has answered any questions you might have, but please feel free to ask any other questions or clarify points if you wish to.

Murad Ali, PhD Candidate Development
Studies Programme, Massey University,
Palmerston North,
New Zealand.

Appendix VII: Informed consent

The 2005 Paris Declaration and USAID in Pakistan: a case study of the respective roles of USAID and government institutions in USA-funded development projects

I have read the information sheet for this study and have had details of the study explained to me. My questions about this study have been answered to my satisfaction and I may ask any further questions at any point during the study. I understand that I have the right to withdraw from the study at any time.

I know that I can decline to answer any question during the interview and that I may request that any comments be taken off the record. I understand that I can answer the questions and not be recorded or have notes taken at the time. I also know that I have the right for the audio or video tape to be turned off at any time during the interview.

I consent to provide information on the basis that it will only be used for the purpose of completing the research project. I understand that I will not be identified by name if I wish so and every effort will be made to maintain my confidentiality but it is not guaranteed. If I participate in a focUSA group discussion, I consent not to disclose any information discussed in this forum.

Signature: -----

Name: -----

Designation /organisation: -----

Contact information:-----

Date:-----

This project has been evaluated by peer review and judged to be low risk. Consequently, it has not been reviewed by one of the University's Human Ethics Committees. If you have any concerns about the conduct of this research that you wish to raise with someone other than the researcher(s), please contact Professor Sylvia Rumball, Assistant to the Vice-Chancellor (Research Ethics), telephone 0064 6350 5249, email humanethics@massey.ac.nz.

Appendix VIII: Interview schedule

Discussion themes:

The role of USAID and the Government of Pakistan (GoP) in USA-funded development interventions, Issues affecting the allocation of USA aid to Pakistan

Participants were asked questions along the following lines

1. How do you view or how much optimistic you are about the actual implementation of the Paris Declaration principles of ownership, harmonisation, alignment, results and mutual accountability as agreed upon by donors and partner countries (including the USA and Pakistan).
2. Who decides how much aid to a particular sector (i.e agriculture, health, education, energy etc) and area (geographical distribution) should be channelled?
3. If you give some examples of the policies, programmes and projects undertaken by USAID and the ways in which it has involved host departments and ministries.
4. How these projects and programmes were/are in harmony and aligned with the needs/requirements of partner departments and target communities?
5. Do you think that most of the intended results/objectives were achieved? If you give some examples where the intended beneficiaries really benefited.
6. To what extent were/are these projects and programmes different than those in the past?
7. How much of the current USA aid is in the form of grant? How much under different types of modality – budget support, SWAp's, projects etc?
8. How much of this aid has been tied/untied? Nature of the tying of aid i.e what is it tied to?
9. Is there any instance in recent past when USA/USAID has pressurised Pakistan for the lack of good governance, transparency and the rule of law?
10. Have nuclear proliferation accusations against Pakistan had any impacts on USA aid flows or USAID projects and programmes?

Appendix IX: Memorandum of understanding between the President of the Islamic Republic of Pakistan and INGO name

This MOU is made between the **President of the Islamic Republic of Pakistan through the Economic Affairs Division, Government of Pakistan (hereinafter referred to as “the Government”)**(hereinafter referred to as “...”), an International non-profitable and Non-Governmental Organization registered in (country name) under having its registered office at and Local Office at

Whereas ... desires to help the people of Pakistan, by undertaking programmes associated with socio-economic development of the country, particularly in the fields of education, training and health.

Whereas the Government is willing to grant ... permission and certain rights to establish and operate such programmes in Pakistan on the terms and conditions contained herein.

Now, therefore, it is hereby agreed as follow:-

1. Governing Law and Jurisdiction

1.1 This MOU shall be generally governed under the laws of Pakistan. The Courts of Pakistan shall have exclusive jurisdiction concerning to all matters in relation to or arising from this MOU.

2. Obligations of the Government

The Government will:-

2.1 Allow the ... to maintain and operate local accounts for the execution of its activities. For opening and operating foreign currency accounts, the ... shall seek the permission of the State Bank of Pakistan, under the applicable law and rules;

2.2 Grant work permits for all approved expatriate employees and entry permits for their families in accordance with the laws of Pakistan;

- 2.3 Allow the to maintain its main office at House# 13, Street# 84, Sector G-6/4, Islamabad, and may open any other office in other cities when-ever required by the interest of the job with prior written approval of the Government, subject to the concurrence of the Provincial Government and the application of local rules;

3. Import / Tax Regulations

- 3.1 Raising of funds locally shall require prior written approval of the Government of Pakistan. The funds raised locally shall be exempted from Income Tax subject to the provision of Clause (58) of Part.I of the 2nd Schedule to the Income Tax Ordinance 2001;
- 3.2 Income of expatriate experts/consultants will be exempted only if the requirements of Section 44 of the Income Tax Ordinance, 2001 are fulfilled;
- 3.3 Import of goods for consumption by the shall require prior written approval of the Ministry of Finance, Ministry of Commerce and State Bank of Pakistan and any other concerned agency.

4. Obligations of INGO

During the period that this MOU remains in force, the undertakes to:-

- 4.1 Provide funds primarily in foreign exchange for the implementation of the projects undertaken by or on behalf of Such funds will be from donor agencies, private foundations and from other sources;
- 4.2 Appoint and employ a Country Representative or other senior management personnel as appropriate, who will manage the projects and staff on behalf of the and maintain contact with the Government as directed by this MOU;
- 4.3 Ensure to employ only a limited number of expatriates, who shall be expert in the concerned fields and shall be security cleared before assignment. Such clearance shall be arranged by the EAD. The shall recruit mostly Pakistani nationals for all its activities in Pakistan;

- 4.4 Appoint and employ such staff, either local or international, as are deemed necessary by the to achieve the objectives of the programme of assistance agreed with the Government;
- 4.5 Ensure that every expatriate has got visa prior to his entry into Pakistan as required under existing rules/regulations of Pakistan. Such expatriates shall come on a proper work visa;
- 4.6 Not to employ/engage or associate nationals of Israel, Taiwan, India or nationals of countries that have not been recognized by Pakistan with its programme activities and operations in Pakistan;
- 4.7 Obtain prior written permission from the Government for visiting prohibited areas;
- 4.8 Ensure that all expatriates staff are informed that while they are in Pakistan, they shall, as residents or visitors, be subject to (a) the laws and regulations of Pakistan, and (b) respect religious injunctions and cultural norms in Pakistan;
- 4.9 Provide complete list of local and foreign staff to the Government;
- 4.10 Ensure that all Pakistani staff working in Pakistan pays tax;
- 4.11 Submit to the Government annually, and when required, written reports covering the activities of the including funds received from various sources and their expenditure in Pakistan during that period;
- 4.12 Review annually the effectiveness of the program and shall submit to the Government the results and copy of such reviews and any evaluations during that period;
- 4.13 All welfare activities for Pakistani community shall be undertaken within the limit of laws of the country;
- 4.14 Not to provide, directly or indirectly, without approval of the Government, any assistance (monetary and/or material) to any Local/International Non-Governmental Organization;
- 4.15 Not to transfer or rent/lease the organization's possessions or their use for the purposes other than those specified and agreed upon between the two Parties in this MOU;

- 4.16 Submit, as and when required, all financial and administrative and organizational, records related to its work in Pakistan to the Government for its knowledge and inspection;
- 4.17 Work in collaboration with the concerned Departments/Ministries of GOP for its respective activities which in turn shall determine the number of experts and other personnel needed for the effective implementation of the program;
- 4.18 Not to indulge in distribution of religious material or pamphlet causing or likely to cause religious resentment in the area of NGOs activity'

5. Entry Into Force and Duration of MOU

- 5.1 This MOU shall enter into force from the date of signatures and shall remain valid for a period of five years, extendable for further period by mutual consent of the parties. ;
- 5.2 This MOU may be amended at any time through mutual consent of the Parties in writing. The Party wishing to amend the MOU must give the other Party a written notice of not less than three months;
- 5.3 Work on specific projects on behalf of the may be terminated at any time through written mutual agreement of the Parties. The Party wishing to terminate/having terminated work on specific project must give the other party written notice of not less than three months;
- 5.4 This MOU may be terminated at any time by either party by giving notice of three months to the other Party of its intention to terminate this MOU.

In Witness Whereof, the undersigned, being duly appointed representatives of the **Government and the** have-on behalf of the respective Parties signed this MOU at Islamabad on this.....day of..... 2004.

Joint Secretary (Paris Club)
For the Government of the
Islamic Republic of Pakistan

()
INGO Representative

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