

# The Aid Policy Network in Pakistan: Actor-Network Analysis

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## **Abstract**

Despite an extensive debate on foreign aid, the voluminous literature mainly focuses on the evaluation of foreign aid outcomes (or aid effectiveness). The aid literature has rarely considered the aid policy process and the influence of aid policy networks on managing foreign aid decisions in an aid recipient country. Using the actor-network analysis, this study helps to understand the complexities, interdependencies, and constraints involved in managing aid policy process in Pakistan. The findings indicate that absence of an inclusive actionable development framework and limited capacity of the state provide opportunities for donors to dominate the policy debate and pursue their own priorities. Further, the provincial devolution of 2011 has made the aid delivery system in Pakistan even more fragmented and complex, operating at multiple levels.

*JEL Classification:* F35, H50, H79, H83, O20

*Key words:* foreign aid, policy networks, network management, policy process, Pakistan

Over the last 65 years, more than \$3 trillion has been spent on international development programs in collaboration with development partners (Giugale, 2014). Extensive research and analytical work has been carried out on foreign aid in the last six decades. However, the contribution that foreign aid can make to development is still contested. The large and growing aid literature mainly focuses on donors' strategies, aid modalities, and the scope for foreign aid to improve development indicators. The evaluation of foreign aid outcomes (or aid effectiveness) dominates the aid debate. The aid literature has rarely considered the practical working of the aid policy process – specifically, how aid decisions are managed and transformed into action – and the influence of policy networks on managing decisions related to foreign aid and development priorities in an aid recipient country such as that of Pakistan. In that sense, apart from examining aid effectiveness, it is equally important to understand the complex policy networks that influence the aid policy process. This research responds to this gap in the literature by seeking to explore the network structure in place to manage foreign aid in the complex aid policy network<sup>1</sup> in Pakistan.

The aim of this research is to study the aid policy network in Pakistan.<sup>2</sup> The objective of this study is to explore donor-government interactions, including around the Millennium Development Goals (MDGs), in managing the aid policy process in Pakistan. In this context, this research attempts to map the complex aid policy network, determine resource interdependencies, examine actors' interaction patterns, and explore actors' perceptions about managing aid policy process in Pakistan. Adopting Koppenjan and Klijn (2004) and Klijn and Koppenjan's (2016) actor-network analysis, this research will help us to understand the complexities, interdependencies, and constraints involved in managing foreign aid in Pakistan.

Pakistan became a recipient of foreign aid in the 1950s and today it is among the top ten recipients of official development assistance (OECD, 2015). Since the independence of Pakistan from British rule in the Sub-continent (1947), foreign aid inflows have a strong linkage with the geo-political interests of donors (Ali, 2009). In the 1950s the inflows were

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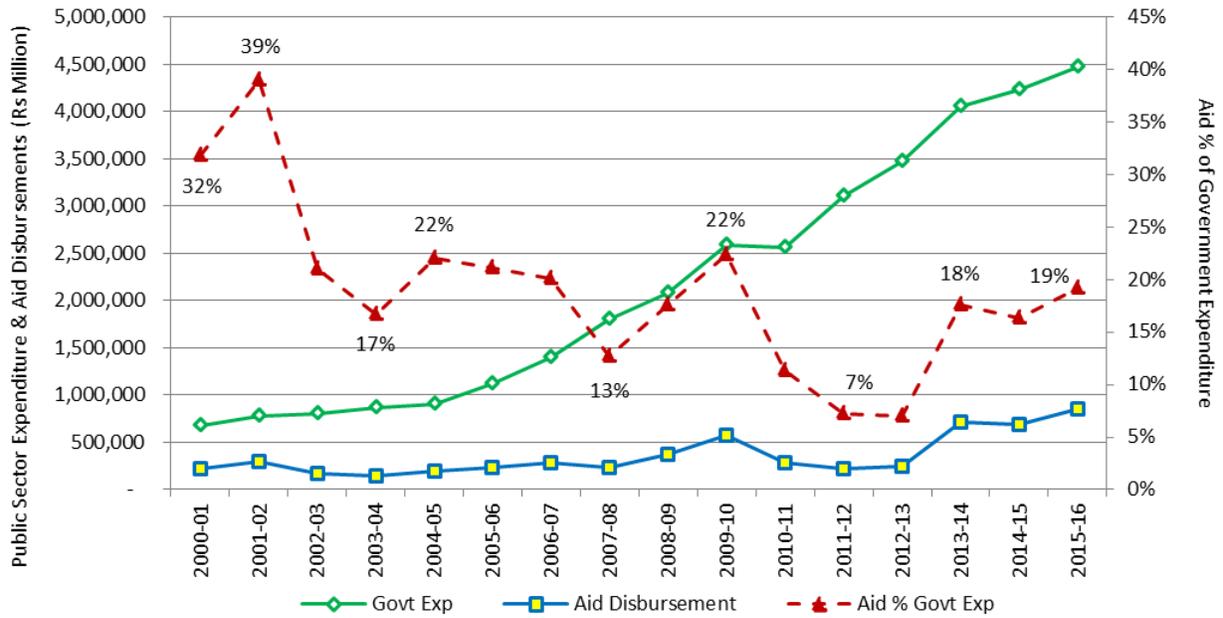
<sup>1</sup> The current study focuses on donor-government aid relationships within a network of multiple actors, therefore it corresponds to the *aid policy network*.

<sup>2</sup> An initial version of this paper has been published in PIDE Working Paper Series, No.140:2016.

negligible, but the 1960s witnessed a rapid increase in aid inflow which was connected with mutual economic and defence agreements between General Ayub Khan's regime (1958-1969) and the United States during the Cold War era. Aid inflows remained low during the 1970s, but again had a sharp increase during the 1980s due to the Afghan-Soviet war (1979-1989). Following the demise of the Soviet Union, aid to Pakistan was cut and economic and military sanctions were imposed under the "Pressler Amendment" (to reduce significantly the risk that Pakistan would possess a nuclear explosive device) in the 1990s at the time when Pakistan's cooperation was no longer needed. In 1993, additional sanctions were imposed under the 'Missile Technology Control Regime' (MTCR) for allegedly receiving missile technology from China and North Korea. Aid inflows to Pakistan were further cut down after the 1998 nuclear tests and General Musharraf's military takeover in October 1999. A new era of high aid inflow was observed in the post 9/11 period that resulted in closer Pakistan-US ties over the 'war on terror' in Afghanistan.

Since 1951, the Pakistan government has received over \$101 billion (in nominal terms) under ODA from official bilateral and multilateral donors of which \$41 billion was disbursed during the last thirteen years (PBS, 2011 and EAD, 2002-2015), i.e., since the inception of the MDGs. Aid as a percentage of Pakistan's Gross National Income (GNI) has mostly remained in the range of 0.9-1.7 percent since 2001. In absolute terms, aid per capita fluctuated between \$5-20 and total ODA between \$730 million to \$3.5 billion during this period (GOP, 2013). There are several measures to evaluate aid trends and its composition, but Bräutigam (2000) suggests that aid as a percentage of government expenditure would probably be the most useful measure for a study of aid dependence and governance. Figure 1 presents foreign aid to Pakistan as a percentage of government expenditure during 2000 and 2015. The graph shows a declining trend of official development assistance as a percentage of government expenditure during the early years of MDGs, while a rising trend since 2013.

Figure 1: Official development assistance as % of government expenditure (2000-2015)



Data source: MOF Budget in Brief (2001-2015)

Source: Author's illustration

This paper is structured as follows. Section 2 gives an overview of the existing aid literature. Section 3 presents the research methodology and sets out the theoretical framework. Section 4 presents findings and discussion focused on an actor-network analysis of the aid policy network in Pakistan. Finally, section 5 sets out the conclusions of this research.

## LITERATURE REVIEW

Foreign aid has been one of the most contentious topics in the history of intellectual thought on international development (Mavrotas, 2010). Extensive research and analytical work has been carried out on foreign aid in the last six decades. Contributing to the aid debate, authors have analysed almost every aspect of foreign aid that has considerably improved our knowledge and understanding about its problems and effectiveness.

The aid delivery system is often perceived as if it was a linear chain that links a donor government to a recipient country beneficiary via various intermediary organisations (Gibson *et al.*, 2005). This notion ignores the complex network of diverse and interdependent actors involved in the aid delivery system. Over the last six decades, with the steady evolution of global events, the aid delivery system has transformed considerably. The numbers of official aid agencies, their partner organisations and budgets have grown enormously. Kharas (2009) and Fengler and Kharas (2010) note that the aid architecture has changed fundamentally since the aid landscape now includes new players<sup>3</sup> that channel significant volumes of foreign assistance.

In the 1970s there were few bilateral and multilateral donor organisations. The OECD (2011a) reports that 45 countries and 22 multilateral organisations disbursed ODA in 2011; the data did not include several increasingly important non-traditional donors, such as the BRICS.<sup>4</sup> Kharas (2009) notes that there were around 126 bilateral agencies from DAC-member countries and 23 bilateral agencies from non-DAC member countries since many countries have several agencies providing ODA. In another count, some 263 multilateral aid agencies give money to promote development while 56 countries provide bilateral foreign assistance through several agencies (Fengler and Kharas, 2010). Describing the situation, Moyo (2010) notes that some 500,000 people are directly involved in the aid delivery system today.<sup>5</sup>

In the case of Pakistan, the aid establishment is now substantial. In 2013, there were 32 official bilateral and 12 official multilateral donor agencies (plus 18 UN agencies) operating in Pakistan, managing some 2094 project activities in collaboration with government organisations and local partners (OECD, 2015). At the recipient end (the government), 38 divisions of 33 federal ministries and around 150 provincial departments (38 Punjab; 36 Sindh; 32 Khyber Pakhtunkhwa; and 39 Balochistan) and executing agencies in four

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<sup>3</sup> Such as private aid organisations (foundations and private corporations), new bilateral donor agencies, thousands of privately funded international NGOs, and perhaps hundreds of thousands of community-based and civil society organisations in developing countries.

<sup>4</sup> Brazil, Russia, India, China and South Africa

<sup>5</sup> The World Bank employs 10,000 people; the IMF over 2,500; around 5,000 for UN agencies; add to that the employees of at least 25,000 registered NGOs, private charities and the army of government aid agencies

provincial governments interact with these 44 official donor organisations to manage foreign aid in Pakistan. Further, as of 2006, some rough estimates (from UNDP and the Agha Khan Foundation, Pakistan) suggest that there were around 100 international non-government organisations (INGOs) and some 15,000 to 20,000 local non-government organisations/civil society organisations (NGO/CSOs) operating in the country. The presence of these numerous actors (or organisations) in the country, their contrasting priorities for the development process, and overlapping project activities add up to the complexity of aid delivery in Pakistan. With this transformation, the current aid architecture no longer resembled its initial design, the foundations of which were laid with the creation of the Bretton Woods Institutions and the success of the Marshall Plan (Kharas, 2009).

Exploring the complex linkages between actors in the aid delivery system, Gibson *et al.* (2005) identify multiple relationships between aid actors and examine the role of institutional incentives in India, Sweden and Zambia. Describing the complexity of aid relationships, Gibson *et al.* (2005) developed a schema they called the ‘international development cooperation Octangle’.<sup>6</sup> Rather than linear linkages among actors in the aid delivery chain, the authors present a more realistic “tangle” of relationships involved in the aid delivery system. Similarly, focusing on aid dependence and governance, Bräutigam (2000) identifies three sets of players within the development aid process: bureaucrats and politicians (within the government); interest groups and the electorate (those in the society); and aid donors. Examining government actions in a game setting, Bräutigam (2000) argues that the choices of these groups of actors are a function of their interests and ideas, the incentives they face, and the formal and informal rules that shape the possibilities for action.

The literature on policy network and public policy process denote that modern decision-making process is highly complex. Every initiator of a decision-making process is

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<sup>6</sup> They identified eight major actors within the aid system which include: the donor government; the recipient government; other donors; the donor’s international development agency; sectoral ministries and agencies within the recipient government; third-party implementation organisations, including NGOs, private consultants and contractors; organised interest groups and civil society organisations within the donor and recipient countries; and, the target beneficiaries.

dependent upon a wide variety of other network actors, and their resources, to achieve meaningful outcomes (Klijn, 2007). Similarly, today's aid policy network is far more complex, involves a range of actors, structures and processes. Since there is a need to understand this constantly changing process that shapes foreign aid decisions, this study seeks deeper understanding of the network structure and processes shaping foreign aid decisions in Pakistan.

## **METHODOLOGY**

A single-method approach to collect data was selected in this research, namely, semi-structured interviews. Using a purposive-snowball sampling technique, qualitative interviews were conducted with a range of actors from the aid policy network in Pakistan. The data were then transcribed, coded and analysed, and results were interpreted. Ritchie and Lewis's (2003) Framework (or thematic framework) method was used to analyse the data.

Reflecting the exploratory nature of the research, semi-structured interviews were selected as the most appropriate research method for gathering primary data. A one-to-one 'executive interview' approach was adopted to collect the data. It was anticipated that interaction in person with the participants – executives and senior officials – would allow the researcher to involve the respondent in discussion and record detailed information. Piloting was carried out prior to the fieldwork and audio recording was recommended during the interviews with the consent of the respondents.

This study adopted the *purposive sampling* technique to extract the sample. This sampling strategy is preferred when a specific (limited) number of individuals carry the most relevant information that is sought (Bryman, 2012). Groups of actors were identified in the aid policy network in Pakistan, followed by identification of actors and selection of cases in the relevant groups. Further, there was also a degree of *snowballing*. Incorporating a snowballing approach, we can say that this research actually used the *purposive-snowball* sampling method.

Table 1: Selection of cases

	APPROACHED POTENTIAL RESPONDENTS USING PURPOSIVE SAMPLING	NON-RESPONSE/ INCOMPLETE	APPROACHED ADDITIONAL RESPONDENTS USING SNOWBALL SAMPLING	TOTAL
DONORS	10	-3	5	12
<i>Major donors</i>	6	-1	1	6
<i>Other donors</i>	4	-2	4	6
GOVERNMENT	14	-3	2	13
<i>Federal</i>	10	-2	1	9
<i>Punjab</i>	4	-1	1	4
EXTERNAL INTEREST GROUPS	3	-	3	6
DOMESTIC INTEREST GROUPS	6	-1	2	7
<i>Public-private entities</i>	2	-	-	2
<i>Politicians</i>	2	-1	-	1
<i>Local partners (NGO/CSO)</i>	2	-	2	4
INDEPENDENT GROUPS	3	-	2	5
TOTAL	36	-7	14	43

Initially, a sample of 36 potential respondents was selected purposively from different groups of actors in the aid policy network in Pakistan. However, during the fieldwork, the snowballing technique allowed us to interview seven individuals in addition (see table 1). During the three months of data collection in Pakistan – during November 2012 to January 2013 in Islamabad and Lahore – the fieldwork was successfully concluded with 43 interviewees in total.

After the collection of data from the fieldwork, the audio recordings and field notes were transcribed, coded and analysed to elicit findings. The preliminary findings of this study were shared with the participants to seek ‘respondent validation’. The NVivo software program was used for handling and analysing the qualitative information. To maintain the reliability and validity, an evaluation of the quality of this research was based largely on the

criterion of *trustworthiness*. Where appropriate, this criterion was compared and illustrated with a number of approaches and methods, such as respondent validation, triangulation, piloting, field records, digital recordings, and use of verbatim quotes.

## **Theoretical Framework**

This research takes a policy network approach to explore the complex aid policy network in Pakistan. A policy network approach is well placed to understand the complexity of policy-making (John, 2012). A network approach deals with the complexities, interdependencies and dynamics of public problem solving and service delivery (Klijn and Koppenjan, 2012). This is particularly suited to the aims of this research as the policy network approach focuses on interactions between network actors and helps understand the policy process and public policy outcomes. Further, Overton *et al.* (2013) argue for a network analysis of foreign aid that may lead us to reconceptualise aid relationships and understand complex interactions and linkages.

Most of the policy networks literature tends to focus on Western societies (Enroth, 2011). Moreover, the aid literature scarcely examines the role and influence of policy networks on aid policy processes. Even less is known about how policy networks and processes operate in Pakistan, and how multiple actors interact and bargain in game and network settings to manage decisions. Only two known studies have examined the role of multiple actors in the aid delivery system. Gibson *et al.* (2005) study complex relationships between actors in the aid delivery system, while Bräutigam (2000) explored the choices of multiple actors within the development aid process, and examined their interests, incentives, and the formal and informal rules that shape possibilities for action. However, both studies warrant new research and analysis since the context within which aid relationships are managed has changed. Further, Hayman (2006, p. 6) concludes “the starting point of an effective agenda for development should not be a search for global consensus, but rather a better understanding on the ground about the constraints and perspectives of the various actors

from which a more country-led strategy can be devised.” This research responds to this gap by providing renewed understanding of how the aid community operates in Pakistan.

To meet the research objective, this study uses Koppenjan & Klijn (2004) and Klijn and Koppenjan’s (2016) actor-network analysis. The application of actor-network analysis was considered suitable for studying the aid policy network in Pakistan because it would help to explore the complexities, interdependencies and constraints in aid relationships in Pakistan. This approach is novel since no other studies on foreign aid have used this analysis as a theoretical framework. Moreover, this analysis has not been utilised to explore policy networks in Pakistan.

## **THE AID POLICY NETWORK IN PAKISTAN**

The *aid policy network* is a complex web of multiple actors involved in the aid delivery system, connected through interdependent relations that define foreign aid policy and priorities for the development sector. In this network, actors from different institutional backgrounds interact to exchange information, goals and resources or means – such as financial resources, production resources, knowledge resources, competencies and legitimacy – to achieve their objectives.

In the case of Pakistan, this research has identified nine strategic groups of actors in the aid policy network, see table 2. All these actors or groups of actors in the aid policy network play roles in managing the aid policy process based on their position in the network, policy interests and the resources they carry.

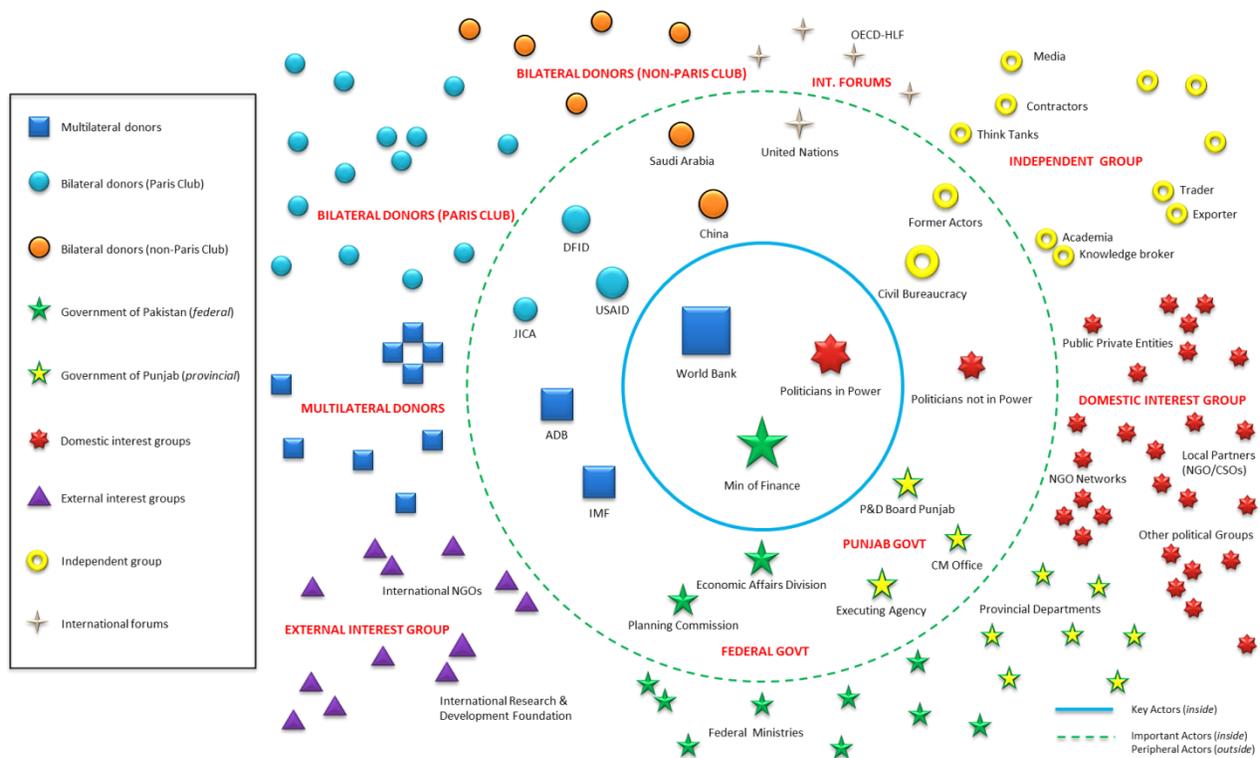
*Table 2: Strategic groups of actors in the aid policy network in Pakistan*

ACTORS/ GROUPS OF ACTORS	DESCRIPTION
1. GOVERNMENT OF PAKISTAN	The Pakistan government is comprised of specialised actors (or organisations). The Ministry of Finance along with its two specialised divisions, the Economic Affairs Division and the Planning Commission of Pakistan, are the key government organisations managing the aid policy process in Pakistan.
2. PROVINCIAL GOVERNMENT – PUNJAB	At the provincial level, each province has a Planning and Development department and a number of specialised provincial departments – called Executing Agency in this study – managing aid at the lower tiers. These government organisations liaise with numerous development partners, contractors and interest groups in the network to achieve governments’ objectives and policy goals.
3. MULTILATERAL DONORS	This group includes multinational development organisations and finance institutions, such as the World Bank, the Asian Development Bank, the Islamic Development Bank, the UN system (consists of 18 UN agencies operating in Pakistan) and others.
4. BILATERAL DONORS – PARIS CLUB	Bilateral donors (Paris Club) focus mainly on economic policy and programing of bilateral economic assistance through international development assistance programmes, ministries or departments. Members of the Paris Club include Australia, Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, New Zealand, Norway, Russia, South Korea, Spain, Sweden, Switzerland, Turkey, UK and USA.
5. BILATERAL DONORS – NON-PARIS CLUB	Bilateral donors (Non-Paris Club) focus on multiple economic areas like trade, investment, finance, banking, technical cooperation as well as economic assistance. Members of the Non-Paris Club include China, Iran, Oman, Saudi Arabia and the United Arab Emirates.
6. EXTERNAL INTEREST GROUPS	This group mainly comprised of international non-government organisations (INGOs) and international research and development foundations (IRDFs) operating in Pakistan. Organisations in this group collect funds through charity or receive grants from (member) donor countries/agencies, and work in close collaboration with local partners, experts and policymakers.
7. DOMESTIC INTEREST GROUPS	This group is comprised of diverse actors as compared to the others. This group includes politicians-in-power (elected politicians in the government), politicians-not-in-power (elected politicians in the opposition), other political interest groups, public-private entities, non-government organisations (NGOs), civil society organisations (CSOs), and groups or networks of local partners.
8. INTERNATIONAL FORUMS	This group includes international forums – such as the United Nations, the High Level Forum on aid effectiveness of the OECD-DAC, the Commonwealth, and others – whose policies may affect aid relationships and the momentum of international development assistance in recipient countries.
9. INDEPENDENT GROUPS	This group is comprised of actors from different institutional backgrounds such as researchers, civil bureaucracy, knowledge organisations (think tanks), print and electronic media organisations, and former actors (former government officials, donor officials and practitioners) as part of the aid policy network in Pakistan.

## Actors in the Aid Policy Network

Using the *actor analysis*, this research determines ‘who the important actors are’ in the aid policy network. This helps to identify actors with a leading role in determining aid policies and development priorities; actors who are more actively involved than others in a policy problem; and/or actors who are more influential than others based on the resources or means available to them. Based on the mapping exercise, as part of Koppenjan and Klijn (2004) and Klijn and Koppenjan’s (2016) actor analysis, figure 2 presents research participants’ perceptions about the most important actors in the aid policy network in Pakistan. The *key actors* (inside the central ring), *important actors* (inside the outer ring) and *peripheral actors* (outside the outer ring) were positioned according to the respondents’ views about actors’ possession of resources or means, policy influence, and/or their involvement in the development process.

Figure 2: Actors in the aid policy network in Pakistan



Source: Author's illustration

A majority of research participants identified the Ministry of Finance (MOF), the World Bank, and politicians-in-power (PIP) as key actors in the aid policy network in Pakistan. This confirms the conventional wisdom about dominant actors. These actors often lead the policy debate and are actively involved in managing decisions related to development priorities and the aid policy process in Pakistan.

A number of other important actors were also identified by the research participants. The Economic Affairs Division (EAD), the Planning Commission of Pakistan (PC), USAID, the Asian Development Bank (ADB), the International Monetary Fund (IMF), politicians-not-in-power (PNIP), China and the civil bureaucracy were viewed as important actors in the aid policy network in Pakistan. Participants identified these as important actors because of their active participation in the aid policy process.

Among the bilateral donors, a considerable number of participants identified USAID as an important and influential actor in the aid policy network in Pakistan. Statistics on foreign aid inflows (EAD, 2002-2015) show that USAID has undoubtedly been a major bilateral donor to Pakistan over the years. However, some of the respondents refused to accept its importance for Pakistan. They argued that though huge grants are committed and disbursed under US economic assistance to Pakistan, the aid is mostly off-budget, heavily tied and conditional. Further, some participants from the recipient end and from the donor community viewed the agency as an unreliable and unpredictable development partner primarily due to uncertain (geo-political) bilateral relations between the US and the Pakistan government.

Furthering the discussion, some interviewees from the government and domestic interest groups believed that the Asian and Gulf bilateral donors are more trustworthy friends of Pakistan than the Western (OECD) bilateral donors. Exploring respondents' perceptions, two reasons were identified. *First*, interviewees' stances were widely based on trade and economic sanctions Pakistan faced in the past when unlike the Western bilateral donors, the Asian and Gulf bilateral donors remained with Pakistan. Under the US Pressler's Amendment, sanctions were imposed in 1990 (lifted in 1993) to restrict Pakistan possessing a nuclear explosive device and later in response to nuclear tests in 1998 (lifted

in 2001). *Second*, participants argued that unlike the Western donors, Gulf countries disburse on-budget grant aid that is often less conditional and tied.

Since 2008, China has been the leading official bilateral donor to Pakistan. Statistics on foreign economic assistance to Pakistan (EAD, 2002-2015) show that China disbursed over \$2,800 million under ODA to the Pakistan government over 2010-2014. This volume of aid is even higher than the aggregate amount received from the three leading traditional bilateral donors to Pakistan – the US, Japan and the UK (\$2,288 million altogether) – during the same period. More recently, in April 2015, Pakistan and China signed energy and infrastructure investment agreements worth \$45 billion under the China-Pakistan Economic Corridor (CPEC) framework. However, despite being the largest official bilateral donor to Pakistan, the majority of respondents did not consider China as influential as other major bilateral donors in the aid network. This was perhaps due to the limited involvement of Chinese officials in policy forums, public policy debates at workshops and conferences concerning MDGs, and restricted communications with other development partners. This demonstrates the value actors attach to in-person or face-to-face interactions in the aid policy network.

Nonetheless, the aid architecture has been transformed in Pakistan as a result of the provincial devolution of 2011, under the 18th Constitutional Amendment. Around 17 federal ministries/divisions – previously interacting with development partners on the MDGs – were devolved to the provincial governments. Although the transfer of power and resources to the lower levels may improve governance, bring greater accountability, and result in effective service delivery, the findings for Pakistan indicate that it further complicates the system. This corresponds to extensive engagements with numerous actors, capacity constraints at the lower tiers, and readjustments of coordination and collaboration practices. Further, at present four different political parties have governments in the four provinces of Pakistan. It means that each province is led by a different political party (or alliance) with different political manifestoes and development

priorities.<sup>7</sup> As Rhodes (2007) argues that devolution simply adds a further layer of complexity that fuels territorial networks. Furthermore, restructuring governance in Pakistan will also have an impact on the donor community, who were anticipating capacity issues and even higher transaction costs at their end. This means that every development partner (operating in Pakistan) will eventually have federal and provincial mission-offices to manage and coordinate aid.

### **Interdependencies in Aid Relations**

The dependency analysis determines the interdependencies in aid relationships exist among different groups of network actors in Pakistan. Interdependence is commonly constructed as mutual resource dependence, meaning that the actors in a network are believed to be dependent on each other's resources in order to realise objectives (Bevir, 2011; Enroth, 2011). This mutual dependence is a central assumption in the policy network approach. However, actors with more resources and with resources which are non-substitutable or less substitutable have more power, influence, and are less dependent on other actors in the policy network (Gils and Klijn, 2007). Since dependence may or may not be mutual, in a complex network setting, actors can be more or less dependent on other actors that place them in stronger or weaker positions based on the resources available to them. The degree that one actor is dependent upon another actor is measured by the importance of their resource for the realisation of objectives as well as the degree to which it is possible to acquire the resource elsewhere (Koppenjan and Klijn, 2004). Table 3 presents dependency analysis of the aid policy network in Pakistan.

The analysis suggests that major official donors and the Pakistan government are the critical actors in the aid policy network in Pakistan. The former carries large volumes of funds, higher quality of technical expertise, and global evidence-based knowledge resources, while the latter carries resources such as competency, legitimacy and domestic

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<sup>7</sup> This include the Pakistan Muslim League-Nawaz (PML-N) in Punjab (and the Federal), the Pakistan Peoples Party (PPP) in Sindh, the Pakistan *Tehreek e Insaaf* (PTI) in Khyber Pakhtunkhwa, and the National Party & PML-N alliance in Balochistan.

knowledge. These resources are less substitutable in the network which leads to high degree of interdependence and influence in strategic interactions.

Table 3: Dependency analysis

ACTORS	IMPORTANT RESOURCE(S)	DEGREE OF SUBSTITUTABILITY (Low, Medium, High)	DEGREE OF DEPENDENCY (Low, Medium, High)	CRITICAL ACTOR (Yes/No)
MAJOR DONORS <i>e.g., The World Bank, ADB, DFID, JICA</i>	Financial Resource ( <i>large size aid</i> )	Low	High	Yes
	Production Resources ( <i>technical expertise &amp; TA</i> )	Low	High	
	Knowledge ( <i>evidence-based research &amp; global exposure</i> )	Low/Medium	High/Medium	
PAKISTAN GOVERNMENT <i>e.g., MOF, EAD, P&amp;D Punjab, Federal and Provincial Cabinets</i>	Competency ( <i>formal institutional authority</i> )	Low	High	Yes
	Legitimacy ( <i>political support &amp; mobilisation power</i> )	Low	High	
	Knowledge ( <i>social, political, and local realities, and inside information</i> )	Low/Medium	High/Medium	
OTHER DONORS <i>e.g., Small bilateral donors</i>	Financial Resource ( <i>small size aid</i> )	High	Low	No
	Production Resources ( <i>technical expertise and capacity building</i> )	High/Medium	Low/Medium	
EXTERNAL INTEREST GROUPS <i>e.g., INGOs and IRDFs</i>	Financial Resource ( <i>small size aid</i> )	High	Low	No
DOMESTIC INTEREST GROUPS <i>e.g., Politicians, NGO/CSOs</i>	Knowledge ( <i>social, political, and local realities, and community level operations</i> )	High	Low	No
	Legitimacy ( <i>mobilisation power at local level</i> )	High	Low	
FORMER ACTORS <i>e.g., Former civil servants, experts</i>	Knowledge ( <i>experience and exposure</i> )	High	Low	No

It is important to mention that the *degree of dependence* illustrated in table 3 was assessed from the perspective of the Pakistan government. This position helps to present a clearer picture of interdependent donor-government aid relationships in Pakistan. For instance, the government may express more interest in major donors because of their larger volume of funds and technical expertise they carry as compared to other (small bilateral) donors. Similarly, the government may be less interested in building partnership with INGOs, but local partners (NGO/CSOs) would be more involved with INGOs because of their financial dependence (grants). Likewise, former civil servants may not offer much to attract governments, but sometimes they could be quite useful for development partners because of their experience of the development process and their personal links in the government hierarchies.

### **Patterns of Actors' Interaction in the Aid Policy Network**

The actor-network analysis helps to determine the frequency and diversity of interaction patterns between major players of the aid policy network and assesses patterns of actors' perceptions in network management. In the aid policy network some actors interact frequently with a limited set of actors and simultaneously they interact infrequently with a large array of players. The analysis of these patterns helps to identify central and peripheral actors, and to make judgements about the level of inclusivity and the quality of aid relationships in a network setting. Through interview discussions and dependency analysis, this research finds that the Ministry of Finance, the World Bank and the politicians-in-power occupy central places in network interactions. Figure 3 presents the interaction patterns of these actors in the aid policy network in Pakistan.<sup>8</sup>

The thickness of bars indicates frequency of interactions that also reflects the level of inclusivity and information transfer between network actors. The findings suggested that the MOF stays in frequent contact with the three large multilateral donors (the World Bank,

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<sup>8</sup> The interaction patterns can be categorised as: frequent interaction (once a week); regular interaction (once in 2-4 weeks); less frequent interaction (once in 5-8 weeks); and, rare interaction (less than once every eight weeks).

ADB and IMF) and politicians-in-power; has regular interactions with some large bilateral donors; and concurrently has less frequent or rare interactions with numerous development partners and interest groups. Since aid funds are channelled to the provincial governments through the federal account – due to the balance of payments and sovereign guarantee requirements – the key provincial departments (P&D Board and EA) also stay in regular contact with the federal government.

Figure 3: Patterns of actors' interactions



Source: Author's illustration

On the other hand, the findings also indicate that the World Bank stays in frequent contact with the IMF, MOF and politicians-in-power. The Bank also stays in regular contact with the Planning Commission, some leading multilateral and bilateral donors and the provincial government departments. Further, interaction patterns of the politicians-in-power

indicated that they had frequent interactions with MOF and PC, and stay in regular contact with politicians-not-in-power, officials of leading multilateral and bilateral donors, and representatives of other political groups in the network.

### **Managing the Aid Policy Process in Pakistan**

Perceptions are closely related to how actors define themselves, their environment and their interests (Koppenjan and Klijn, 2004). On the basis of their perceptions, actors select strategies and evaluate the (possible) outcomes of the aid policy process. Based on respondents' perceptions about managing aid policy process in Pakistan, the discussion inferred that supply-driven foreign aid, capacity constraints in the public sector, and governance issues were the greatest concerns for the majority of respondents within the aid policy network.

Supply-driven foreign aid, capacity constraints in the public sector, and governance issues were the leading problem perceptions respondents from different institutional backgrounds had about managing the aid policy process in Pakistan. Analysis of perceptions according to the network groups (see table 4) indicate that multilateral and bilateral donors regarded building public sector capacity as their top priority, followed by governance issues. The Pakistan government officials were more concerned about supply-driven foreign aid, followed by a sub-optimal incentive structure and a lack of proper utilisation of trained and experienced staff in the public sector. Individuals from the domestic interest groups and former actors gave more emphasis to the need for demand-driven foreign aid. Representatives from the external interest groups advocated greater concentration on less developed (geographical) areas, such as South Punjab, Gilgit-Baltistan (Northern Areas), and remote areas of Sindh and Balochistan.

*Table 4: Patterns of actors' perceptions about managing aid in Pakistan*

ACTORS	PRIME CONCERN	SECONDARY CONCERN
Pakistan Government	Supply-driven foreign aid	Capacity constraints in the public sector: sub-optimal incentive structure; lack of proper utilisation of trained and experienced staff
Multilateral donors	Capacity constraints in the public sector: policy, research, and project management skills shortage	Governance issues: low level of tax revenue collection; inefficient financial and human resource management
Bilateral donors	Capacity constraints in the public sector: policy, research, and project management skills shortage	Governance issues: complex and lengthy administrative procedures; inefficient financial and human resource management
INGOs & IRDFs ( <i>External interest groups</i> )	Neglected less developed (geographical) areas	Governance issues: incomplete accountability and transparency
NGOs/CSOs, Politician, Public-private entities ( <i>Domestic interest groups</i> )	Supply-driven foreign aid	Governance issues: incomplete accountability and transparency
Former actors ( <i>Independent group</i> )	Supply-driven foreign aid	Capacity constraints in the public sector: lack of proper utilisation of trained and experienced staff

### *Supply-driven foreign aid*

The biggest concern of the research participants, especially for the Pakistan government officials, was that foreign aid is too supply-driven which serves to undermine the effective value of aid in Pakistan. This finding confirms the emphasis of Altaf (2011), Bräutigam (2000), Easterly (2006), and Riddell (2007), and Williamson (2010) who have also indicated that supply-driven aid results in dilution of aid efforts on the ground. A number of respondents from the government and former actors suggested that ideally foreign aid should flow in accordance with the Pakistan government's policies and local demands.

Critics of supply-driven aid in Pakistan argued that donors often suggest solutions to domestic problems according to their own frame of reference and in the light of their own agenda and experience, which is not always relevant to local social, economic or political realities. In such cases, the results were not satisfactory most of the time. Respondents indicated that sometimes instead of identifying a specific problem in the first place and then responding according to local requirements, donors identify sectors and interventions first, and launch their operations without giving due consideration to actual local demands. For instance, compare allocations of foreign aid for HIV/AIDS with TB, Malaria and Hepatitis A&B in Pakistan. A large volume of aid was allocated every year for very few cases of HIV/AIDS in Pakistan, while insufficient amount was available for the treatment of other diseases; resulted in thousands of deaths every year.

Among some, a perception existed that some (foreign) donor officials lack adequate knowledge of local realities which can lead to a failure of development efforts at the local level. Elaborating the donors' knowledge problem, Williamson (2010, p. 11) states "Donors are very good at specifying goals and what they hope to achieve with the aid, but they may not know where aid is required, who it is needed by, in what locations, and in what quantities." Research participants indicated that foreign officials often come to Pakistan on disbursement-oriented short-term assignments that can discourage them from understanding local realities and digesting domestic requirements.

Though this research confirms the conventional wisdom about supply-driven foreign aid, it is important to learn that these issues are still relevant in Pakistan today. By contrast, a minority highlighted that the absence of an inclusive actionable development policy framework<sup>9</sup> and the limited capacity of the state provides opportunities for donors to pursue their own priorities.

As of 2013, the Pakistan government lacks an inclusive actionable development policy framework. Some interviewees indicated that a clear reflection of donors' priorities for the development sector can be seen in the Pakistan government's medium to long-term

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<sup>9</sup> During 2000 and 2015, two national development plans, two medium-term development frameworks, and two long-term development visions were formulated, but only one of them – the MTRF 2005-2010 – completed its planned period; all others were either discontinued or replaced by a new policy framework.

development plans. Respondents argued that every new development plan is a revised version of the previous ones which carefully articulates and acknowledges donor-led initiatives and interventions in its policy documents so that the partnership with the donor can be extended or established.

### *Capacity constraints*

A large number of research participants, prominently from the donor community, indicated capacity constraints in the public sector. Respondents identified the need to improve the policy, research, and project management capacities of the government in a bid to make aid efforts more productive in Pakistan. By contrast, a number of government officials argued that the problem is more governance-oriented rather than building public sector capacity. They indicated that expertise exists in the government, but the problem is a sub-optimal incentive structure and a lack of proper utilisation of trained and experienced staff in the public sector.

### *Governance*

Some research participants identified problems and challenges related to governance in the public sector which could undermine the state capacity to manage foreign aid. A low level of tax revenue collection, inefficient financial and human resource management, complex and lengthy administrative procedures, and incomplete accountability and transparency were some of the leading governance issues identified by interviewees. Respondents viewed these issues as hurdles for effective and collaborative development efforts in collective choice and collective action situations, and argued for a need to improve governance in order to increase the impact of development aid.

The research findings indicate that low revenue collection through taxation from domestic sources was of great concern to some respondents. A few government officials advocated concentrating more on increasing tax revenues to reduce the fiscal deficit and meet

domestic budgetary demands rather than borrowing from bilateral donors and multilateral banks. Conversely, some officials concluded that it would be a difficult task to raise taxes in the country as elites who are supposed to be taxed are either the decision-makers (such as politicians-in-power and bureaucrats) or belong to powerful domestic interest groups (such as politicians-not-in-power, industrialists, and landlords).

A minority, mostly outside the government, viewed complex and lengthy public administrative procedures as a hurdle for effective and collaborative development efforts. Respondents emphasised the need to reform these practices by simplifying procedures and removing 'red tape', and bring accountability and transparency to the aid delivery system that may help the development partners to remove process delays and lower the trust deficit.

## **CONCLUSIONS**

This research contributes to the aid literature and literature on policy networks by providing rich, contextual data and an up-to-date empirical evidence of the network structure and interactions for managing the aid policy process in Pakistan. It examines the aid policy process in Pakistan by drawing on the policy network theory, which enables theoretically grounded interpretations and explanations. The findings from this research helps to gain a deeper understanding of the network structure in place, interdependencies in aid relationships, and perceptions about constraints actors hold related to aid policy processes in Pakistan. This qualitative approach complements the existing research in this area that tends to use quantitative aid evaluation methods. Following are the key findings of this research:

- Carrying an important/less substitutable resource (such as large volume of funds) does not necessarily mean an influential role within the aid policy network. For instance, despite being the largest official bilateral donor to Pakistan, China was not considered as influential as other major bilateral donors in the aid policy network. This was perhaps due to the limited involvement of Chinese officials in policy

forums and public policy debates concerning MDGs, and restricted communications with other development partners. Further, in strategic bilateral relations, Asian and Gulf bilateral donors were sometimes considered to be more trustworthy development partners than USAID and the Western (OECD-DAC) bilateral donors. This perception was widely based on the trade and economic sanctions Pakistan faced in the past at the hands of Western donors.

- The large-scale provincial devolution of 2011 has made the aid delivery system in Pakistan even more fragmented and complex, operating at multiple levels. These new institutional arrangements will have an impact on managing aid policy processes and network interactions; including extensive engagements, capacity issues, higher transaction costs, and coordination and collaboration practices.
- Last, but not least, many of the problems of international development aid are known to the actors involved in the aid delivery system in Pakistan. However, there has been a lack of collective action on practical steps to make foreign aid more effective that adds to the complexity of the aid policy process. Evidence suggests that donors tend to be pro-active and aid seems to be supply-driven in Pakistan, partly due to the absence of an inclusive actionable development policy framework and the limited capacity of the state. This provides opportunities for donors to dominate the policy debate and pursue their own priorities.

### **Policy recommendations**

In light of the research findings, this study suggests an enlightened donor approach based on more demand-driven economic and technical assistance. A possible action to pursue an enlightened approach could be an indigenous version of the “foundation model”.<sup>10</sup> This would make foreign aid less controversial by enhancing the recipients’ ownership. However, considering unanticipated complications, the donor community could first launch this model on a pilot basis in a specific policy sector and/or region.

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<sup>10</sup> see van de Walle, 2005

Further, the government – both at federal and provincial levels (and if possible, at district level) – should work on formulating policy frameworks under their respective development agenda. In this context, the provincial devolution of 2011 and the Sustainable Development Goals’ (SDGs) localization approach can provide a basis for meaningful outcome-oriented donor-government engagements; would be less reliant on the role of a limited number of influential actors.

Finally, there is a scope for further research on policy networks and network management in the context of international development assistance. Further research in these areas would help policymakers, aid recipients, donors, practitioners and observers to understand the complexity of the aid delivery process and enable them to address existing limitations.

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