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# 1 Introduction

This document outlines Australia's proposed strategy for its aid program in Pakistan. This strategy will be subject to further negotiation and agreement in consultation with the Government of Pakistan and a final strategy will be released by June 2011.

## 1.1 Australia's strategic approach to aid in Pakistan

The overall objective of the Australian aid program is to work with the Government of Pakistan (GoP) towards a stable, secure, democratic country through broad-based social and economic development and poverty reduction in line with the Millennium Development Goals (MDGs).

Australia's program to Pakistan will be guided by the Australia – Pakistan Development Partnership (APDP) expected to be formalised in early 2011. The partnership will set out the principles, mutual commitments and priorities for development cooperation as agreed to by the Australian and Pakistan governments. It will form the basis of ongoing engagement on the GoP's development priorities and the performance of Australia's aid program to Pakistan.

Australia's aid program in Pakistan is based on four pillars:

1. enhancing basic service delivery in health and education
2. increasing agricultural productivity and improving rural livelihoods
3. strengthening democratic governance
4. supporting vulnerable populations through humanitarian assistance.

Australia will also seek to assist Pakistan with reconstruction and rehabilitation in response to the devastating floods that hit the country in July 2010.

In delivering the aid program, Australia will work with the GoP, established and credible partners including the United Nations (UN), multilateral development banks, international and local non-government organisations (NGOs), and like-minded donors.

## 2 Critical issues in Pakistan

### 2.1 Critical development challenges in Pakistan

Pakistan is a strategically important country. What happens in Pakistan directly affects the security of the region and Australia's long-term national interests. It is therefore important that Australia assist Pakistan to remain a stable and democratic country and to achieve greater economic prosperity.

Pakistan's development challenges are considerable and were exacerbated by the unprecedented floods in July 2010. In the 2010 United Nations Human Development Index, Pakistan ranks 125 out of 169 countries. It is estimated that one third of the population lives on less than US\$1 a day and almost one-quarter of the population is malnourished (including up to 38% of children). One in 10 children does not survive to the age of five. More than 42 million children between the ages of 5 to 19 do not attend school. Progress against the MDGs has been slow, particularly against MDG 2 on primary education, MDG 4 on child mortality and MDG 5 on maternal health. Half of the adult population is illiterate (including two-thirds of women) and only 62% of primary school-aged children are enrolled in school.

The 2010 floods have had a devastating effect on development progress across Pakistan. Approximately 20 million people were affected and, almost five months later, up to 10 million people were still in need of emergency food and 8 million did not have adequate shelter. More than 1 million homes, 8000 schools and 24 000 kilometres of road were damaged, while 2 million hectares of planted crops were washed away and millions of livestock and poultry were lost. A damage and needs assessment conducted by the World Bank and the Asian Development Bank estimates reconstruction costs of up to US\$8.9 billion.

The 2010 floods seriously impacted upon Pakistan's already fragile economy and further constrained development, including the country's progress against the MDGs. According to the United Nations Development Programme's preliminary estimates, the floods pushed a further 4% of Pakistan's population below the calorie-based poverty line, mostly in rural areas. As a result, the MDG of halving the proportion of people living under US\$1 per day and the proportion of people suffering from hunger is now even less likely to be achieved. Pakistan's population growth presents an immediate challenge to development with the country's population of 168 million estimated to grow by 40 million by 2020. Around 8000 people join Pakistan's workforce each day and the country's economic growth needs to at least double to keep pace. Continued law enforcement operations and insecurity remain ongoing challenges to development and economic growth.

## 2.2 Pakistan's development priorities

At present, Pakistan does not have a single strategy upon which donors can align their assistance. Instead, the GoP's approach to poverty reduction over the past decade has been reflected in three main policy frameworks setting economic policy directions for alleviating poverty. The Medium Term Development Framework (2005–2010) articulates the country's overarching development strategy which provides a guiding framework for prioritising public expenditure; the Poverty Reduction Strategy Paper (last updated in 2008) which focuses on strengthening the country's macroeconomic environment and outlines proposed social sector investments; and Vision 2030 (developed in 2007) which aims to promote structural change for greater productivity and competitiveness.

The GoP has demonstrated its willingness to work with the international community to address its economic and development challenges. In November 2010, it convened the first Pakistan Development Forum since 2007, during which the GoP consulted with international partners on development priorities, including post flood reconstruction needs, and economic reform challenges. At the forum, the GoP outlined a draft Foreign Assistance Policy Framework, which it hopes, once finalised, will help to achieve greater coordination, transparency and accountability in the delivery of development assistance in Pakistan.

On 5 November 2010, the GoP presented the UN's Pakistan Floods Emergency Response Plan to donors, setting out Pakistan's emergency response and early recovery priorities. Australia's package of early recovery activities is consistent with the plan. The post-floods damage and needs assessment provides a comprehensive assessment of the losses as a result of the crisis and estimates the cost of flood reconstruction to be up to US\$ 8.9 billion.

## 2.3 Donor engagement

A large number of donors are engaged in Pakistan. A range of donors provide substantial bilateral development assistance, including the United States, Japan, the United Kingdom, the European Union and Canada. Multilateral organisations such as the UN, World Bank and Asian Development Bank are also heavily involved. A range of UN agencies (including the UN Children's Fund (UNICEF), the World Food Programme) and the International Committee of the Red Cross provide critical relief assistance, for example, to those affected by the July 2010 floods and to those who remain displaced as a result of law enforcement operations in north-west Pakistan. Other countries such as China, Iran and Saudi Arabia also provide assistance to Pakistan.

Donor coordination in Pakistan is a major challenge, particularly given the scale of assistance provided and the wide variety of its sources. The GoP and donors hope that the reconvened Pakistan Development Forum will play a role in improving donor coordination. Australia already works closely with multilateral and bilateral partners in Pakistan and delivers joint programs where possible.

## 3 Strategic priorities for the Australian aid program in Pakistan

### 3.1 The strategic focus of Australia's aid program

The development cooperation relationship between Australia and Pakistan has grown over two decades. In 1991, the two countries signed an Agreement on Development Cooperation, strengthening relations and committing to support the development needs of Pakistan and its people. Education and training have been a focus of Australia's aid program over a long period. Australia's scholarship program is the third largest overseas scholarships program in Pakistan. A long-standing partnership with The Fred Hollows Foundation has, since 1998, provided district eye care and reduced levels of avoidable blindness across the country.

This history of cooperation provides the foundation for Australia's current program of assistance to Pakistan. The overall objective of the aid program is to:

- Work with the Government of Pakistan towards a stable, secure and democratic Pakistan through broad based social and economic development and poverty reduction in line with the MDGs.

The Australian aid program in Pakistan is based on four pillars:

1. enhancing basic service delivery in health and education
2. increasing agricultural productivity and improving rural livelihoods
3. strengthening democratic governance
4. supporting vulnerable populations through humanitarian assistance.

These four pillars build on Australia's previous assistance, respond to Pakistan's key development challenges and include areas in which Australia can make the most valuable contribution based on its experience and expertise.

#### Australia – Pakistan Development Partnership

The governments of Australia and Pakistan are finalising the APDP, which will ensure a partnership approach to Australia's development assistance to Pakistan. The partnership document is being developed jointly by the two governments, allowing indicative Australian financial commitments to be matched by Pakistani commitments to the MDGs, improved development coordination and a commitment to pursue economic growth.

The APDP will provide greater structure and focus to Australia's development cooperation with Pakistan and provide a strong basis for further expansion of the program. In providing a mechanism for ongoing discussion with the GoP on its development priorities and the performance of Australia's development cooperation program, the APDP will strengthen Australia's engagement with Pakistan.

Australia's past experience in delivering aid in Pakistan holds valuable lessons for future engagement. A targeted strategy that selects partners carefully, works in areas where Australia has demonstrated strengths and experience, and assumes an active role in advocacy and donor coordination will help to increase program effectiveness.

### The four pillars of Australia's program

#### **1. Enhancing basic service delivery in health and education**

Work in health and education is critical to address Pakistan's poor development indicators and improve performance against the MDGs. A healthy and educated population will help Pakistan to meet its broader development objectives and realise its economic potential.

Australia's work in the health sector is focused on helping Pakistan achieve MDG 4 (reduce child mortality) and MDG 5 (improve maternal health). There is wide variability in maternal, neonatal and child health outcomes and services in Pakistan based on region, gender, income and social class. Despite some improvements in services, maternal and neonatal mortality rates are at best stalled and could be deteriorating at the national level. Health care for mothers and children in Pakistan is very poor. A mother dies of a pregnancy-related illness every 20 minutes. Since 2008, Australia has worked with the Pakistan and United Kingdom governments to train 15 000 health facility staff in emergency care procedures for mothers and children.

To maximise the resources and policy expertise available, programs in maternal, neonatal and child health (as well as assistance for emerging health sector priorities) will be delivered in partnership with bilateral and multilateral partners, including the United Kingdom's Department for International Development, UNICEF, the World Health Organization and the World Bank.

In the education sector, Australia focuses on helping Pakistan achieve MDG 2 (achieving universal primary education) through support for three related objectives: strengthening the overall quality of basic educational services; expanding access to basic education for under-served and disadvantaged groups (such as girls, the poor, people with disability and those in rural and remote areas); and improving educational governance at federal and provincial levels. Australia will also work with partners to enable children to return to school following the floods (just months after the floods began, Australia provided funding to Save the Children and UNICEF for early recovery activities, including the provision of emergency education across flood-affected districts).

Australia will also work with partners such as the United Kingdom's Department for International Development and the Aga Khan Foundation to support basic education and early childhood education, as well as emerging education sector priorities, across Pakistan.



## **2. Increasing agricultural productivity and improving rural livelihoods**

Agriculture generates 22% of Pakistan's gross domestic product and 40% of its employment. However, poverty is common in rural areas and the agricultural sector faces serious constraints including inequitable land distribution, arid terrain, scarce and dwindling water resources and dilapidated infrastructure. The July 2010 floods devastated Pakistan's rural sector, with the 'breadbasket' of Pakistan—Punjab and Sindh provinces—seriously affected. Rural food insecurity is an increasing problem, particularly in the less fertile areas bordering Afghanistan.

Australia is well placed to engage in the sector and will do so through extending and expanding the existing Agricultural Sector Linkages Program with the Australian Centre for International Agricultural Research (ACIAR), with a focus on poverty reduction and technical linkages between agriculture researchers and institutions in the two countries. Since 2006 ACIAR has helped improve farm management practices in Central Punjab, Pakistan's most important agricultural area. Australia's support has increased milk production and resulted in an increase in farmers' incomes by around 50 cents a day. In 2009, 225 poor dairy households were trained to increase dairy productivity. The Agricultural Sector Linkages Program will be complemented by a broader set of initiatives focused on improving rural livelihoods, building market access and enhancing community resilience to external shocks.

To improve human resource capacity in rural development, an additional 100 Australian agricultural scholarships will be delivered between 2010 and 2012, comprising postgraduate and short-term awards. These will be targeted towards institutions Australia is already working with under its agricultural and rural livelihoods activities.

## **3. Strengthening democratic governance**

The GoP recently passed the 18<sup>th</sup> Constitutional Amendment, introducing reforms to strengthen service delivery through the decentralisation of responsibility from the federal government to the provinces. Australia will support, where possible, programs that improve the decentralisation process by building the institutional capacity of governments at central and provincial levels and by improving service delivery across Pakistan.

There will also be a focus on building the capacity of community-based civil society organisations to participate in government decision making (and to demand better governance and services at local level), building on existing engagement through the Strengthening Participatory Organization, a Pakistani NGO that builds the capacity of civil society organisations. Since 2009, Australia's support for this NGO has helped train more than 1000 people on human rights and democracy, and has enabled it to hold voter education events involving 51 000 participants.

Australia will also support bilateral governance exchanges between Australia and Pakistan in areas such as parliamentary strengthening, institutional strengthening and access to justice.

## **4. Supporting vulnerable populations through humanitarian assistance**

The delivery of timely and effective humanitarian assistance to those affected by law enforcement operations and natural disasters will be an ongoing priority for Australia in Pakistan. Australia will



continue its strong record of humanitarian assistance, delivering relief primarily through established and trusted partners such as UN agencies, the International Committee of the Red Cross and international, local Pakistani and Australian NGOs with experience and an existing presence in Pakistan. Australian assistance to reconstruction and rehabilitation efforts will support the priorities of the GoP, including through the recently established World Bank Multi-Donor Trust Fund for crisis-affected border areas.

Australia responded quickly and generously to the devastating floods in July 2010. Australia was the fifth largest bilateral donor in response to the initial UN appeal, and in the first few months following the disaster, committed A\$75 million to humanitarian and early recovery activities. In response to the floods, Australia mobilised relief flights which provided emergency supplies such as family tents, tarpaulins, generators, water storage containers and birthing kits. Australia also established a medical facility in Kot Addu, Punjab, staffed by civilian and Australian Defence Force personnel, which treated more than 11 000 patients between September and October 2010.

Australia's package of early recovery activities was planned in consultation with the GoP's National Disaster Management Authority, as well as with key donors. The early recovery projects link into Australia's longer-term development assistance in Pakistan, targeting the education, health and rural development sectors.

Given the scale of the disaster, post-floods early recovery, rehabilitation and reconstruction needs remain, in addition to the ongoing needs as a result of law-enforcement operations in the north-west. Australia is working with the GoP and other donors to identify ways to best support Pakistan's current and emerging recovery and reconstruction needs.

### Cross-cutting issues

The four pillars of the Australian aid program in Pakistan are underpinned by the cross-cutting issues of supporting gender equality, human resource capacity building and disaster risk reduction. Australia's scholarship program to Pakistan demonstrates commitment to the development of Pakistan's human resource capacity and gender equality. For 2011, AusAID has awarded 51 scholarships, of which 25 (almost 50%) were awarded to women.

Australia will promote these cross-cutting issues in Pakistan by ensuring they are, wherever possible, integrated into all Australian-funded programs and by advocating for their integration into GoP policies, planning and programs on reconstruction and development.

## 3.2 Approaches and ways of working

### General principles

The Pakistan aid program is underpinned by three partnership principles founded on mutual respect and responsibility. These are founded on acknowledgement:

1. of Pakistan's leadership of its own policies for economic and social development, including its long-term development objectives
2. that the Government of Australia and the Government of Pakistan account to their Parliaments and people on the contribution of national resources to economic and social development
3. of Australia's and Pakistan's mutual responsibility for results, including through joint reviews of progress against the objectives and commitments of the partnership.

### Balancing targeting and flexibility

Australia's program to Pakistan will not be able to cover all sectors or meet every request for support. To achieve the best results, Australia must be strategic in choosing where it works and remain engaged over a long period of time in sectors selected. At the same time Australia needs to be flexible so it can respond to emerging priorities and opportunities.

Australia will therefore aim to have a few, large-scale, long-term programs to ensure the most effective results from its contribution. Future program planning will be conducted in consultation with the GoP (including at provincial and district levels) and key donors to ensure activities are aligned with GoP development priorities and policies, and to avoid duplication. As a small to medium-sized donor in Pakistan, Australia will support programs in areas where it:

1. has established credibility and relationships with provincial and local governments, community organisations and development partners
2. can join existing programs with a proven development impact
3. determines that post-flood rehabilitation and reconstruction requirements are most pressing.

Activities will concentrate on existing sectoral (education, health, governance, agriculture and rural livelihoods, and humanitarian assistance) and geographic focus areas (Khyber-Pakhtunkhwa, the Federally Administered Tribal Areas and Balochistan), to maintain the targeting and identity of Australia's development assistance to Pakistan. However, the aid program will also remain flexible so it can meet existing and emerging GoP development priorities, including for post-flood reconstruction and rehabilitation.

### Partnerships, coordination and risk management

The risks associated with working in Pakistan are high. Ongoing insecurity in particular poses serious challenges to designing, delivering and monitoring aid activities. AusAID has measures in place to protect funds, help ensure accountability and reduce the risks associated with delivering an aid program in Pakistan's challenging environment.

Australia reduces risk by working through trusted partners, such as the World Bank, UN and the International Committee of the Red Cross, which have been selected based on their strong in-country presence, long-term experience and demonstrated effectiveness in Pakistan. Working through established and credible partners that are experienced on the ground in Pakistan minimises transaction costs, leverages greater resources and expertise, reduces fiduciary risks and maximises the potential impact and effectiveness of Australia's investment. Contracts with implementing partners clearly define requirements, and include anti-terrorism, anti-fraud and anti-corruption clauses as contractual safeguards against misuse of funds. Implementing partners are held accountable through regular reporting against deliverables, independent auditing and, where possible, direct in-country supervision.

Australia participates in regular in-country donor coordination working groups in the areas of health, education, governance, rural development and humanitarian assistance, and actively participates in international fora such as the Pakistan Development Forum and the Friends of Democratic Pakistan meetings.

### Working with other Australian government agencies

A range of Australian government departments and organisations work together on the bilateral engagement with Pakistan. AusAID will continue to build on whole-of-government approaches to support Pakistan to address its development priorities, working closely with the Department of Foreign Affairs and Trade, ACIAR, the Department of Defence, and Emergency Management Australia in delivering Australian assistance to Pakistan.