

Due to donors

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The money pledged by international donors for post-quake rehabilitation and reconstruction seems fine on paper. The devil lies in the fine print.

International donors have pledged some \$ 5.4 billion (£ 3.14 billion) in a donors' conference last week to help Pakistan recover from October's devastating earthquake. The figure exceeds \$ 5.2 billion Pakistan had been asking for. The Pakistani demand was based on a Preliminary Damage and Needs Assessment released by the Asian Development Bank (ADB) and World Bank.

More than 70 donor countries, financial institutions, and aid organisations attended the conference. The single biggest donor country was Saudi Arabia, which pledged a total of 573 million dollars in grants and soft loans. The United States pledged 510 million dollars, including 156 million dollars already given. Among other top contributing countries were Britain, other European Union nations, Japan, Kuwait, Iran and Turkey. The World Bank and the Asian Development Bank pledged one billion dollars each, mostly in the form of loans. The Islamic Development Bank said it would increase its assistance from more than 250 million dollars to more than 501 million dollars. Nearly 30 countries extended offers of help, with China pledging \$ 316 million and Iran \$ 200 million.

While one is heartened by these pledges for the quake survivors, it should also be kept in mind that historically, following major disasters only about half of the pledges made by donors have ever materialised. Another disturbing fact is that approximately 68 per cent of the pledges are loans — although donors are calling them soft loans. However, the hard reality is that Pakistan already has \$ 32 billion in debt and is paying billions as interest on these loans. The deepened burden of debt may turn the future a bit darker for our coming generations.

One would have even agreed to swallow the bitter pill of debts in the name of rehabilitation and reconstruction, provided it had come timely. Problem with the international pledges is that most of them are long term commitments.

Another significant aspect of the donors conference was its failure to involve society in large. This is because like many other developing countries, there is no culture of national consultation, building consensus or taking parliament into confidence before taking decisions of national importance such as agreeing to borrow from lending agencies. However, even more amazing was the working of donors. It seems they were so eager to lend that they totally ignored the need for consulting stakeholder.

This makes it all the more necessary to analyse all the pledges even if they have already been made. Let us examine the World Bank's commitment first. The Bank announced \$ 470 million on October 25, 2005 and raised it to one billion dollars during the donors' conference. Of the money that the Bank has pledged only \$ 200 million have been transferred to Pakistan so far.

The break-up of the World Bank pledge is as follows:

(i) Supplemental financing of \$ 150 million for the Poverty Reduction Support Credit (PRSC): The

supplemental credit will support the sustained implementation of the PRSC reform programme and help finance part of the gap in resources incurred as a result of the earthquake.

(ii) Supplemental financing of \$ 50 million for the North West Frontier Province Structural Adjustment Credit II (SAC2): The NWFP SAC2 was the second in a series of three operations to support the implementation of NWFP government's Provincial Reform Programme. The proposed supplemental financing will support the sustained implementation of the SAC reform programme, and help finance part of the gap in resources incurred.

(iii) Additional financing in an amount of \$ 100 million for 'Highways Rehabilitation Project': The new activities include civil works for reconstruction and rehabilitation of earthquake damaged roads, which, based on an initial needs assessment, may include some sections of main national highways connecting Muzaffarabad, Kagan Valley and Northern Areas with the rest of the country.

(iv) Additional financing in an amount of \$100 million for second Pakistan Poverty Alleviation Fund Project: The partner organisations and PPAF will use these additional funds to rebuild communities through intensive social mobilisation (approx 1 million individuals); low-cost seismologically appropriate housing (approximately 25,000 units); rehabilitation of 1500 community infrastructure schemes; community buildings; coordination, monitoring and supervision; and technical assistance for earthquake resistant structures.

(v) Re-allocation of part of the proceeds of the NWFP CIP II credit in an amount of \$ 22.5 million: The project will comprise three components: (a) restoration of economic and social infrastructure destroyed and damaged by floods and earthquake including restoration of roads; repair and/or reconstruction of buildings; repair of water supply schemes and restoration of irrigation canals; (b) strengthening of the safety net and disaster preparedness programmes; and (c) project management and implementations support.

(vi) Re-allocation of part of the proceeds of the credit in an amount of \$ 7.5 million for North West Frontier Province On-Farm Water Management Project: This project will also comprise the above mentioned three components.

(vii) Re-allocation of part of the proceeds of the credit in an amount of \$10 million and additional financing in an amount of \$ 30 million for AJK CISP: The proposed project will cover three districts of AJK that have been affected by the earthquake (Muzaffarabad, Rawalakot and Bagh). The project will again comprise the three components, ie, restoration of economic and social infrastructure, strengthening of the safety net and disaster preparedness programmes; and project management and implementations support.

Even one is mindful that there can never be perfect answers, it does not answer the question whether survivors of the October 8 tragedy have any say in prioritising what is required for their rehabilitation. Of course, none at all. It, therefore comes as no surprise that the donors and the government are deciding on their own what is beneficial for the quake-hit areas and what is not.

The above mentioned allocations are based on a quick assessment carried out by ADB and the World Bank mission. Many officials who have visited the disaster areas have commented that they've never seen the destruction and the access complexities of this magnitude. We are talking of helping save almost one million people who are still homeless or un-served, who are now facing the spread of disease and further illness, even death as the Himalayan winter descends. In return we get the loan enhancement for NWFP government reforms and on-farm water management as if these reforms will solve the chronic problem of governance.

There is no denying the fact that the NWFP government reforms, or on-farm water management are important in themselves. But revising allocation of loans for them in the guise of helping the quake victims is mere eyewash.

Story of the ADB's one billion dollars support is no different. According to ADB's official version, this support will be provided in a number of stages. About \$ 100 million of savings from concessional loans from eight ongoing projects in Pakistan has been re-allocated to the ongoing ADB-backed Decentralization Support Program. These funds will provide budgetary support for earthquake-related rehabilitation and reconstruction activities.

ADB's Resident Mission in Pakistan is also reviewing seven ongoing loans in the earthquake-affected areas to see whether these can be redesigned to address earthquake damage more effectively. The Multi-sector Rehabilitation and Improvement Project for Azad Jammu and Kashmir is one such project.

ADB has set up a special Pakistan Earthquake Fund with an initial contribution of \$ 80 million. In early December, a \$ 300 million Earthquake Emergency Assistance project, inclusive of the \$ 80 million from the Pakistan Earthquake Fund, will be considered by ADB's Board of Directors. The project will focus on transport, power, health, education, governance and institution building.

The remained of ADB's support is expected to be provided in 2006 in the form of a credit line facility to ensure that it can be flexibly used to address the remaining high priority needs of rehabilitation and reconstruction.

The absence of stakeholders' participation and lack of national consultation on rehabilitation may turn the process into commercial development in the name of the marginalised and the poor as was the case during post-tsunami reconstruction process. The tsunami experience also proves that coordination, aid utilisation, and accountability need to be put on top of the priority list in the reconstruction process — something that seems lacking in our context.

It is also appropriate to review the donors' commitments, especially the loan component to determine its usefulness for quake survivors. There must be transparency and accountability not only at the level of the recipients end but also at the donors' end. It is important that the terms and conditions for grant contracts and loans are people-friendly, not simply donor-friendly. This makes the fine prints of grant contracts very crucial, including how much will go back to the donor country in money for providing 'technical expertise' and equipment, and how much actually goes to the people in distress.

This brings into focus who does what when the money finally arrives and is distributed. This means we need to ensure the crucial task of aid utilisation in a transparent and unbiased manner. The major challenge is of course how the impact of the aid and loans will be realised by the millions of survivors, living either in tent villages and/or still in the open.

Also, over-dependence on the external donors will further undermine our national sovereignty. It is ironical that the government has not shown any sacrifice from its part of the pie. No cuts have been made in lavish 'entertainment' and protocol budgets, no reduction have been done in overseas trips and no downsizing has taken place in the flock of advisors and consultants. The mega plans like shifting of army headquarter from Rawalpindi to Islamabad and the controversial New Murree Development Project are also still on. Let us realise our collective responsibilities and enter in a meaningful rehabilitation which should also include rehabilitation of our attitudes and paradigm of thinking that revolves around dependency on external sources of money.

P.S.

* From The News Weekly:

<http://www.jang.com.pk/thenews/nov2005-weekly/nos-27-11-2005/pol1.htm#6>

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