

# Effective use of aid

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Part 1

FAILURE to use external aid timely and effectively has been an issue for long in the developing countries. And that became a larger issue between the donors and the aid recipients as the quantum of aid increased and there has been demand for larger assistance. In addition, the world's focus on poverty reduction has increased as the number of the very poor, living below the poverty line of a dollar a day, rose to one-fifth of the world's population.

As the pressure from the developing countries for larger aid and with fewer strings or conditionalities increased, the donors began pointing out that a substantial part of the aid committed remained unutilised instead of being used in the manner agreed and according to the time schedules.

In Pakistan, for example, at one point of time the total aid accumulated in the pipeline was 11 billion dollars — one fifth of the total aid — and Pakistan had to pay a commitment fee of half a per cent of that total, which was over 50 million dollars a year.

The accumulated aid went down after 1998 when external aid was stopped following

outright corruption.

Now despite the 10.5 billion dollar foreign exchange reserve we have built up we are to go to the markets abroad with bonds for 500 million dollars. Such borrowed funds, though at low interest rates, have to be well used if we are to get the best out of that.

Not all the delay in the use of aid is for political reasons or bureaucratic bungling. Sometimes the delay is caused in an effort to avoid corruption, and at times to explore the earlier corruption before new money is committed to the aid project. Sometimes it is the outcome of excessive bureaucratic red tape.

The other problem is that at a time when governance and development are becoming more and more technical, the ministers are not well educated. Nor do they make enough efforts to study their subject. And they choose their secretaries too on the basis of

most developing countries. And that may lie in eliminating a great many deterrents to aid-utilisation and completing projects in time.

We will hear plenty about capacity-building soon as the new World Bank chief for South Asia is Praful C. Patel, a Ugandan national, who is described by the Bank "as a primary driver of the Bank's Africa Capacity Building Programme. After being with the Bank for 30 years he has succeeded Ms Nieko Nishimizu as vice-president of the Bank for South Asia. Of course, capacity building is more difficult in Africa than in Pakistan, but we have a way of rising and then slipping.

Ms Nishimizu, who has been vice-president of the World Bank for South Asia for six years, has been a real friend of Pakistan and did some blunt speaking to the top rulers in respect of economic management. And she tried to help Pakistan through the Bank as much as she could.

Capacity-building can be a success only if the political leaders and the officials try to understand the problem and are really cooperative. They should be ready to remove obstacles in the way of projects instead of multiplying them for political reasons or because of bureaucratic chicanery.

Is giving extension to the officials at the top really helpful to the economy? If they can't be given extension they

After analysing all the factors that stand in the way of effective use of aid and timely completion of projects, the World Bank and other donors have come to the conclusion that our capacity for using aid is small and greatly skewed. This capacity has to be developed. And that is possible by eliminating a great many irritants in aid utilisation and timely completion of projects.