House of Commons

International Development Committee

Pakistan

Tenth Report of Session 2012–13

Volume I: Report, together with formal minutes, oral and written evidence

Additional written evidence is contained in Volume II, available on the Committee website at www.parliament.uk/indcom

Ordered by the House of Commons to be printed 26 March 2013

HC 725
Published on 4 April 2013
by authority of the House of Commons
London: The Stationery Office Limited
£15.50

The International Development Committee

The International Development Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Office of the Secretary of State for International Development.

Current membership

Rt Hon Sir Malcolm Bruce MP (*Liberal Democrat, Gordon*) (Chairman)
Hugh Bayley MP (*Labour, York Central*)
Fiona Bruce MP (*Conservative, Congleton*)
Richard Burden MP (*Labour, Birmingham, Northfield*)
Fabian Hamilton MP (*Labour, Leeds North East*)
Pauline Latham OBE MP (*Conservative, Mid Derbyshire*)
Jeremy Lefroy MP (Conservative, *Stafford*)
Mr Michael McCann MP *(Labour, East Kilbride, Strathaven and Lesmahagow)*
Fiona O'Donnell MP *(Labour, East Lothian)*
Mark Pritchard MP (*Conservative, The Wrekin*)
Chris White MP (*Conservative, Warwick and Leamington*)

The following members were also members of the Committee during the parliament:
Mr Russell Brown MP (*Labour, Dumfries, Galloway)*
Mr James Clappison MP (*Conservative, Hertsmere*)
Mr Sam Gyimah MP (*Conservative, East Surrey)*
Richard Harrington MP (*Conservative, Watford*)
Alison McGovern MP *(Labour, Wirral South)*
Ann McKechin MP (*Labour, Glasgow North)*
Anas Sarwar MP (*Labour, Glasgow Central*)

Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via www.parliament.uk.

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the internet at www.parliament.uk/parliament.uk/indcom. A list of Reports of the Committee in the present Parliament is at the back of this volume.

The Reports of the Committee, the formal minutes relating to that report, oral evidence taken and some or all written evidence are available in a printed volume.

Additional written evidence may be published on the internet only.

Committee staff

The current staff of the Committee are Dr David Harrison (Clerk), Chloe Challender (Senior Committee Specialist), Louise Whitley (Inquiry Manager), Rob Page (Committee Specialist), Anita Fuki (Senior Committee Assistant), Annabel Goddard (Committee Assistant), Paul Hampson (Committee Support Assistant) and Hannah Pearce (Media Officer).

Contacts

All correspondence should be addressed to the Clerk of the International Development Committee, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 1223; the Committee's email address is indcom@parliament.uk

Contents

Report

Summary

One in three people in Pakistan live on less that 30p per day. Pakistan is likely to miss many of the Millennium Development Goals. However, like neighbouring India and Bangladesh, it is a Middle Income Country, and whilst the UK had decided to end financial grants to India, it is planning to double aid to Pakistan. Nevertheless, we see a case for maintaining bilateral aid to Pakistan not just because of the extent of poverty but due to the security situation as well as the UK's long established ties with the country. However, we cannot advocate that the British people finance, through taxation, the proposed substantial increase in development assistance to Pakistan unless there is clear evidence that the newly elected Pakistan Government is also willing to make the necessary changes so as to contribute more to improving the livelihood of its people. In the past, donor money has not been spent effectively in Pakistan for a variety of reasons. Corruption is rife in a social order based on patronage and kinship networks. Pakistan's rich do not pay taxes and exhibit little interest in improving conditions and opportunities for Pakistan's poor.

Currently, the Department for International Development's (DFID's) main programmes are in education, health and governance. Valuable work is being done. We have been impressed by the early reforms underway in the DFID supported Punjab Education Sector Roadmap. We will continue to watch its development with interest, particularly in light of the forthcoming elections in Pakistan and any resulting change in leadership in the Punjab. However, improvements could be made. We recommend that the DFID Pakistan Governance programme have a greater focus on the rule of law, anti-corruption and a robust tax base, all aspects of Prime Minister David Cameron's 'Golden Thread' theory of governance. We are sceptical of the 'scaling-up' of the DFID Maternal and New-born Health Programme in the provinces without the total redesign recommended in the analysis set out in the report of the Independent Commission on Aid Impact (ICAI) in October 2012.

We fear the DFID country strategy for Pakistan is too 'supply driven' with insufficient ownership by the Pakistani authorities. The UK development assistance programme needs a proactive partnership with evident Pakistani commitment. DFID should look for opportunities to support home grown reformers from all quarters in Pakistan; working with civil society groups and progressive parliamentarians striving for equitable political, social and economic development. How Pakistan chooses to reform is a matter for Pakistan but clearly there needs to be reform to improve the country's services and social indicators. Moreover, in order for programmes to be sustainable they should be institutionalised and not dependent on individual political leaders.

The UK, as a leading donor and long-standing friend of Pakistan, must raise the issues of corruption and tax evasion at the highest levels. They are difficult issues to address, but it is in Pakistan's interest to tackle them now for its future stability, peace and prosperity. Any short term benefits of delay in delivering much needed reforms are vastly outweighed by the longer term costs of inaction. Witnesses have pointed out that historically Pakistan has been able to water down calls for longer term internal reform, notably on taxation, because of the short term geo-political concerns of Western donor countries. This trend now has to end and the UK must work alongside other donors and especially use its influence within

the IMF to encourage urgent reform within Pakistan.

In his speech to the World Economic Forum at Davos in January 2013, Prime Minister David Cameron set trade, tax and transparency as the main priorities for the UK's presidency of the G8. Increasing Pakistan's tax take as a proportion of GDP is the key indicator that the authorities in Pakistan are committed to playing their part in equitable political, social and economic development. Accordingly, any increase in the UK's Official Development Assistance to Pakistan must be conditional on Pakistan increasing its tax collection and widening the tax base. We cannot expect the people in the UK to pay taxes to improve education and health in Pakistan if the Pakistan elite is not paying income tax.

1 Introduction

Why we held an inquiry into DFID's programme in Pakistan

1. The Department for International Development (DFID) plans to increase its bilateral programme in Pakistan from £267 million in 2012–13 to £446 million in 2014–15.[1] Making Pakistan the largest recipient of UK aid is controversial given Pakistan's unstable politics, large defence budget, historic levels of significant corruption, tax avoidance, low levels of expenditure on education and health programmes and its status as a middle income country.

2. In 2012 we decided to undertake an inquiry into DFID's programme in Pakistan, looking at the rationale for the large increase in the budget, where it was to be spent, whether it was necessary, whether it was actually wanted by Pakistan and what results it could achieve. In addition, we wanted to know what the risks were of such a large increase in spending on a country programme by DFID and how they could be mitigated. The Independent Commission on Aid Impact (ICAI) carried out an inquiry into DFID's Bilateral Aid Programme in October 2012 and our report draws on and follows up on its findings.[2]

3. It is also an appropriate time to look at Pakistan as 2013 is an important year with the prospect of holding the first ever elections where leadership passes from one civilian government to another. In March the outgoing Pakistan People's Party administration stood aside after completing a full term in office making way for a caretaker government pending the elections to be held in May. In other important changes the head of the military, General Ashfaq Parvez Kayani and the Chief Justice Iftikhar Muhammad Chaudhry stand down. Given its economic problems, Pakistan is in discussion with the International Monetary Fund about a possible further loan. The Pakistan authorities have yet to make a formal request. Negotiations to date have centred on the need for the Pakistan authorities to take policy actions for macroeconomic stabilisation. In the meantime, the broadly welcomed 2010 18th Amendment to Pakistan's constitution, devolving Federal powers to the Provinces, has encountered problems due to a lack of resources, expertise and capacity at the provincial level to manage and deliver formally federal development programmes.[3]

4. Against this background of change, this report looks at the arguments for and against an increase of development assistance to Pakistan, considers the main programmes DFID has in Pakistan and how they will be scaled up, and concludes with our overall concerns. It follows on from our previous published reports on Pakistan—The Humanitarian Response

1 Ev 55

2 ICAI, Report 15 Evaluation of DFID's Bilateral Aid to Pakistan, October 2012

3 Coffey International Development in association with the IDL Group, *Pakistan Country Governance Analysis 2011, April 2011*and The Economist, *Plugging leaks, poking holes. Who will pay for Pakistan's state?* 8 December 2012

to the Pakistan Floods in 2011[4]and the Humanitarian response to natural disasters in 2006 which focused on the response to the Pakistan earthquake.[5]

5. We took oral evidence from academics and experts on Pakistan: Professor Anatol Lieven, Omar Wariach, Michael Green and James Fennell. We also heard expert testimony: on education, from Sir Michael Barber, Dr Matthew Nelson and Anwar Akhtar; on Pakistan's taxation and governance from Dr Ehtisham Ahmad and David Stephen. In our final evidence session we questioned the Secretary of State for International Development, the Rt Hon Justine Greening MP, and DFID's head of the Western Asia and Stabilisation Division, Moazzam Malik specifically on DFID's work in Pakistan. We would like to thank all of our witnesses, both those who came to Westminster to give evidence in person and those who sent in written evidence. We would also like to thank our specialist adviser, Mr Eamoinn Taylor who has helped us with this inquiry.

6. As part of the inquiry we travelled to Pakistan in December 2012 where we met with Government of Pakistan Ministers, DFID staff, NGO and Civil Society Organisations as well as recipients of DFID funds at schools, midwife clinics and social protection offices. A full programme for our visit is appended to the report. We are grateful to of those in Pakistan who gave up their time to meet us and to thank DFID Pakistan for facilitating a comprehensive visit programme. We would also like to thank those members of the Pakistan diaspora we met in Derby at the Jobs Education Training (JET) centre organised by the Executive Director, Mohammed Sharief, to hear their views of development assistance to Pakistan.

4 House of Commons International Development Committee, The Humanitarian response to the Pakistan Floods, Seventh Report of Session 2010–12 HC 617

5 House of Commons International Development Committee, Humanitarian response to natural disasters, Seventh Report of Session 2005–06 HC1188

2 The case for UK development assistance to Pakistan

Population growth outstripping economic growth

7. Pakistan is the sixth most populous country in the world with an estimated population of 180 million. By 2020 the population could exceed 205 million, with nearly 40% aged 10–29 years .[6]

8. Pakistan's economic growth averaged only 3.5% over the past five years[7] compared to India's 6.9% and Bangladesh's 6.2%.

Table 1

Real GDP growth
annual percent change, 2007-12

	Bangladesh	India	Pakistan
2007	6.3	10.0	6.8
2008	6.0	6.9	3.7
2009	5.9	5.9	1.7
2010	6.1	9.6	3.1
2011	6.7	6.9	3.0
2012*	6.3	5.1	3.7
Average 2007-11	**6.2**	**7.9**	**3.7**
Average 2008-12	**6.2**	**6.9**	**3.0**

* World Bank Jan-13 forecasts

Sources: IMF World Economic Outlook database; World Bank *Global Economic Prospects* (Vol. 5, Jan-13), p.150

This means Pakistan is struggling to maintain living standards or to create jobs for millions of young people, leading to increased poverty and instability.[8] Anwar Akhtar, a civil society activist, told us:

> The issue is that everything that has stopped Pakistan from being a failed state to date—the welfare organisations, the diaspora organisations, the civil society organisations—cannot cope with a doubling of population in two generations. I have spoken on the ground to numerous health workers and development workers, and they all say the same thing: "Karachi and Lahore cannot cope with a doubling of population. We are two generations away from favelas and shanty towns and no go areas, and very difficult urban environments."[9]

We were told on our visit that it has been estimated Pakistan's growth rate needs to double to keep pace with population growth and more than double to actually see people better off overall.

6 Ev 52

7 Ev 52

8 Ev 52

9 Q69

Social indicators

9. Pakistan has very poor social indicators. As many as one in three Pakistanis live on 30p a day or less, one in eleven children die before their fifth birthday and half of all adults, two thirds of women, are illiterate with 12 million children out of school.[10] Professor Lieven said:

> irrespective of the comparative position with other countries and our security needs, there are a lot of very poor people in Pakistan who have a desperate need for a whole range of things they are not getting.[11]

10. DFID have said that Pakistan is off track to meet the majority of the Millennium Development Goals(MDGs) by 2015[12] although the following chart, also supplied by DFID, indicates slow progress as opposed to off track:

Table 2

Country	MDG1 Proportion of population below $1.25 a day	MDG2 Net enrolment in primary education	MDG 3 Ratio of girls to boys in primary education	MDG 4 Under 5 mortality ratio	MDg 5 Maternal mortality ratio	MDG 6 HIV prevelance, 15-49 years old	MDG 7 improved water source
Afghanistan							
Bangladesh							
India							
Nepal							
Pakistan							

– achieved or on-track; –slow progress; –off track; –no data;

Source : DFID Ev 53

Humanitarian disasters

11. Pakistan has faced many humanitarian disasters in the last decade. In 2005 the Kashmir earthquake affected approximately three and a half million people; in 2008-09 the internal displacement of people crisis affected approximately three million people; in 2010 floods affected approx twenty million people; and in 2011 floods affected approximately nine million people. In 2012 the monsoon floods meant three million people needed external support.

Conflict

12. Pakistan faces security problems which are home-grown, as well as problems which spill over from the border with Afghanistan. Conflict and sectarian violence has caused sustained and severe suffering amongst the people of Pakistan. There is currently an ongoing humanitarian crisis in Khyber Pakhtunkhwa affecting 1.1 million of internally displaced Pakistan citizens and Afghan refugees.[13] Since 2001 more than 30,000 Pakistani

10 Ev 52

11 Q26

12 Ev 53

13 Draft UN Humanitarian Operation Plan, http://pakresponse.info/

civilians have been killed and many more injured. The Government of Pakistan estimate that the adverse security situation has cost Pakistan's economy up to $67.63 billion since 2001.[14]

Security

13. DFID says that a politically and economically secure Pakistan can help to support stability and development across the region. James Fennell, Principal Consultant, the IDL Group, described Pakistan as the "Northern Ireland of south Asia". He said that if Pakistan did not succeed politically then that it would handicap both India and the wider region—the belt from Iran to Burma:

> Pakistan does need help, not just in the context of the poor people inside Pakistan but in the context of poor people across the region.[15]

The Secretary of State accepted there was a security angle saying "here is a counterterrorism and security aspect of our thinking" and that DFID was " working alongside the Government of Pakistan, to try to stop extremism from rising up."[16]

Policy influence

14. The UK Government hopes that the size of the UK's development assistance budget, and its broader support for Pakistan, gives the UK the opportunity for high level discussion with Pakistan's opinion formers and decision takers on a broad range of policy issues both domestic and external. The Secretary of State told us:

> I do not think our aid budget per se is designed to buy influence. [...]it can open up an ability for the UK Government, as a hopefully trusted partner of the Pakistan Government, to have [...] discussions and be properly listened to [...]part of the work DFID does alongside the Foreign Office is to [...] try to make sure that we have the right conversations with Pakistani politicians about the reforms we feel need to happen in Pakistan.[17]

Professor Lieven thought that "British influence would go down very sharply" if DFID was not working in Pakistan. [18]

Diaspora

15. The UK has one of the largest Pakistani diasporas in the world (one million people, 1.7% of the UK population) creating strong family and business links between the UK and Pakistan.[19] Professor Lieven said:

---

14 Ev 52

15 Q32

16 Q107

17 Q108

18 Q28

19 Labour Force Survey, Q2 2012. The Labour Force Survey is a quarterly survey of more than 50,000 households, covering more than 100,000 people, that is designed to represent the whole of the resident UK population.

> we have a very large and steeply growing Pakistani population in this country, which has a legitimate right to ask that we should give help to Pakistan.[20]

Time for change

16. James Fennell believed that Pakistan was currently in a similar position to the UK in 1830 with an industrialising, rural society, large numbers of people moving to cities, people becoming more politically aware but not politically engaged with the existing system, built around a dated rural, oligarchic structure.[21] He concluded that Pakistan:

> can go the way of Russia in 1905, or [it] can go the evolutionary path of the UK. So there are some good incentives for the ruling classes to begin to give up some of [their] privileges in a sort of self serving way, not because they are altruistic but because they need to survive. [22]

In addition Professor Lieven observed that members of Pakistan's military were becoming increasingly concerned at India's rapid economic growth compared to Pakistan's. That was inclining some of them to think more seriously about what Pakistan needed to do to achieve economic development.[23]

The risk of doing nothing

17. We were given two potential future scenarios for Pakistan whilst visiting Islamabad:

i. A country of 300 million people with fewer children in school and an increase in malnourished and permanently stunted children. A nation with only 5% economic growth, continued instability, potentially militarised, potentially radicalised, a continuing 'cold war' with India, an internationally pariah state, terrorism, a training ground for extremism; or

ii. A country with elements of the above but with a flourishing middle class, 6-8% growth like India, continuity of civilian governments, normal civilian/military relations, political accountability with a government responding to voter pressure, a free media, an active judiciary, improved governance, universal primary education, improved health facilities and access, a less corrupt legal and justice system. A nation with a wealthier, more educated, healthier society.

In the former scenario, the UK would suffer from a resulting increase in extremism, terrorism, drugs (Afghan heroin), organised crime, and asylum applications. But the latter scenario would benefit the British Pakistani Community and be good for UK trade

18. Sir Michael Barber, DFID's representative on education in Pakistan, explained that he thought it was important to have a DFID programme in Pakistan because:

20 Q27

21 Q43

22 Q43

23 Q25

> the risks of doing nothing in Pakistan are absolutely enormous, and if we can use some well targeted aid programmes to build great relationships with Government, people and civil society people to make big changes, that is the most important thing we can do.[24]

The case against aid to Pakistan

19. As well as being presented with many arguments as to why DFID should be in Pakistan we were also given reasons to the contrary. These are listed below along with some counter arguments on the need for a DFID presence despite these factors.

Middle income country status

20. Pakistan is a lower middle income country like its neighbour India; if it were an Indian state it would be somewhere in the middle of the Indian states' income scale.[25] Whilst the UK is cutting aid to India, it is doubling aid to Pakistan.

21. Michael Green, economist, author and development commentator, argued that although both were classed as lower middle income, Pakistan was in a very different position to India. In 2011, total official development assistance from all donors to Pakistan was about 1.7% of national income compared to total aid to India in 2011 of 0.2% of national income. India's national income was about $3,500 per year per capita; Pakistan's was about $2,500, based on purchasing power parity.[26]Although there were some concerns about the Indian economy, its growth prospects were good over the medium term. In contrast, Pakistan's economic future looked fairly bleak: growth has slowed since 2008 and there is unlikely to be more than 3% growth over the next few years. Mr Green also pointed out that Pakistan had a lower rating on the Human Development Index,[27] than India. Aid makes up 8% to 9% of national income in most low human development countries so relative to those peers, Pakistan is under-aided at 1.7%.[28]

22. Omar Waraich argued that despite Pakistan's a lower middle income status, it still needed assistance:

> The status of it being a middle-income country is less relevant right now because the [...] structures and the institutions are not in place for any new wealth to be distributed effectively and address concerns like health and education.[29]

24 Q 66

25 *Pakistan a Hard Country,* Anatol Lieven, p 21

26 Purchasing Power Parity An economic theory that estimates the amount of adjustment needed on the exchange rate between countries in order for the exchange to be equivalent to each currency's purchasing power. In other words, the exchange rate adjusts so that an identical good in two different countries has the same price when expressed in the same currency.

27 The Human Development Index is a composite statistic of life expectancy, education, and income indices to rank countries into four tiers of human development.

28 Q32

29 Q30

The political system

23. While middle income status is not by itself a reason for withholding aid, weaknesses of the state in Pakistan and a lack of political will to address inequality and equitable development inevitably raises questions about the impact and long term effectiveness of UK development assistance.

Corruption

24. In 'Pakistan a Hard Country' Anatol Lieven describes Pakistan as having "tough creepers holding the rotten tree of the Pakistani system together" but that some of the "toughest creepers" are at the same time "parasites on that tree". He goes on to explain:

> Anyone or any group with the slightest power in society uses it amongst other things to plunder the state for patronage and favours, and to turn to their advantage the workings of the law and the bureaucracy.[30]

25. Four fifths of Pakistanis view government corruption as widespread.[31] In 2011, Transparency International ranked Pakistan 134 out of 185 countries in levels of corruption with 185 being the most corrupt.[32] The World Bank's Control of Corruption indicator shows Pakistan has been getting worse since 2007.[33]

26. Anatol Lieven explained that corruption was not necessarily the result of a lack of values as seen in the West but rather the positive and ancient value of kinship loyalty to family and clan. Defence of the honour and the interests of the kinship group outweighs loyalty to the state or to any code of professional ethics for ordinary Pakistanis as well as for most politicians and officials.[34] However he agreed that although the patronage networks held the existing system in place and prevented the country from falling apart, at the same time they were bad for the long term development of the country.[35]

Poor government financial management

27. Last year, the Pakistan Government ran a deficit of 8.5% of national income. The Government is hoping to cut that to 4–5% this year but it is more likely to be closer to a 6% deficit.[36]

28. Government accounting is very weak. Dr Ahmad - from the LSE and former Pakistan adviser to the IMF—told us that while the Pakistan Government was seeking $8 billion from the IMF to cover its deficit, it had $10 billion "sitting around in commercial banks,

30 *Pakistan A Hard Country*, Anatol Lieven, Introduction

31 Ev 57

32 Ev 57

33 Coffey International Development in association with the IDL Group, Pakistan Country Governance Analysis 2011, April 2011

34 Q2

35 Q4

36 Q37

idle".[37] He said that every country had a treasury single account except for Egypt and Pakistan. The IMF defines a treasury single account as "a unified structure of government bank accounts that gives a consolidated view of government cash resources" and that it is "an essential tool for consolidating and managing governments' cash resources, minimizing borrowing costs."[38] Dr Ahmed said that in Egypt there were 35,000 bank accounts holding up to 15% of GDP under President Mubarak whilst Pakistan still had over 10% of GDP in bank accounts that was not being utilised.[39] He argued:

> They are there for certain reasons, and if you are going to say, "Fine, let us have business as usual," business as usual sometimes does not last. You can play along, as you did with Mubarak [...], but there are consequences. You do not have to look far to see the consequences; they are quite stark. It is effectively a collapse of the State.[40]

29. Moreover, the Government does not know how much it spends. Dr Ahmad also told us that he had recently spoken to the Deputy Chairman of the Planning Commission in Pakistan who had told him "We do not know what we are spending on education and health, but we know that in global terms, on education, health and investment, it is not more than 5% of GDP."[41]

Low tax revenue

30. For the last decade, tax as a proportion of GDP has remained at or around 10%.[42] This compares to tax collection rates of around 14–15% of GDP in countries with similar per capita incomes.[43] Pakistan's VAT efficiency[44] is 25%, the lowest in the world; by way of comparison, Sri Lanka's efficiency rate is 45% and New Zealand's 90%.[45]

31. According to the Pakistan Federal Board of Revenue (FBR), around 0.57% of Pakistanis, a mere 768,000 individuals, paid income tax last year in Pakistan with only 270,000 having paid something each year over the past three years. [46] No one has been prosecuted for income tax fraud for at least 25 years.

37 Q93

38 *Treasury Single Account: Concept, Design, and Implementation Issues*, Sailendra Pattanayak and Israel Fainboim http://www.imf.org/external/pubs/ft/wp/2010/wp10143.pdf

39 Q94

40 Q94

41 Q88

42 Ev 61

43 Q89

44 VAT efficiency is an index of how effective the tax is at raising revenue in any given country. A lower percentage could be attributed to the presence of many exemptions or reliefs in the VAT system, and/or a poor rate of collection.

45 Q97

46 The Economist, *Plugging leaks, poking holes. Who will pay for Pakistan's state?* 8 December 2012

32. A recently published report found that—over 70% of the Pakistan law makers, including many Ministers do not pay tax.[47] Dr Ahmad said "the culture of cheating starts at the top". [48] He also argued that:

> "If donors, both bilateral and multilateral, take the argument that you must bail out Pakistan regardless, then there will never be any incentive for them to fix it and stand on their own feet."[49]

The attitude of the elites

33. Pakistan can show some remarkable achievements, for example, its nuclear programme, which demonstrates the power of its political class to deliver public policy when it so wishes. Anatol Lieven makes the point that 'if it really sets its mind to it', Pakistan can deliver.[50] The recent outbreak of Dengue Fever is another example of elite political will delivering a positive result. Because it affected the families of the middle classes and elites in and around Lahore, as well as the poor, the authorities managed a successful health campaign to contain the disease. Meanwhile other diseases which affect mostly the poor such as malaria are not being tackled or improved. Omar Wariach told us:

> if something like this [dengue outbreak] were to take place in a remote part of Balochistan, you would not see the state respond in that way, because the people affected by it do not have the means to make their grievances known, the politicians do not face the pressure to respond and the state does not have the resources there.[51]

34. James Fennell argued that the reason that the elites were not interested in social service reform was because:

> The majority of people who have power and influence do not use the social services. They do not use the health service and the education system, which are provided by the state. They do not use the tax administration, since they do not pay any taxes. Those institutions are not part of their lives.[52]

Defence spending

35. Spending on defence rather than on health or education has been a priority for Pakistan. The country has an advanced weapons of mass destruction programme. According to the UN Educational, Scientific and Cultural Organisation (Unesco) Pakistan spends seven times more on arms than it does on education.[53] Omar Waraich said:

---

47 The Center for Investigative Reporting in Pakistan, *Representation without Taxation; An investigation of MP's income tax returns for 2011*, Umar Cheema

48 The Economist, *Plugging leaks, poking holes. Who will pay for Pakistan's state?* 8 December 2012

49 Q94

50 *Pakistan A Hard Country*, Anatol Lieven, p 35

51 Q5

52 Q42

53 Education for All 2011 Monitoring Report, *The Hidden Crisis: Armed conflict and education*, http://unesdoc.unesco.org/images/0019/001907/190743e.pdf, p15

> The reason why such derisory sums—in terms of the budget—are devoted to health and education is because those things are not a priority in a national security state.[54]

The role of Pakistan in Afghanistan

36. It has widely been reported that whilst the UK and its allies have been fighting the Afghan Taliban over the past ten years at the same time the Pakistan Security services, the Inter-Services Intelligence Directorate (ISI), have been supporting them.[55] Ahmed Rashid, an expert on the region, claims that in 2003, the ISI helped the Taliban to restart their insurgency in Afghanistan and provided them with the supplies, training camps and infrastructure.[56]

Absence of a 'Golden Thread'

37. The Secretary of State emphasised what the Prime Minister, David Cameron, has referred to as the 'Golden Thread': the rule of law, tax collection, a well functioning court system, transparency in Government.[57] She also told us:

> we can work with countries to try to help them develop, but fundamentally if there is poor governance and poor structures in place, no democracy, poor accountability, poor transparency and high corruption, that will be a difficult situation in which to invest our money and see development take place effectively.[58]

Many of these features highlighted by the Secretary of State—of the type of country where DFID should not invest its money as it is difficult for development to effectively take place—are evident in Pakistan.

The case for reform

38. No one disputes that it is important that Pakistan is a successful state for the benefit of its people, the region and the world but the drivers for reform must come from within. The effectiveness of foreign development assistance requires Pakistan country ownership of the development agenda. The preceding arguments and statements from witnesses suggest that, historically Pakistan seems to lack such ownership and the political will to address the elements of governance that comprise 'the Golden Thread' essential for sustained development. Tax collection is very low, defence spending is high and the resulting government expenditure on public services is minimal. Donor funds for development are filling the gap left by the Pakistan Government in providing healthcare and education for its people. Pakistan is a not one of the poorest countries in the world - it is a lower middle income country with a weapons of mass destruction programme. Yet DFID still plans to double British bilateral aid to Pakistan.

---

54 Q8

55 International Development Committee, Sixth Report of Session 2012–13: Afghanistan: Development progress and prospects after 2014 HC 403 para 41

56 Pakistan on the Brink: The future of Pakistan, Afghanistan and the West, Ahmed Rashid p 21, 50-51

57 Q119

58 Q121

39. **Nevertheless, however critical our witnesses were of the failings of successive Pakistan governments to deliver development, all agreed that the UK should maintain a development assistance programme. We agree that DFID should have a bilateral programme in Pakistan which has an important strategic position in the world, strong ties with the UK and its stability and prosperity is currently in question.**

40. **It is for the Pakistan federal and provincial governments to shape reform programmes and institutions to improve public services and alleviate poverty. DFID has a role to play working alongside the federal and provincial governments.**

41. **DFID's development assistance should be conditional on the Pakistan authorities committing to and implementing economic reforms and policy changes that will foster inclusive economic and social development.**

3 DFID's work in Pakistan

42. In 2000–01 UK Official Development Assistance was £15 million; it increased to over £66 million in 2003–04, decreased to £31 million in 2004–05 and increased again to over £97 million in 2005–06.[59] DFID explained the volatility in its assistance to Pakistan over the last decade was due to a number of reasons. UK Official Development Assistance declined following the nuclear tests in 1998 and concerns arising from the 1999 coup d'etat. By 2003, the situation in Afghanistan was creating a huge burden in Pakistan due to refugee flows and other pressures. Pakistan's Government had demonstrated itself to be more reform-minded, and a decision had been taken to scale up assistance, largely through short-term, carefully targeted projects. In 2005 DFID devolved responsibility for programming and policy for Pakistan from London to the DFID office in Islamabad. DFID expenditure in Pakistan fell in 2004–05 during this transition while a new Country Assistance Programme was prepared. Soon after this the 2005 Kashmir earthquake triggered another significant increase in UK ODA, mostly linked to emergency and humanitarian support.[60]

Table 3

Year 2000/01	**Total DFID Bilateral Programme £m**
2001/02	**15,038**
2002/03	43,198
2003/04	38,314
2004/05	66,240
2005/06	31,377
2006/07	97,413
	101,118

2007 Statistics in International Development

43. While final decisions have yet to be made, it is intended that DFID's funding will be split approximately as follows: national programmes (30%); programmes in DFID's two focal provinces of Punjab and Khyber Pakhtunkhwa (55%); and other Provinces (15%). DFID focuses on Punjab and Khyber Pakhtunkhwa provinces as together they account for over 70% of Pakistan's population and the largest absolute numbers of poor people.[61]

44. DFID has an operational plan for Pakistan running from 2011 to 2015 which is refreshed annually.[62] It states DFID's aim is for a stable and prosperous Pakistan at peace with its neighbours. It hopes to do this by: building peace and stability; making democracy work so that Pakistan can escape the cycle of poor governance and military intervention; promoting macroeconomic stability, growth and jobs as Pakistan has a rapidly growing young population in need of work; and helping to deliver effective public services so the Government of Pakistan can respond to its people's needs.[63]

59 Q33

60 DFID Evaluation Report Ev687, Evaluation of DFID Country Programmes, Country Study: Pakistan, April 2008

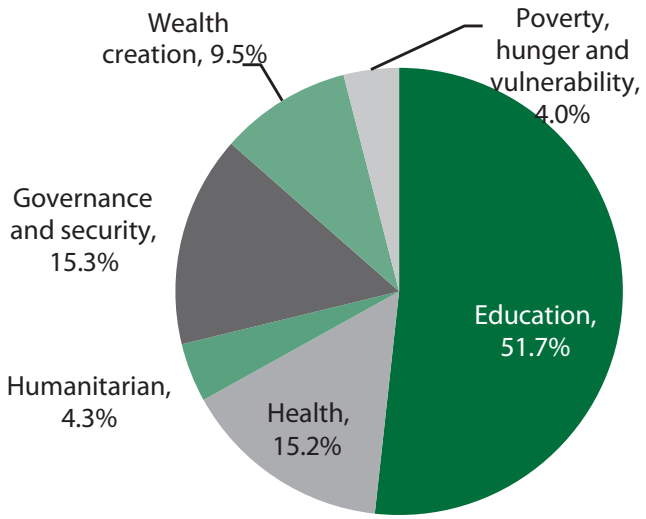
61 Ev 55

62 DFID Pakistan, Operational Plan 2011-15

63 DFID Pakistan, Operational Plan 2011-15, Vision p 3

45. Education will be DFID's largest programme in future. Its other key areas are governance and security and maternal health, with other smaller programmes on humanitarian assistance, wealth creation and poverty hunger and vulnerability.

Figure 1



Sectoral composition of planned expenditure in Pakistan 2012-13 to 2014-15, ICAI Report, Evaluation of DFID's Bilateral Aid to Pakistan

This Report concentrates on the three larger programmes which are covered in the next few chapters. Each of the programmes have a set of indicators and expected results set out in the Operational Plan which we consider in this report as well as some of the separate projects within the programme headings.

4 Governance and security programme

46. DFID states that governance lies at the heart of Pakistan's economic and social problems:

> Poor planning, budgeting and management mean health and education services do not meet the needs of the population. 79% of Pakistanis have 'lost hope' in the current government's ability to improve their lives. [64]

DFID argues that the Pakistan Government needs to undertake significant macroeconomic reforms to increase growth, tackle severe energy shortages, and manage fiscal and inflationary pressures including increasing the tax to GDP ratio.[65]

DFID's current governance and security projects

47. DFID's governance programme is made up of a number of active projects which are listed below.

Table 4

PROJECT TITLE	DESCRIPTION	BUDGET
AAWAZ Voice and Accountability Programme	Democratic processes in Pakistan are more open, inclusive and accountable to citizens.	£37,500,000
Pakistan: Support to Multi-Donor Trust Fund (MDTF) for Northwest Frontier Region	Support recovery and sustainable development in Border Areas (specifically those aspects identified as addressing root causes of conflict & supporting drivers of Peace)	£30,000,000
SUB NATIONAL GOVERNANCE - KHYBER PAKHTUNKHWA AND PUNJAB	Poor people in Punjab and Khyber Pakhtunkhwa provinces report that the government services (especially health and education services) are better meeting their needs	£15,378,000
Supporting Transparency, Accountability and Electoral Processes in Pakistan (STAEP)	Democratic processes in Pakistan are more open, inclusive, efficient and accountable to citizens	£11,500,000
Supporting Electoral Reform in Pakistan	Stable, inclusive and tolerant democracy in Pakistan	£5,680,000
Support to Government of Northwest Frontier Province Provincial Reforms Programme	Government of North West Frontier Province and Federally Administered Tribal Areas-Secretariat demonstrate increased capacity to design and deliver effective and sustainable public services improved.	£2,496,499
Peace building Support to PCNA (PSP)	People benefitting from a more stable environment for achieving Millennium Development Goal (MDG) targets in KP and FATA	£2,400,000

64 Ev 56

65 Ev 56

Support to the Government of Balochistan	To improve GoB's social service delivery through better public sector management.	£800,000
Pakistan Alternate Dispute Resolution Project Phase II - Punjab	To enhance access to justice for small and medium enterprises and business concerns through institutionalised mediation	£296,000
Stabilisation Support to Pakistan	To provide technical assistance in support of the completion of the crisis analysis phase of the post-crisis needs assessment	£266,991

DFID website: Pakistan programmes

Box1

DFID Pakistan's 2015 targets for Governance are:

- Provide and install a total of 50 bridge kits to conflict and flood affected areas in Khyber Pakhtunkhwa;
- Help two million more women and men to vote in the next General Election;
- Help increase the number of women in decision-making positions at local and provincial level in Punjab and Khyber Pakhtunkhwa by 13% and at national level by 5%;
- Work with the Government of Khyber Pakhtunkhwa to strengthen its budgeting for another six districts so it is linked to delivery and performance across eight sectors, including education and health;
- Work with the World Bank and other donors to, amongst other things, build schools and roads in Khyber Pakhtunkhwa and Federally Administered Tribal Areas (FATA).

Source: DFID, UK aid: Changing lives, delivering results in Pakistan, Summer 2012

48. This set of targets seemed to bear little if any relationship to governance projects detailed Table 4. It is unclear to us how DFID's portfolio of governance and security projects are linked to the targets in its operational plan for Pakistan, or how the impact of the projects will be measured. Given that the cost of these projects is large, in excess of £100 million, we believe that DFID should set clearer targets and measure performance against these targets. .

Anti-corruption programme

49. On 1 February DFID published specific plans to tackle the misuse of foreign public funds in each of its 29 priority countries[66]—one of which is Pakistan. It said by doing this DFID would:

> help the poorest people to develop their economies, hold their own governments to account and to grow their way out of poverty[67]

50. Pakistan's main anti-corruption body is the National Accountability Bureau (NAB), established in 1999. It has preventive, enforcement and public awareness functions with a mandate to investigate and prosecute corruption cases. DFID has informed us that it has worked with NAB in the past, most notably supporting the drafting of the National Anti-Corruption Strategy in 2002. DFID said that this work had had limited impact and referred us to a report that found:

66 DFID Press Notice: *Corruption: UK crime agencies to fight problem overseas* 1 February 2013

67 DFID Press Notice: *Corruption: UK crime agencies to fight problem overseas* 1 February 2013

> the NAB is widely perceived to target politicians and civil servants from preceding civilian governments, discrediting political opponents and junior government officials. Judges and military officers as well as political allies of the government have been virtually immune from any investigations or being held accountable for their actions. [68]

The previous Pakistan administration were working towards a new anti corruption body, in October 2012, it introduced a draft National Accountability Commission Bill 2012 to replace the NAB with a new institution. However the Bill lapsed with the expiry of the National Assembly's term last month.[69]

Box 2

DFID's anti corruption programme targets

Over the next three years, DFID said it will support the Pakistani government in tackling corruption through:

- Building political commitment to increase accountability, for example by supporting Pakistan's Public Accounts Committee and supporting the Election Commission.
- Supporting better access to information and transparency, for example helping provincial governments to consult communities about their budgets.
- Improving public financial management, for example by supporting provincial governments on budgeting, reporting and independent auditing.
- Identifying and supporting initiatives outside government that strengthen the voice of citizens in reporting concerns and demanding action on corruption.
- Supporting the international community's work to co-ordinate approaches to corruption.
- Backing global and regional initiatives on corruption.

Source: DFID's Anti-Corruption Strategy for Pakistan, January 2013

51. Commentators have warned that progress against corruption will be slow as it was "deeply entwined with patronage, which in turn is at the heart of the political system."[70] James Fennell pointed out that the most corrupt institutions in Pakistan were the ones with an interface with the people, for example the police, the land tax administrators and the income tax administration. Corruption is permitted in these entities as Pakistan's political class need them "to be biddable in order to make sure that people vote for the right people, for example the so called feudals in southern Punjab and northern Sindh."[71]

52. It is unclear to us how DFID's newly announced anti corruption programme sits with the current DFID governance projects (Table 4) and 2015 targets (Box 1)—whether it is additional to what already exists with additional funding or encompasses the projects and targets which already exist.

68 2008 U4 paper Overview of Corruption in Pakistan

69 Ev 63

70 Q11

71 Q40

53. **We commend DFID's anti-corruption aspirations but recommend that in its response to us DFID should:**

- **confirm that:**
  - **the Pakistan Government remains committed to an anti-corruption strategy and programme led by the National Accountability Bureau**
  - **once appointed, the Bureau's principal officers cannot be dismissed by the President, Government, Parliament or the armed forces of Pakistan,**
  - **the Bureau has the budget and power to investigate, charge and prosecute people without seeking approval from the President, Government, Parliament or armed forces of Pakistan;**
- **set out measurable targets to see if its investment in anti-corruption is having the desired, positive effect;**
- **indicate at what point monitoring and evaluation will take place to determine whether DFID and the Government of Pakistan's investment in anti-corruption is being achieved.**
- **hold discussions with the Commonwealth Secretary General about what further steps the Commonwealth can take to help all Commonwealth Governments to reduce corruption.**

54. **We are concerned that DFID's anti-corruption targets do not include bringing public officials accused of corruption to court and securing convictions and sentences against those found guilty.**

Tax reform

55. More tax has to be collected to fund social programmes for Pakistan's rapidly growing population. A report commissioned by DFID on Pakistan governance concluded that if Pakistan were to guarantee a more inclusive and equitable political settlement one of the three things it needed to do was to "Ensure that the tax base is extended and revenues are raised fairly from all sectors of society".[72] Dr Ahmad told us:

> if the Government does not fix it, and you continue to have pressure on public services, the increase in militancy and dissatisfaction with the state of affairs is only bound to grow. I think this will manifest not only in demonstrations in Islamabad, which we are seeing now, but also in increasing regionalism. [73]

56. We were therefore keen to examine what DFID was doing to support improvements in the current state of taxation in Pakistan. DFID's submission to our *Tax in Developing Countries* inquiry stated that it had contributed to a Tax Administration Reform Project

72 Coffey International Development in association with the IDL Group, Pakistan Country Governance Analysis 2011, April 2011

73 Q89

(TARP) in Pakistan, costing DFID £13 million over six years. The objectives of the programme had been to improve organisational efficiency and effectiveness of revenue administration, promote compliance through strengthened audit and enforcement capacity, improve trade facilitation through modern and internationally acceptable customs procedures, and improve the integrity and fairness of the revenue system.[74]

57. However, Dr Ahmad was scathing about the programme. He told us that TARP which had been run by the World Bank had cost $135 million. After a year the programme was no longer audited, at the end of eight years work had not started on integrating the tax administration systems (the main purpose of the programme) and, by the time it was 'shut down' by the World Bank there was not even a design for a functioning IT system. He believed the West had turned a blind eye to Pakistan's tax affairs during this period allowing the programme to fail due to the need to keep the Pakistan Government on side with the Western political objectives following 9/11.[75]

58. Currently DFID has no programmes on taxation. DFID told us that its engagement on taxation focused on "building consensus" at both Federal and Provincial level, while being "ready to engage technically when political leadership was clearly expressed":

> The UK stands alongside the US, IMF, World Bank and Asian Development Bank in encouraging the Government of Pakistan to lay the groundwork for post-election economic reform including on taxation and revenue collection.

We questioned the DFID Director General Humanitarian, Security and Conflict, Mark Bowman in December 2012 about tax in Pakistan as part of our inquiry into the Department's annual report and accounts and were informed:

> There are some very significant challenges in Pakistan, in terms of building up their tax base. This is an area that we would like to explore further—how we can continue to work with the Pakistani authorities. They have a very persistent problem in terms of the very low ratio of tax to GDP. Through the technical support that we can provide but also the dialogue we have with them over their general economic policy, through the IMF and other organisations, this will be a key priority for us in the coming years.[76]

59. It seemed to be agreed amongst our witnesses that the IMF had a critical and important role to play in persuading the Pakistan Government to reform taxation. Although discussion continue between the Pakistan authorities and the IMF, to date the IMF have not received a loan request from the outgoing administration. There is speculation that Pakistan's caretaker administration might approach the IMF but it is not clear if negotiations could be concluded unless agreed by the newly appointed government following the May elections. New IMF financing would be dependent on the Pakistan authorities taking prior policy actions for macroeconomic stabilisation. Discussing Pakistan on 21 November 2012, the IMF Executive Board said:

---

74 House of Commons International Development Committee Fourth Report of Session 2012-13 Tax in Developing Countries: Increasing Resources for Development, HC 130,Ev 108

75 Q 93

76 House of Commons International Development Committee Ninth Report of Session 2012-13 Department for International Development's Annual Report and Accounts 2011-12, Ev 4, Q 14

> "Directors called for comprehensive revenue and expenditure reforms. Fiscal consolidation should focus on changes in tax policy and improvements in compliance. Some Directors urged reconsideration of the tax amnesty schedule currently being contemplated. Recognizing the political difficulties in implementing a full VAT, Directors advised the authorities to consider credible alternative revenue measures including a modified GST and strengthening the income tax."[77]

Dr David Steven said he hoped the IMF would be tougher in what it did.[78] Dr Ahmad agreed:

> You cannot have an IMF programme that says, "Never mind about the tax reform." How is the IMF Board going to turn around and say the same thing to Greece, if Greece is going to ask for the Pakistan treatment? You cannot have another IMF programme. That is where the United Kingdom, and the Germans[...] have a voice in the IMF. No programme without tax reform. [79]

We asked the Secretary of State how levels of taxation could be increased in Pakistan. She also believed the IMF had an important role and that there was potential for a new Government after the election to face up to the problem She hoped that in the first 100 days after the election there would be a serious approach to confront taxation. She said that Pakistan needed to

> look at some of the reforms that have also been proposed by the IMF, potentially. They also need themselves—I sense, on a cross party basis—to start to get some agreement on what needs to be reformed, whoever wins [the election], so that you try to take the politics out of what are structural economic challenges that will face whatever government takes over after the next election.[80]

60. **We recommend that DFID work with other donors to encourage Pakistan to make progress on tax policy and revenue collection and seek to ensure this is a high priority for all donors. We further recommend that the UK Government use its influence in the IMF to ensure this institution presses for reforms to Pakistan's tax system. The UK Government also should be ready to support the new Pakistan government in implementing a nationwide, strategic communication plan to explain the need and benefits of the desired tax policy changes so as to help the authorities to build political momentum for reform within Pakistan.**

The 'Golden Thread'

61. The Secretary of State said the concept of the Golden Thread, as discussed earlier in this report, has translated into DFID's programme in Pakistan by investing in the

77 International Monetary Fund website, Public Information Notice (PIN) No. 12/135, http://www.imf.org/external/np/sec/pn/2012/pn12135.htm

78 Q102

79 Q95

80 Q125

transparency and accountability agenda, for example the budgeting and local community engagement project in Khyber Pakhtunkhwa.[81]

62. However, given the importance the Prime Minister, David Cameron, attaches to the 'Golden Thread' and the poor quality of governance in Pakistan, we were surprised that DFID's governance programme only had one small provincial project directly related to improving and building the Golden Thread which, from what the Secretary of State told us, we surmise is the *Sub national Governance project in Khyber Pakhtunkhwa*.

63. **Pakistan is a country where the Golden Thread is lacking—there is corruption, a frequent absence of the rule of law and low tax collection. We were surprised that addressing these important failings does not seem to be the main focus of DFID's governance work. We recommend DFID review and re-design the DFID Governance programme to support key Pakistani reformers to design and deliver a credible reform programme, involving increases in revenue collection, applying the rule of law and reducing corruption.**

81 Q123

5 Education programme

64. Amendment 25A to the Pakistan Constitution makes universal education to the age of 16 a right of every Pakistani child, but there are 12 million of out-of-school children, the second highest population in the world. In 2011, only 56% of children were enrolled in primary school and the primary completion rate was just 54.6%.[82]

65. Pakistan state spending on education remains low. It is estimated to be around 2.4% of GDP[83] compared to the UN's recommended norm of 4–6%[84] in developing countries. Dr Ahmad, highlighted that the Pakistan Government can only estimate spend because its accounting systems are so poor.[85] Of the children in school in Pakistan about 60% of are in government schools, 40% are in low cost private schools and 1% are in madrasa.[86] Dr Nelson told us, the divide was not quite as simple as that:

> Children routinely spend half of their day in a Government school, and then spend some time in a madrasa in the afternoon, or go to a madrasa in the morning, or call a mullah from the madrasa to their home and then attend another school later in the day. [87]

66. We were told that Pakistan spends so little on education because the people who make the expenditure decisions do not use the government education system and are not properly accountable to the people who do. James Fennell said that as a result the political leadership did not have any incentive to put money into social services, which did not buy them votes, and which they did not use themselves.[88]

67. Education was seen to bring a range of benefits. It was claimed that education reduced extremism. Sir Michael Barber told us that the Chief Minister of Punjab believed that until people were educated, particularly in rural areas, the terrorist and security problem would never be solved.[89] The Secretary of State said

> If you look at some of the research, for example by the Brookings Institute, it shows that extremism can be correlated with low educational achievement. [...]it is more complicated than that, but certainly we know that well educated people will be less likely, perhaps, to rely on what they have been told by others, and they will form their own views. They are also more likely, frankly, to want to have the sorts of opportunities that we all want: to be successful, to have a family, to have a good job, and to feel that that is possible.

82 Ev 53

83 2.4% of GDP,http://hdrstats.undp.org/en/indicators/38006.html

84 UNESCO states that Governments are encouraged to invest 4-6 per cent of GNP and 15-20 per cent of public expenditure in education, depending on the country's demographic and economic status, http://www.unescobkk.org/education/learning-throughout-life/efa/efanews/news-details/article/20-years-jomtien-education-for-all/

85 Q88

86 Q64

87 Q65

88 Q42

89 Q63

> We also know, in terms of education, that lack of access to education by low income people and minorities has been one of the things that have fuelled grievances.[90]

68. On the other hand, others saw little relationship between education and extremism. A recent article by a correspondent with Pakistan's Dawn newspaper stated

> the link between poverty and militancy is not as straightforward as commonly supposed—many militants actually come from relatively wealthy and educated backgrounds[91]

And Dr Matt Nelson from SOAS, who has been working extensively on the relations between education and extremism, told us:

> It is unhelpful to think that "extremists" are associated with a particular level of education. There is no correlation. We can find extremists with very sophisticated education here in London; we can find students with very little education, so again it is very difficult to draw a direct link between level of education and level of extremism, and we should avoid doing that. [92]

69. Nevertheless, regardless of the arguments about the links between education and religious extremism, there was widespread belief in the importance of education. Professor Lieven saw education as crucial for the future of Pakistan:

> education, especially women's education, is critical to the long-term development of the country. [It] is critical to building up a middle class that is not only capable of articulating its interests, but also has some feeling of responsibility to the masses.[93]

The Secretary of State said that education was a priority for DFID because of the young demographic profile of Pakistan.[94]

90 Q137

91 http://www.global-briefing.org/2012/01/islamic-extremism-a-home-grown-problem/

92 Q65

93 Q19

94 Q134

DFID's education projects

70. DFID has many on-going education projects within its overall Education Programme:

Table 5

PROJECT TITLE	DESCRIPTION	BUDGET
Khyber Pukhtunkhwa Education Sector Programme	Improve access to, retention and the quality of education for all children in primary and secondary schools of Khyber Pakhtunkhwa Province in Pakistan	£203,500,000
Punjab School Education Programme I	Improve access to, retention and the quality of education for all children in primary and secondary schools of Punjab Province in Pakistan	£80,000,000
Education Fund for Sindh	To provide children in Sindh Province, Pakistan, with a minimum standard of literacy and numeracy through innovative and cost effective way to provide quality education at scale	£39,800,000
Transforming Education in Pakistan	Parents mobilised to demand and political leaders galvanised to deliver, better education for children in Pakistan.	£8,112,267
Education Sector Voice and Accountability Project	The purpose of the project is that education system is more accountable to the population	£5,000,000
Innovation Fund for Education	Increase in the number of innovative solutions, which are proven to increase access to quality education and are taken to scale	£3,000,000
The Punjab Education Sector Reform Roadmap	Sustained political will for the implementation of education sector reforms to improve access, retention and the quality of education for primary school children in Punjab Province, Pakistan	£2,100,000
Pakistan Education Task Force	Increased capacity of Federal and Provincial governments to implement education reforms set out in the National Education Policy	£2,817,404
Punjab Education Support Programme II	Improve access to, retention and the quality of education for all children in primary and secondary schools of Punjab Province in Pakistan	£200,000

Box 3

DFID Pakistan's 2015 targets for education are:

- support 4 million children in school;
- help build 20,000 new classrooms; and
- recruit and train 45,000 new teachers.

Source: DFID, UK aid: Changing lives, delivering results in Pakistan, Summer 2012

Punjab Road Map

71. The Punjab Road Map is DFID's flagship project in Pakistan. The roadmap was launched in March 2011 with the aim of getting all primary aged children into school and significantly raising levels of achievement within two years. The programme is headed by DFID's Chief Education Representative in Pakistan, Sir Michael Barber.

Box 4

The Punjab Road Map
The main elements of the reform programme are included in the table of DFID programmes above and consist of:

- a nationwide media campaign targeted at parents to increase demand for education
- an expansion of low cost-private schooling through 3 programmes

i. education vouchers for out of school children to be redeemed at approved schools
ii. new schools program through funding for entrepreneurs to establish low cost private schools
iii. foundation assisted schools, providing government funding to high performing low cost private schools.

- An innovation fund to identify education entrepreneurs to help them develop and scale their institutions

Source: Whole system revolution: The Punjab School Reform Roadmap

72. We were informed that the roadmap was based on a series of clear targets for each district which were carefully assessed with monthly data on key indicators and fed back to the districts. The project is monitored by an independent team who observe progress and mediate disputes.[95] There are also high level progress reviews chaired by Shabaz Sharif, the Chief Minister of Punjab, and Sir Michael Barber.[96]

73. Moazzam Malik, explained that the road map was about leveraging Pakistani Government resources:

> We are leveraging an improvement in the quality of their spend, and we are leveraging their policy choices, so with relatively small amounts of money we are shaping what they are doing. For example, in Punjab in education, for roughly £60 million to £70 million a year we are influencing a £1 billion a year budget.[97]

The Secretary of State told us that DFID was looking to support the programme over the next five years at least, in theory, until the next election in Pakistan.[98] Moazzam Malik confirmed that a five to seven year timeframe was usual for DFID's large change programmes.[99]

Box 5

Progress to date on the roadmap:
In the first 18 months since the programme started DFID said that:

- 1.5 million additional children enrolled in schools
- 80,000 new teachers recruited on merit
- Teacher absenteeism is down from 19% to 12%
- Teacher guides have been created and distributed to 60,000 schools although usage remains low
- 180,000 teachers have been trained to use their guides
- 10,000 teachers have received individual coaching
- Number of schools visited by monitoring officers each month has increased from 54% to 88%
- New education officials have been appointed based on merit
- 140,000 additional children from poor families have enrolled in voucher scheme

Source: Whole system revolution: The Punjab School Reform Roadmap

95 Whole system revolution: The Punjab School Reform Roadmap

96 Whole system revolution: The Punjab School Reform Roadmap

97 Q110

98 Q135

99 Q135

Risk

74. Sir Michael Barber was clear that the Punjab Road Map involved risks. These included: losing key officials during the election period; the political results of the election and whether new politicians and officials would be committed to the programme; the fast pace of the change programme; and external risks such as terrorism and natural disasters.[100] However, he concluded that these risks were far smaller than the risks of doing nothing or going too slowly.[101]

75. The programme is heavily reliant on the political support of Punjab's Chief Minister, Shabhaz Sharif; there is considerable concern about the programme should he no longer be Chief Minister after the next election. The Secretary of State informed us that to mitigate this risk, DFID had held talks with "with other politicians who are not necessarily in power at the moment to help them understand why this programme has been effective, and how it works" in order "to get political buy in from political leaders today as well as look ahead and get broader political buy in, not just from current political leaders but perhaps those people who might be taking those decisions in the future."[102]

76. We also questioned witnesses about the risks of running such a large programme and the scaling up of DFID resources to an unprecedented level. Michael Green was concerned that there was no Plan B if the programme showed signs of failing:

> The danger is, when you make a very big bet like this, that even if it starts going wrong you carry on betting on it because you cannot admit it is failing. That is a big danger to the DFID programme. A clear plan B, knowing what to do as an alternative—not just turning off the taps—and responding to reality will all be crucial.[103]

ICAI concluded that "the conditions of scaling up needed to be clearly articulated with the flexibility to reallocate funds and a better balance across government and non-government delivery channels."[104]

77. Several witnesses were concerned about the sustainably of the programme specifically whether it would continue once DFID withdrew its support. We were told by Dr Matt Nelson from SOAS about a $100 million USAID education sector reform project which worked with the Chief Minister of Sindh on a management information system to capture education data. He said that despite one of the key achievements was seen to be the USAID relationship with the Chief Minister the management information system only lasted while the US was involved and funding it.[105]

100 Q66

101 Q66

102 Q133

103 Q58

104 ICAI, Report 15 Evaluation of DFID's Bilateral Aid to Pakistan, October 2012

105 Q67

78. The Secretary of State told us that if the DFID programme were to be sustainable, "it had to sit alongside a broader strategy around education in Punjab."[106] She explained that this was being done by investing in teachers, schools and text books but also, on the demand side, by encouraging parents to send their children to school and closely monitoring the programme to prove to politicians the strategy was working.[107]

> If you have those different elements in place, you do start to get sustainability. At that stage you have parents starting to understand why schooling is so important, and seeing good quality schooling happening, and you then start to see politicians realising that, if they want to get elected again, continuing these sorts of really effective programmes, which are really making a difference on the ground and which are very valued, is probably one of the best ways to achieve that. You try to create a virtuous circle[108]

Moazzam Malik said that the key to sustainability of the programme was "building strong public private partnerships" and that one of the mistakes of the past was " to work just with the very dynamic private sector and to lose sight of the fact that the public sector had to provide the bulk of the finance."[109] He added that in Punjab DFID was looking at how Pakistani public resources could be used to finance low-cost private schools where they were more efficient and more effective. He emphasised that since its contribution was relatively small - less than a 10% share of Government resources—if DFID needed to scale down or withdraw from the programme, it should be possible for the public authorities to continue it. [110]

Next step

79. Up until now the programme's priority has been to increase the numbers of children and teachers in schools rather than improve the quality of education. In our visits to schools in Pakistan, we observed that that although there were many children in the schools their level of learning was often poor—for example in one school we visited children were learning 'parrot fashion' the English names for parts of a plant but when we flicked through their exercise books all other pages were empty.

80. Teacher quality was something that Sir Michael Barber was very aware of. He told us that there would be a focus on teacher quality in 2013.[111] A project was being piloted in some districts of Punjab with District Teacher Educators becoming coaches and mentors to teachers.[112]

106 Q109
107 Q109
108 Q109
109 Q132
110 Q133
111 Q67
112 Q77

81. Other improvements were suggested. Dr Nelson told us that the quality of the teaching could be improved through examinations:

> it would be helpful to see from DFID is a very astute assessment of how the existing exam system is politicised and undermined, so that if a new exam system is introduced, it can address some of those problems. The question is not, "What questions are on the exam?" The question is, "How do people manipulate the results of said exam?"[113]

Sir Michael agreed that the exam board should be looked at, but had not been a focus up until now because there was "so much they were already working on already".[114]

82. The content of the curriculum and text books were seen as a problem in Pakistan. James Fennell told us that since the 1970s Pakistan's education system had become narrow-minded, strictly Sunni and non-inclusive.[115] This is an extremely culturally sensitive issue. Anwar Akhtar suggested it should be left to civil society groups and Pakistani diaspora organisations as opposed to someone such as Sir Michael Barber who, as he said himself, could be seen as potentially having a white, colonial, Christian agenda. He said the UK could help by empowering the civil society and diaspora organisations to "have the arguments on their terms, and within their value systems and their narratives".[116]

83. **The connections between education and extremism are unclear. The UK Government believes that education will counter extremism, but others are sceptical. Nevertheless, recruitment into a jihadist movement would seem likely to be easier where there is hardship, poverty and unemployment.**

84. **All are agreed that it is vital that the quality and coverage of education is dramatically improved in Pakistan. The Punjab Road Map looks to be a good project, but DFID will need to be able to adapt it should there be a change in Chief Minister with a successor less enthusiastic about the programme. A similar US programme in Sindh failed once the US withdrew funding. To help ensure this does not happen in Punjab and that the programme is sustainable, DFID should continue to help the Government of Punjab build widespread public support for an improved education policy and programme. The aim is to build informed demand from parents and an accountable response from education managers and the teaching profession that continues from one political administration to the next.**

85. **We are concerned by the quality of education provided by the schools we visited in Punjab, but are pleased that DFID's Punjab education programme has planned improvements to teacher quality and action against corruption of the examination system. DFID should report regularly on progress in improving the quality of education.**

113 Q77

114 Q78

115 Q 52

116 Q63

6 Health programme

86. Pakistan ranked 133 out of 135 countries in the 2011 UN Global Gender Gap Report[117] The country has the fourth highest number of child deaths in the world for under-five children and is making slow progress towards the MDG target on child mortality . Over half of these deaths occur within the first month of a child's life due to the lack of availability of vaccines and under nutrition of pregnant women.[118] 12,000 women still die during pregnancy or childbirth each year and one million more suffer ill health or chronic disability.[119]

DFID's health projects

Table 6

PROJECT TITLE	DESCRIPTION	BUDGET
Maternal and Newborn Health	To improve access to maternal and newborn health services especially for poor and marginalised	£91,000,000
Delivering Reproductive Health Results Programme	To improve reproductive health and enable women in Punjab(Pb), Sindh(Sd), Khyber Pakhtunkhwa(KP) and Federally Administered Tribal Areas (FATA) to exercise their right to choose whether, when and how many children they have.	£17,139,100
Provincial Health & Nutrition Programme	To improve reproductive, maternal, newborn and child health services to the population of Punjab (Pb) and Khyber Pakhtunkhwa (KP), which comprises 70% of the total population in Pakistan.	£217,680

Source: DFID website

Box 6

DFID Pakistan's 2015 priority targets for health are:

- prevent 3,600 mothers deaths in childbirth;
- prevent half a million children from becoming under-nourished; and
- help 500,000 couples choose when and how many children to have.

Source: DFID, UK aid: Changing lives, delivering results in Pakistan, Summer 2012

87. On our visit to Pakistan we were told that DFID's engagement in health in Pakistan over the past decade had mainly taken the form of financial support to national health programmes. Since the 18th Amendment devolved health and education responsibility from the Federal to the Provincial Governments, these national health programmes are gradually being passed to the provincial health authorities. DFID is, therefore, in the process of redesigning its health programmes to work directly with the provinces.

117 Ev 53

118 Ev 54

119 Ev 54

Maternal and newborn health

88. The Pakistan Maternal and Newborn Health programme supported by DFID was a national health programme, designed to reduce maternal and infant mortality by increasing the number of skilled birth attendants. It supported the training and deployment of a network of Community Midwives in rural areas, who were meant to work in parallel with the Lady Health Workers (women who provide community health services in rural areas— another Pakistan Government programme also supported by DFID).

ICAI Review

89. ICAI gave DFID's health programme a very poor review with a red/amber mark, especially on project design and the interaction between Lady Health Workers and Community Midwives. It found that the Lady Health Worker and Community Midwife programmes operated as rival schemes significantly constraining the effectiveness of each other; for example, Lady Health Workers were discouraged from referring cases to the Community Midwives. They received financial commissions for referring deliveries to private health clinics rather than the midwives and, in some cases, could assist with deliveries themselves for a fee.[120] Whilst visiting Pakistan we saw in one village how a Community Midwife and a Lady Health Worker were working well together but in other meetings with groups of Community Midwives and Lady Health Workers we also heard of dissatisfaction with the different remuneration and working arrangements between the two types of workers.

90. The ICAI report concluded that now that DFID's original counterpart, the national Ministry of Health, had been abolished and because ownership of the federal programme at provincial level had been weak, DFID could redesign its health sector programming to reflect the process of devolution.[121]

91. On 22 January 2013 DFID announced, as part of the Secretary of State's visit to Pakistan, new provincial support to prevent maternal and child deaths and unintended pregnancies.[122] The programme aims to prevent 120,000 child deaths, one million unintended pregnancies and 2,000 maternal deaths, whilst also helping 340,000 malnourished children. However, the programme seems not to have been significantly redesigned, just scaled up. The Secretary of State told us:

> It is a scale up of the general programme that we have. In a sense it matches some of the scale up we have done around education, where we have a sense of what works, so we are not creating things from scratch, but what we are doing is taking what works and doing more of it.[123]

92. The Department has since informed us that the programme is worth £160 million over four years (2013–17) and will focus on Punjab and Khyber Pakhtunkhwa. It will train a

120 ICAI, Report 15 Evaluation of DFID's Bilateral Aid to Pakistan, October 2012

121 ICAI, Report 15 Evaluation of DFID's Bilateral Aid to Pakistan, October 2012

122 DFID press release in Pakistan only: UK International Development Secretary Justine Greening unveils support to help prevent 120,000 child deaths, 22 January 2013

123 Q143

further 5,500 Community Midwives. However there is still no detail on how the problems highlighted by ICAI between the Community Midwives and Lady Health Workers will be resolved nor how the programme has been redesigned.

Nutrition

93. DFID said that 'levels of under nutrition are above emergency thresholds at 19%' in Pakistan.[124]However DFID currently has no nutrition specific programmes. On our visit to Pakistan we were particularly concerned about the levels of nutrition of pregnant and breast feeding mothers and about whether the school age children we met were receiving adequate nutrition to be able to learn. Moazzam Malik informed us that:

> We are not directly financing UN nutrition programmes in Pakistan from the DFID pot; we have general DFID to UN headquarters relationships that are helping some of those organisations with their work, but we are not financing it directly in the DFID Pakistan programme. We are working with them closely in policy terms, and indeed with the World Bank very closely in policy terms, as well as with the Pakistani authorities, to try to address nutrition. As you say, this is both a tragedy for the families involved as well as an economic tragedy. The cost of the malnutrition is estimated to be between 1% and 2% of GDP. For a country that is growing at 3% and needs to grow at 7%, that is a criminal waste. We are working with the UN organisations in policy terms on this issue.[125]

94. Following the evidence session with the Secretary of State she has written to tell us that the new Maternal New-born and Child Health programme discussed in the section above will also improve nutrition services in Punjab and Khyber Pakhtunkhwa by 'scaling up nutrition interventions' through the Lady Health Workers and by establishing centres to treat severely malnourished children. DFID is also 'looking at' providing direct support to mothers and new-borns through food fortification interventions in partnership with the World Food Programme, UNICEF and International NGOs.[126]

95. **DFID needs to look carefully at its health programme following the ICAI criticism. We have not seen enough of a change in the design of the Maternal and Newborn Health programme to be reassured that the problems identified by ICAI at the national level will not just be replicated at the provincial level – mainly the interaction and relationship between the Community Midwives and Lady Health Workers. We support the basis of both programmes so are not asking for the funding to be stopped for either but that the remuneration packages and way of working are made complementary not competitive.**

96. **We welcome DFID's recognition of the need to improve the nutrition of mothers and new born children in Pakistan. However we are unconvinced that 'scaling up' the Lady Health Worker interventions is the solution until we see evidence of the redesign of the health programmes as suggested by ICAI. We ask DFID in its response to explain**

124 Ev 52

125 Q140

126 Ev 58

what has been done to date to rectify the issues. In addition we would like to receive information on the progress towards a food fortification intervention programme.

7 UK Pakistani diaspora

97. There are around 1.07 million people in the Pakistani ethnic group living in the UK. The last figures available on the amount of money being sent back to Pakistan specifically from the UK are from 2010 at £627million[127]—this represented 10% of the total amount of money flowing back into Pakistan from its worldwide diaspora that year.

98. During the inquiry the Committee visited Derby to meet members of the diaspora. We heard about the community's involvement with charity in Pakistan, including raising funds for schools and flood victims. We were also informed of the diaspora's distrust of the Government of Pakistan and public officials due to the corruption and bribery they experience on their visits there. They have therefore tended to finance small individual projects that they worked on in a personal capacity making sure the money they gave was managed by friends or family or even by themselves on visits. The diaspora were very keen to work with DFID to ensure funds were spent wisely through their connections or by volunteering their own time to DFID.

99. According to Anwar Akhtar about 4,000–5,000 British Pakistanis fly out to Pakistan every summer.[128] He said there was a professional class who now wanted to engage with DFID. He wanted to see:

> a small sum of money in the scheme of things, four, five or six million, over a two to three year period, for specific peer to peer engagement between the institutions Pakistan needs to grow, and diaspora organisations who can also talk some blunt truths to power.[129]

He added:

> the potential leverage is huge, and it is game changing, for multiple reasons—cultural, political, strength of voice, level of access, level of engagement, the authority the diaspora has.[130]

He said he found it 'stunning' that DFID did not have an information stall at Manchester airport, saying, "These are our projects; go and have a look whilst you are in Pakistan," to raise awareness.

> The British Pakistani community wants to engage. [...] People trust Human Rights Commission Pakistan; they will send their money. People trust the Edhi Foundation; they will send their money. People trust The Citizens Foundation; people trust Islamic Relief. People are engaging. Bluntly, those organisations are not enough to stabilise Pakistan. What I am trying to say is that you need to work with that channel of activity, and engage DFID.[131]

127 State Bank of Pakistan data

128 Q81

129 Q81

130 Q81

131 Q82

100. We were interested in how the diaspora could be involved. Michael Green suggested a comparison with the USA and Mexican diaspora:

> The kind of work that has happened in Mexico with the hometown development associations can be a way of saying to the diaspora, "Actually, you get more bang for your buck if you work through these structures to help and get some collective action." [132]

He saw a lot of potential for DFID to use remittances[133] as a pool of development financing and a way of engaging the diaspora in Pakistan's development.[134] He also suggested the use of match funding by DFID.[135]

101. The Secretary of State told us:

> I have the Department working on a piece of work to look at some of these key diaspora groups and how we can engage and work with them in a more, as you say, structured way. Britain is now a very diverse country, and we need to use that diversity and turn it to our advantage.[136]

102. **We recommend that DFID explore innovative ways of working with the UK Pakistani diaspora:**

- **to improve the effectiveness of the development assistance programme, in particular by involving the diaspora in monitoring projects; and**
- **to align, where appropriate, diaspora funding and remittance flows to Pakistan with DFID supported programmes.**

132 Q44

133 A remittance is a transfer of money by a foreign worker to his or her home country.

134 Q44

135 Q44

136 Q146

8 Concerns

Flexibility to respond to political events.

103. The political situation in Pakistan where events change almost daily—since starting this inquiry there have been political demonstrations in Islamabad, a march in the Federally Administered Tribal Areas and a warrant issued for the arrest of the then Prime Minister by the Supreme Court due to corruption charges—makes us very conscious of the need for DFID to maintain the flexibility to respond to significant change. The World Bank's Country Assistance Strategy found that a key lesson learnt from past programmes in Pakistan was that there needed to be enough flexibility in programmes to manage these political risks. The strategy also said that programmes needed to be realistic and not overambitious. Michael Green, who highlighted this report to us, was not confident that DFID's current programme for Pakistan was flexible enough and he was concerned it was over ambitious.[137]

104. The Secretary of State said she knew that DFID needed to "make sure that we can react to changing events and changing priorities".[138] Moazzam Malik argued that DFID's Pakistan programme was flexible:

> in the real world it is not possible to have a Plan A, which is the master plan, and a Plan B, and it is not the case that one falls and the other rises. It is about having a portfolio that spans ambitious change, and being ready to slow down things when they do not work, but equally to accelerate and scale up where things do work. It is by having that flexibility and working with those opportunities, but being robust about the results and the accountabilities and following our money, that we hope to achieve real change.[139]

105. **We recommend that DFID ensures that its programmes have sufficient flexibility to respond to future political events especially following the elections due to be held in May this year.**

Politicisation of programmes

106. Political parties in South Asia tend to be dynastic. For example, in Pakistan President Asif Ali Zardari married into the Bhutto family dynasty which controls the Pakistan Peoples' Party (PPP). Zulifiqar Ali Bhutto led the party until his execution in 1979. Then the PPP was led by his daughter, Benazir Bhutto—twice Prime Minister of Pakistan— until her assassination in 2007 when her husband, Mr Zardari, became co-chair of the PPP. Similarly the Sharif family, politically powerful industrialists from Punjab, have also played a central role in Pakistan's politics by leading the Pakistan Muslim League (N), the main opponent of the PPP. The eldest Sharif brother, Nawaz, has twice been Prime Minister of Pakistan until removed in the coup organised by General Pervez Musharraf in 1999. The

137 Q38

138 Q111

139 Q135

younger Sharif brother, Shabaz, is currently Chief Minister of Punjab Province, a post he also held from 1997 to 1999 until deposed in the Musharraf coup.

107. Dr Matt Nelson said that the Punjab programme ran the risk of DFID "simply playing in the Sharif patronage pie."[140] Due to the use of teachers at local level during elections he said that "the large push for teacher recruitment will not be overlooked by the political calculations of the Sharifs in the context of any election".[141]

108. Similarly Dr Ahmad said:

> You have a good programme, the conditional cash transfer. Unfortunately it is called the Benazir Income Support Programme, and it suffers from [...] clientelism. It is [...] the mechanism—which is funded partly by DFID—to make friends and influence people. This is the re-election campaign of Mr Zardari, which is funded by DFID. Well done.[142]

109. The Secretary of State argued that:

> they are both examples of very important programmes in Pakistan that, in my opinion, in a good way have been identified by politicians—and this is a democracy, and therefore these are the people who will be taking decisions going forward—as being extremely valuable.[143]

110. **We are concerned that DFID funding for the Benazir Income Support Programme and the Punjab Education programmes may lead some in Pakistan to believe that DFID is working unwittingly for selected Pakistan political parties, albeit these major programmes support different parties. In its response to this report, DFID should state how it will dispel such perceptions before Pakistan's forthcoming elections.**

Gender and violence against women

111. During the inquiry we heard about the extent of violence against women and girls in Pakistan. The attack on fourteen year old school girl, Malala Yousufzai happened shortly before our visit and was raised when we met Prime Minister Raja Pervez Ashraf. The shooting of Malala, the attacks on girls' schools, honour killings, acid attacks and the killing of women immunisation workers in the last six months has galvanised public opinion.[144] This opportunity to gain momentum on women's rights in Pakistan should not be lost.

112. Members of the committee met parents, teachers and students at the Girls Higher Secondary School in Haripur in Khyber Pakhtunkhwa. The parents and teachers said the shooting of Malala Yousafzai had had a profound impact—forcing Pakistanis to face the issue of violent discrimination against women and girls and reinforcing their belief in the importance of education for girls. The students at the school put on a physical education

140 Q66

141 Q66

142 Q101

143 Q136

144 *Targeted by militants, Pakistan's women push back* Independent 19 March 2013

and drama display in which two students acted out the story of discrimination against girls' education and the need for women to speak out for their rights. The committee also met women from NGOs and UN agencies while visiting Khyber Pakhtunkhwa, including Dr Mariam Bibi, the inspirational Director of Kwendo Khor, a women's rights NGO in the Federally Administrated Tribal Areas. Dr Bibi holds a doctorate from the University of York and was recently rewarded an honorary degree by the university in recognition of her promotion of women's and girls' rights. She explained that she and Kwendo Khor seek to influence men who are opinion formers, such as Imams. She patiently lobbied one over several months about the importance of women's inheritance rights and urged him to speak about this in the Mosque. Eventually he did, and he explained to Dr Bibi that it had taken time because first he wanted to change his will so that his wife would inherit his property. He said it would do no good to preach unless he practised what he preached.

113. We note that DFID states it puts women and girls "at the centre of everything UK aid does" in Pakistan and that it intends to do this by: supporting two million more girls into school; preventing 3,600 women dying in childbirth; helping 500,000 couples choose when and how many children they have; helping around 700,000 women access financial services such as micro-loans; and supporting women's rights in Pakistan including tackling domestic violence.[145] We were pleased to hear about DFID's support to: the Aawaz Strengthening Voice and Accountability Programme; the Gender Justice and Protection Programme; and efforts to tackle acid violence against women and girls, through funding for the international NGO Acid Survivors Trust International. We intend to carry out a detailed study of DFID's approach to tackling violence against women and girls globally through our current inquiry into this specific issue, and will publish our report on this subject in June 2013.

114. Oxfam recognises the work DFID in Pakistan has been doing on women's health and education as well as the cash transfers aimed at women through the Benazir Income Support Programme, but believes that DFID could do more. It recommends that DFID should step up support for women and women's rights advocates to assert rights to basic services, including security and justice as well as improved state governance and responsiveness. Oxfam would also like donors to encourage the Pakistan Government to fulfil more effectively its obligations outlined by the Convention on the Elimination of all Forms of Discrimination against Women (1979), the International Conference on Population and Development Programme of Action (1994) and the Millennium Development Goals.[146]

115. **It is essential that DFID makes the position of women and girls central to its work and that gender analysis and action is at the core of its Pakistan programme. As noted in our 2012 report on development in Afghanistan, the position of women is a key development indicator. We recommend that DFID establish a gender advisory group made up of Pakistani women . We believe it should include women like Mariam Bibi. The group would advise on the impact of development work on women and explore where DFID could do more. We will continue to monitor the progress of women's role and inclusion in development in Pakistan.**

145 Summary of DFID's work in Pakistan 2011-2015 June 2012

146 Ev w33

The Pakistan government and its progress on reform

116. We are concerned that the Government of Pakistan has not sufficiently bought into DFID programmes which tend to be supply-driven by the UK. DFID claims that the scaling up of the programmes is reliant on key reforms by the Pakistan Government. The Secretary of State told us that these reforms include:

- The Pakistan Government itself investing in social-sector spending
- Increasing tax revenue and better public finance management with transparency and accountability to prevent corruption
- Human rights and democracy—not just passing legislation but also implementing it.[147]

117. The Secretary of State said that progress was measurable through 'metrics' on the number of children in schools, health and proportion of tax raised in relation to GDP, Pakistan's ranking on corruption and human rights indices. She believed the biggest test was whether Pakistan achieved free and fair elections this year.[148] In response to questions about whether conditions should be set for the increase in development spending in Pakistan, the Secretary of State said:

> My sense is that you would always need to be careful that it was not a blunt tool. Therefore it is not the approach that the UK Government has taken in relation to our aid. Therefore we have invested in where we think there is the ability to make progress, where it represents good value for money and alongside that, yes, we have been clear on partnership principles that we want to have in place with governments.[149]

We also asked if there was no progress with the new Government after the election on any of the key matters whether that would be a deal breaker and cause DFID to reconsider its involvement in Pakistan. The Secretary of State told us:

> I think donors will expect and hope to see some fast progress in the first 100 days of a new Pakistani Government. It will need to set out its stall about what it wants to achieve in a really clear-cut way. That is not just important to donor countries that are investing in programmes within Pakistan; it is important to the international financial institutions that Pakistan deals with, too.[150]

118. Michael Green said of conditionality:

> It can be seen as being this great solution, but a lot of conditionality is meaningless. It is things that do not really matter, or it is not measurable, or—as we have found in some other countries, actually—it is very hard to respond to if a condition is broken. If we are talking about conditionality, we have to be more granular. What form will that conditionality take? Is it measurable, is it implementable and can we act on that

147 Q111

148 Q112-113

149 Q122

150 Q128

> basis? If that conditionality is triggered, what is the response? Is it just turning off the tap or is it switching to something else and having a plan B scenario?[151]

In his Pakistan governance analysis for DFID, James Fennell observed that that while Pakistan had a good record of enacting legislation, implementation was the problem. .

> It becomes discretionary, because it falls into the military/bureaucratic power bloc. Some they like; some they do not. Some they implement; some they do not.[152]

Mr Fennell suggested support be conditional on the implementation of legislation as opposed to just the enactment.[153]

119. **If the political system in Pakistan continues to be characterised by corruption, insufficient tax collection, poor human rights and a failure to protect minorities, the effectiveness of donor supported programmes will always be undermined. We recommend that:**

- **the UK use its influence with the IMF to ensure that any additional loans are contingent upon prior commitments and action by the Government of Pakistan to meet clear conditions and targets;**
- **the UK Government communicate clearly to the Pakistan authorities the conditions under which UK development assistance will either increase or be reduced;**
- **DFID only increase official development assistance expenditure to the planned £464 million per annum if there is clear evidence that the newly elected Pakistan administration will increase tax revenues in general and income tax, in particular, and if it subsequently succeeds in increasing the amount of tax taken; and**
- **If the Pakistan Government is unwilling to take action to increase its revenues and improve services for its people, it cannot expect the British people to do so in the long run. We cannot expect the citizens of the UK to pay taxes to improve education and health in Pakistan if the Pakistan elite is not paying income tax.**

151 Q42

152 Q42

153 Q42

Conclusions and recommendations

The case for reform

1. Nevertheless, however critical our witnesses were of the failings of successive Pakistan governments to deliver development, all agreed that the UK should maintain a development assistance programme. We agree that DFID should have a bilateral programme in Pakistan which has an important strategic position in the world, strong ties with the UK and its stability and prosperity is currently in question. (Paragraph 39)

2. It is for the Pakistan federal and provincial governments to shape reform programmes and institutions to improve public services and alleviate poverty. DFID has a role to play working alongside the federal and provincial governments. (Paragraph 40)

3. DFID's development assistance should be conditional on the Pakistan authorities committing to and implementing economic reforms and policy changes that will foster inclusive economic and social development. (Paragraph 41)

DFID's current governance and security projects

4. We commend DFID's anti-corruption aspirations but recommend that in its response to us DFID should:

    - confirm that:
        - the Pakistan Government remains committed to an anti-corruption strategy and programme led by the National Accountability Bureau
        - once appointed, the Bureau's principal officers cannot be dismissed by the President, Government, Parliament or the armed forces of Pakistan,
        - the Bureau has the budget and power to investigate, charge and prosecute people without seeking approval from the President, Government, Parliament or armed forces of Pakistan;
    - set out measurable targets to see if its investment in anti-corruption is having the desired, positive effect;
    - indicate at what point monitoring and evaluation will take place to determine whether DFID and the Government of Pakistan's investment in anti-corruption is being achieved.
    - hold discussions with the Commonwealth Secretary General about what further steps the Commonwealth can take to help all Commonwealth Governments to reduce corruption. (Paragraph 53)

5. We are concerned that DFID's anti-corruption targets do not include bringing public officials accused of corruption to court and securing convictions and sentences against those found guilty. (Paragraph 54)

Tax reform

6. We recommend that DFID work with other donors to encourage Pakistan to make progress on tax policy and revenue collection and seek to ensure this is a high priority for all donors. We further recommend that the UK Government use its influence in the IMF to ensure this institution presses for reforms to Pakistan's tax system. The UK Government also should be ready to support the new Pakistan government in implementing a nationwide, strategic communication plan to explain the need and benefits of the desired tax policy changes so as to help the authorities to build political momentum for reform within Pakistan. (Paragraph 60)

The 'Golden Thread'

7. Pakistan is a country where the Golden Thread is lacking – there is corruption, a frequent absence of the rule of law and low tax collection. We were surprised that addressing these important failings does not seem to be the main focus of DFID's governance work. We recommend DFID review and re-design the DFID Governance programme to support key Pakistani reformers to design and deliver a credible reform programme, involving increases in revenue collection, applying the rule of law and reducing corruption. (Paragraph 63)

DFID's education projects

8. The connections between education and extremism are unclear. The UK Government believes that education will counter extremism, but others are sceptical. Nevertheless, recruitment into a jihadist movement would seem likely to be easier where there is hardship, poverty and unemployment. (Paragraph 83)

9. All are agreed that it is vital that the quality and coverage of education is dramatically improved in Pakistan. The Punjab Road Map looks to be a good project, but DFID will need to be able to adapt it should there be a change in Chief Minister with a successor less enthusiastic about the programme. A similar US programme in Sindh failed once the US withdrew funding. To help ensure this does not happen in Punjab and that the programme is sustainable, DFID should continue to help the Government of Punjab build widespread public support for an improved education policy and programme. The aim is to build informed demand from parents and an accountable response from education managers and the teaching profession that continues from one political administration to the next. (Paragraph 84)

10. We are concerned by the quality of education provided by the schools we visited in Punjab, but are pleased that DFID's Punjab education programme has planned improvements to teacher quality and action against corruption of the examination system. DFID should report regularly on progress in improving the quality of education. (Paragraph 85)

DFID's health projects

11. DFID needs to look carefully at its health programme following the ICAI criticism. We have not seen enough of a change in the design of the Maternal and Newborn Health programme to be reassured that the problems identified by ICAI at the national level will not just be replicated at the provincial level – mainly the interaction and relationship between the Community Midwives and Lady Health Workers. We support the basis of both programmes so are not asking for the funding to be stopped for either but that the remuneration packages and way of working are made complementary not competitive. (Paragraph 95)

12. We welcome DFID's recognition of the need to improve the nutrition of mothers and new born children in Pakistan. However we are unconvinced that 'scaling up' the Lady Health Worker interventions is the solution until we see evidence of the redesign of the health programmes as suggested by ICAI. We ask DFID in its response to explain what has been done to date to rectify the issues. In addition we would like to receive information on the progress towards a food fortification intervention programme. (Paragraph 96)

UK Pakistani Diaspora

13. We recommend that DFID explore innovative ways of working with the UK Pakistani diaspora:

- to improve the effectiveness of the development assistance programme, in particular by involving the diaspora in monitoring projects; and
- to align, where appropriate, diaspora funding and remittance flows to Pakistan with DFID supported programmes. (Paragraph 102)

Flexibility to respond to political events

14. We recommend that DFID ensures that its programmes have sufficient flexibility to respond to future political events especially following the elections due to be held in May this year. (Paragraph 105)

15. We are concerned that DFID funding for the Benazir Income Support Programme and the Punjab Education programmes may lead some in Pakistan to believe that DFID is working unwittingly for selected Pakistan political parties, albeit these major programmes support different parties. In its response to this report, DFID should state how it will dispel such perceptions before Pakistan's forthcoming elections. (Paragraph 110)

Gender and Violence against women

16. It is essential that DFID makes the position of women and girls central to its work and that gender analysis and action is at the core of its Pakistan programme. As noted in our 2012 report on development in Afghanistan, the position of women is a key development indicator. We recommend that DFID establish a gender advisory

group made up of Pakistani women . We believe it should include women like Mariam Bibi. The group would advise on the impact of development work on women and explore where DFID could do more. We will continue to monitor the progress of women's role and inclusion in development in Pakistan. (Paragraph 115)

The Pakistan government and its progress on reform

17. If the political system in Pakistan continues to be characterised by corruption, insufficient tax collection, poor human rights and a failure to protect minorities, the effectiveness of donor supported programmes will always be undermined. We recommend that:

- the UK use its influence with the IMF to ensure that any additional loans are contingent upon prior commitments and action by the Government of Pakistan to meet clear conditions and targets;

- the UK Government communicate clearly to the Pakistan authorities the conditions under which UK development assistance will either increase or be reduced;

- DFID only increase official development assistance expenditure to the planned £464 million per annum if there is clear evidence that the newly elected Pakistan administration will increase tax revenues in general and income tax, in particular, and if it subsequently succeeds in increasing the amount of tax taken; and

- If the Pakistan Government is unwilling to take action to increase its revenues and improve services for its people, it cannot expect the British people to do so in the long run. We cannot expect the citizens of the UK to pay taxes to improve education and health in Pakistan if the Pakistan elite is not paying income tax. (Paragraph 119)

Formal Minutes

Tuesday 26 March 2013

Members present:

Sir Malcolm Bruce, in the Chair

Hugh Bayley	Jeremy Lefroy
Fiona Bruce	Fiona O'Donnell
Fabian Hamilton	Chris White

Draft Report (*Pakistan*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 119 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Tenth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report in addition to that ordered to be reported for publishing on 16 October, 28 November, 18 December 2012 and 17, 29 January, 5, 12 February and 26 March 2013.

[Adjourned till Thursday 18 April at 9.00 am

Witnesses

Tuesday 18 December 2012 *Page*

Thursday 17 January 2013

Tuesday 29 January 2013

List of printed written evidence

List of additional written evidence

(published in Volume II on the Committee's website www.parliament.uk/indcom)

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2012–13

First Report	DFID's contribution to the Global Fund to Fight AIDS, Tuberculosis and Malaria	HC 126 (609)
Second Report	Scrutiny of Arms Exports (2012): UK Strategic Export Controls Annual Report 2010, Quarterly Reports for July to December 2010 and January to September 2011, The Government's Review of arms exports to the Middle East and North Africa, and wider arms control issues	HC 419 (CM 8441)
Third Report	The Development Situation in Malawi	HC 118 (641)
Fourth Report	Tax in Developing Countries: Increasing Resources for Development	HC 130 (708)
Fifth Report	DFID's programme in Zambia	HC 119 (759)
Sixth Report	Afghanistan: Development progress and prospects after 2014	HC 403 (862)
Seventh Report	UK Aid to Rwanda	HC 726 (949)
Eighth Report	Post-2015 Development Goals	HC 657 (1065)
Ninth Report	Department for International Development's Annual Report and Accounts 2011–12	HC 751

Oral evidence

Taken before the International Development Committee

on Tuesday 18 December 2012

Members present:

Rt Hon Sir Malcolm Bruce (Chair)

Hugh Bayley	Mr Michael McCann
Pauline Latham	Fiona O'Donnell
Jeremy Lefroy	Chris White

Examination of Witnesses

Witnesses: **Professor Anatol Lieven**, War Studies Department, King's College London, and **Omar Waraich**, journalist, gave evidence.

Q1 Chair: Good morning. Thank you very much for coming in to help us with our inquiry into Pakistan, a country that obviously both of you know extremely well. We are looking forward to you sharing your understanding with us. I wonder, just for the record, if you could formally introduce yourselves?

Professor Lieven: I am Professor Anatol Lieven. I am in the War Studies Department of King's College London, and I suppose my reason for being here is that I was a journalist for *The Times* in Pakistan and Afghanistan back in the '80s. In recent years, I have been out there a lot to do research for a book on Pakistan that came out last year, called *Pakistan: A Hard Country.*

Chair: Which I am two thirds of the way through.

Omar Waraich: My name is Omar Waraich, and I suppose the reason I am here is because I am a journalist. I have covered Pakistan as a foreign correspondent for *The Independent* of London and *Time* magazine since 2007, and have also written on it for the Economist Intelligence Unit and *The Guardian.*

Q2 Chair: Thank you both very much. Having read your book, or being in the process of reading it, you describe Pakistan as having "tough creepers holding the rotten tree of the Pakistani system together", but you also say that some of those creepers are "parasites on the tree". What do you mean by that? You say in the book that it is all very complicated and there are lots of interconnections, but can you just briefly draw out what that means for our understanding of Pakistan?

Professor Lieven: I see Pakistan as a place where an interlocking set of elites—sometimes described as feudal, although that is not really very accurate—have tremendous power over the system and society. That power is, on the one hand, a very considerable obstacle to revolution from below—Islamist revolution, of course, in this context. At the same time, the system that these people operate, control and depend upon runs above all on patronage, and to some extent also on kinship, although that differs greatly from area to area. Patronage, of course, consists of individuals extracting resources from the state and redistributing them not just to themselves but more importantly to their followers, in order to keep their support.

This distribution of patronage extends quite far down into Pakistani society. The number of people who benefit from this, if only to a limited extent, is really quite large in some areas. That, too, is a considerable deterrent to revolution or upheaval from below and destruction of the system, but it is, of course, absolutely terrible from the point of view of development.

Q3 Chair: That was my next question; what does it mean for foreign aid donors to work with that? We did hear about things like people getting into positions of power and influence, and their first priority being to make sure that all of their friends and relations got jobs, whether or not they were suitable. When anybody was accused of any wrongdoing, then protection from prosecution was the overriding need. Is that the sort of thing that creates the problem?

Professor Lieven: Very much so. Of course, foreign aid can easily become part of the patronage that is distributed, if it is given unwisely. We often see corruption simply as an evil, a negative force or as a pathology. It is important to understand, as well, that the people who do this feel that they also have a moral obligation to help their families and their followers.

The other thing that this is really terrible for is revenue collection. Pakistan has the lowest rates of revenue collection, as you know, relative to GDP in south Asia. The last I saw, it was less than 10%. India's rate is 17%, and India has the lowest rates of collection among the BRICs. This, plus the military budget—although I would put the military budget second—means that the state, even before things are stolen, does not have enough revenue to conduct essential tasks. Once again, these elites have played the critical role in obstructing the state, both by refusing to pass new laws and by corrupting the state from within when it comes to blocking the raising of additional revenue.

Chair: I wonder whether Omar would like to comment on that.

Omar Waraich: I agree with much of what was said. I was intrigued by an analogy that I first came across when Professor Lieven wrote an essay in the *London Review of Books* in 2004, the theme of which was the

military. He compared it to the Hindu god Shiva, who was both a preserver and destroyer, and at the same time mentioned this creeper rising up across this tree. I agree on the points he has made about the way in which the elites operate. However, it is important to mention that these elites have different degrees of power, as well, and different modes of operation. Over the course of Pakistan's history, not least Pakistan's recent history and in particular General Musharraf's period, it has been the military that has had most of the power and has been the creeper around the tree. This has had an enervating effect on the tree itself, diverting resources and so on, to the neglect of civilian institutions and institution building. The reason why you have not been able to see democratic institutions develop in Pakistan is mainly because the military has chosen to privilege its own institutions. This has also resulted in interrupted periods of democracy and so on. So these kinship systems that Professor Lieven has mentioned are fall-backs. They are substitutes for what would traditionally be very effective civilian institutions in ideal circumstances. Obviously, Pakistan has a long, long way to go before it achieves that.

I also agree with the point about corruption: it has other social values that, perhaps, are not appreciated, in the sense that people do not necessarily salt away resources for their own personal benefit. In many cases, it can mean jobs for people they know, but often it can also mean jobs for their constituents. In fact, in many cases, after elections, there is immediate pressure on the elected MNAs for patronage to be distributed among people to whom it was not distributed the previous time. This can mean party workers, or people who were rivals or enemies. In a case where you may have a division—let's say, in a part of southern Punjab where the principal division in terms of politics might be between the Arains and the Jats—then the families and networks associated with one political candidate would want it other ways. In other cases, however, it is the case that the state has deprived a particular group of certain resources and they are now demanding them. For example, it is very much the case that in the minority provinces—Sindh, Khyber Pakhtunkhwa and Balochistan—they feel that they have been neglected under periods of military rule, or under periods in which Punjabi politicians have been in control. To assuage those grievances, they distribute this patronage.

Q4 Pauline Latham: I wanted to come in on that, because both of you seem to think that patronage is a very good thing. It cannot be, surely?

Omar Waraich: No, what we are saying is that it is a prosaic reality. It is just what happens. It is my view that it happens in the absence of strong civilian democratic institutions. To stay with the creeper analogy, the reason why those have not been able to develop is that the military plays a role as a preserver of itself and a destroyer of other institutions and rival power centres. That is why, when the military retreats marginally from that space, what you are left with in that place is a series of atrophied institutions. Then, when civilians make an effort to bolster these civilian institutions—and they often do not—you have democratic interruptions that make this very, very difficult.

Professor Lieven: May I also clarify? I certainly did not say that it was a very good thing. I pointed out that it is a Janus-faced thing, which is, after all, also true of our interests in Pakistan. On the one hand, we obviously have an interest in long-term development; on the other hand, we have a very strong interest that the system does not fall to pieces quickly in the face of revolution. This patronage network, as I have said, is on the one hand very bad for long-term development, but it does help to keep the existing system in place. The problem is that the existing system is corrupt.

Pauline Latham: But it is not a good thing that it keeps it in place.

Professor Lieven: Well, it depends what you want to replace it with.

Chair: Yes, it depends what the alternative is.

Q5 Mr McCann: Good morning, gentlemen. Pakistan has clearly got many highly capable people, and it has made significant progress in areas like WMDs and its recent dengue fever campaign. I just wondered why, then, it has historically been so unsuccessful in tackling this, and is flatlining on social indicators.

Professor Lieven: Very much for the reasons I have described. It is still, in certain respects, an effective state. It is a bit like Russia, or the Soviet Union, in the past. It has a lot of talented people. If it really concentrates on a given issue, mostly in the military field—weapons of mass destruction in the case of Pakistan, as you have said, but sometimes other areas as well—it can get things done. Another example is the motorways of northern Pakistan and how they are regulated. However, it can only do this in a limited number of areas, with the absolute concentration of parts of the state, and ring-fenced to some extent against the politics of patronage and corruption. So it can get things done.

Of course, if one is talking about extending economic reform and real social development to the whole system in a country that has almost 200 million people by now, that is beyond the capacity of the existing Pakistani state, and it constantly breaks down in the face of these local interests and their demands on the state system and the fact that the state simply does not have the revenue to do that.

Omar Waraich: It is interesting that you raise those two examples. I think they reflect the nature of the state. Pakistan, for most of its history, has taken on the structure of a national security state internally, and to the rest of the world has been in some ways a classic rentier or garrison state. What that has meant is that, when it comes to national security concerns, they are very much privileged. That is why you see the marshalling of Pakistan's most efficient resources in the nuclear programme. That is true of a number of things to do with national security. Many people in Pakistan have an alternative vision of Pakistan playing a role as a state that looks at human development. However, that would require the state to take on a very different structure where the national security establishment does not play as big a role and power

is devolved, and social welfare and other pursuits are taken more seriously.

The dengue example is very interesting as well. The background to this is that there was a very large dengue breakout in Lahore and in Punjab. It got to the stage where I did not know of a single family in Lahore that was not, in some way, affected by it. This led to a very loud outcry in that part of the country. Now, you are talking about the wealthiest part of the country, of course. You are also talking about a middle class that is able to assert itself in ways that people in other parts of the country cannot: they can assert themselves through the media, through the power and wealth that they enjoy otherwise, or even through their representatives.

This also happens to be the political base for Nawaz Sharif and Shahbaz Sharif's Government. They dominate Lahore. Without Lahore, they cannot have a strong presence, even in Punjab. They are very much a north and central Punjabi party at the moment, politically. If they did not do anything about dengue, then they would feel real electoral consequences the next time around. This was a case where they had the resources and could marshal them, and it was also a case of political survival, because the fallout would have cost them very, very greatly.

Now, when you go to other parts of Pakistan, you can see issues such as the selective response to the floods and how that differed from place to place. For example, if something like this were to take place in a remote part of Balochistan, you would not see the state respond in that way, because the people affected by it do not have the means to make their grievances known, the politicians do not face the pressure to respond and the state does not have the resources there.

Professor Lieven: If I may, I would just like to say that I entirely agree with that. The key is organised and focused demands from below. Unfortunately, as Omar has said—not just in Pakistan, but historically in a great many places—that has been above all a middle class thing, or at least a thing that can be done by classes or groups that have a capacity for organisation and an ability to bring pressure to bear. Unfortunately, that is not true of most ordinary people in most parts of Pakistan today.

Q6 Mr McCann: Is there pressure from civil society to improve social indicators such as education and health? Also, touching upon a point that you made a few moments ago, if progress can only be made in Pakistan amongst the elites and the middle classes, are foreign aid donors ever going to make a significant impact on the lives of the poorest people in the country?

Professor Lieven: Historically, in this country, a great deal of positive change was driven by middle classes that were demanding things for themselves, but also demanding things for others. The improvement of the London sewage system in the mid-19th century was a classic example of that. Obviously, a central part of the key over time will be a reciprocal relationship between the growth of middle classes with the ability to organise and demand these things, and a greater responsiveness of the state and the political system to them. However, this is a long historical process. Long-term processes are made up of a lot of short-term processes, but it is not something that can be changed in a revolutionary fashion very quickly.

One thing that I should perhaps throw in there is that, as far as this country is concerned, we can afford to think long-term. I have been very struck by the endless shortterm thinking in Washington when it comes to aid, and the demand for very quick results by a given short-term benchmark. This country is going to be connected to Pakistan by the huge Pakistani diaspora in this country for all foreseeable time. That means that we have time to think about programmes that will only yield really major results a decade or a generation from now. In my view, that is the way that we ought to be thinking.

Omar Waraich: I agree with that long-term perspective, because I think it would be a big mistake to look for quick fixes and overnight results. Pakistan is in need of reform, and that reform will be long-term and incremental. Things will not change suddenly as a result.

The points that you raised all relate to the nature of a national security state. When the military is in power, the only thing it has to be concerned about is the potential threat from the elites. They are the only ones who can affect their hold on power. That either means dealing with them as a threat—i.e. taking them on politically or otherwise, sometimes by military force, as we see in parts of Balochistan—or by accommodating their needs. They have this trade-off: if you are able to satisfy the elites, or make sure that they are not a threat to your power in any serious way, then you can get on with the rest of your business. That process means that the poor of the country are not a priority for you, because your focus lies elsewhere.

You only start to see changes when you get democracy. We have been seeing some of these changes—although I must stress that these are slow, incremental changes—with the smaller provinces enjoying greater autonomy. There are projects like the Benazir Income Support Programme that are suddenly providing a safety net for some of the most vulnerable households, and there is the support to small farmers that we have seen in certain cases. There is also the fact that, because of institutions like the judiciary and the media being more assertive, politicians have to be more responsive.

We are seeing things change. I would like to argue against the perception that comes across sometimes in western coverage of Pakistan being a completely elite-dominated state. The reality is that the biggest social change in Pakistan over the last ten years has been the rise of an assertive middle class. By some estimates, it has doubled in the last 10 years, although of course this varies. What that has meant is that you have seen considerable amounts of wealth come into the most affluent parts of Pakistan, by which I mean Karachi and northern and central Punjab.

This is a class that has been able to assert itself, not just through the media, but also through direct participation in politics. If you look at the composition of Parliament, there are far more middle-class people there than there were before. If you look at the other

significant institutions, such as the judiciary, the bureaucracy or the military, these are now entirely dominated by the middle class, so their concerns can be asserted in a way that rivals the privileges of the elite. Eventually, one would hope that the process of reform would incrementally deepen and be more sustained, so that people who are more vulnerable and in more difficult conditions are heard as well.

Q7 Mr McCann: That brings me to my final question. You have partially answered it already. Is there a real political will in Pakistan to help the poor people, or is it only when the interests of the elite and the middle class are served that they will do anything about it? The BISP is a good example. Is that something that genuinely is trying to help the poor, or is it something where they think there is a political interest, in terms of creating another section of the electorate that will vote for them?

Omar Waraich: It does not need to be a trade-off. Politicians try and achieve both things, as I am sure you all would know, perhaps far better than I. It just happens that the BISP is championed by the Peoples Party, because the Peoples Party is a party that is strongest amongst the rural poor of Pakistan.

Q8 Mr McCann: I put this question, about the connection between the politics and the programme, directly to the Minister at the time. With the greatest respect, the concept of linking a good initiative and successfully helping the poorest people seemed to be lost.

Omar Waraich: Well, it is no mistake that it is called the Benazir Income Support Programme: it is so that the voters remember. That is part of the reason why it is done. It is also introduced by this particular political party because that is their constituency, and that is something that they look towards. If you look at parties like Nawaz Sharif's, for example, there are not many constituents to whom 1,000 rupees per month would make much of a difference. That is also the reason why, for example, parts of the middle class actually deride the project itself, because they think that it is ineffective and these are paltry sums.

To go back to your original point, this has very much to do with the structure of the state. The reason why such derisory sums—in terms of the budget—are devoted to health and education is because those things are not a priority in a national security state. The hope is to have sustained democracy and civilians who are in a strong enough position to actually recalibrate these things. We are, of course, talking about a weak Parliament at the moment, and a Parliament that is in the middle of a very delicate and fragile transition from a dictatorship towards civilian rule. No party has a majority there, and whatever constitutional amendments, for example, we have seen are entirely contingent on the Opposition co-operating. It is only when the civilians are in a strong position to form a consensus on these things and win public support that they can actually turn around and say "We need to think less about taking our nuclear project beyond its deterrent capacity and towards other ambitions, and more towards these things."

Professor Lieven: My perspective on that would be somewhat different, I must say. Yes, the Benazir Income Support Programme is a classic case of something that is intended to do both: it does help a lot of ordinary poor people, and at the same time it is meant to generate votes for the PPP. That is the way that it will go. There will be certain pressures from below, and there will be attempts by politicians to gain support by buying them off. However, that is a very different matter from a coherent programme of national development in a whole set of areas.

The national security state is not an obstacle to a rational electricity policy, for example. It is the fact that the Pakistani system cannot seem to pull itself together behind a reasonable and intelligent programme of reform. That is to do with many deeply rooted problems, including, of course, political divisions in the elite and between the different provinces. As Omar has said, in so many areas it is critical that an agreement is reached between the Government in Punjab and the Government in Islamabad. If they are bitterly at loggerheads—as, alas, they so often are—then that makes the drawing up of national plans extremely difficult.

Chair: We have only asked a couple of questions, and we have about 12, so we will move along.

Q9 Pauline Latham: This is a question to Professor Lieven. I cannot claim to have read your book, but I am told that at the end of the book, you call for the West to adopt a new approach to Pakistan, a much deeper stake and a much more generous attitude. What do you believe the main elements of the programme of support should be?

Professor Lieven: For one thing, as I say, it has to be long term. Expecting short-term fixes and deliverables in two years or so, with training programmes that last three months and have no follow-up, and pursuing particular projects and then abandoning them when they appear to be partially on their feet, is in my view a profoundly mistaken way to proceed. Anything that you want to achieve has to be much longer term than that.

Of course, one has to be realistic about this. I was writing a book in which I was trying to inspire people to be more generous. One does have to recognise that there is a good deal we can do in limited ways, especially, I would say, in the area of education, and I strongly support DFID's focus on that. Education is a force multiplier: you educate people, especially women, and it has profound effects. This has been documented in so many cases and so many ways. However, if we are going to stop at that, then we have to recognise that it will be very limited in a country with, once again, almost 200 million people. If we want to achieve something much more substantial, that will require a great deal more money. That then, of course, raises not just the question of the moral needs of Pakistan, but also Britain's security interests in the country.

Q10 Pauline Latham: But also Pakistan should be helping themselves, to a certain extent.

Professor Lieven: Oh, of course. That is very much part of it. It is sticks and carrots.

Q11 Pauline Latham: If you feel it is time to do these things in Pakistan, what needs to be done and who needs to do it, in order to create a conducive environment for foreign donor support?

Professor Lieven: Who on the Pakistani side needs to do this? Well, in the end, this has to be led by the national Government, which of course has to then gain the agreement of provincial governments as well. Leaving aside, for a second, the question of corruption, in the energy field, for example, it is critically important to have an integrated national ministry and an integrated national plan into which international aid can then feed, in order to overcome the absolute anarchy of institutions at the moment in that area.

This, you see, is also an area that demonstrates the fact that even a very powerful but inchoate and disorganised anger among ordinary people has not yet had any great effect. Anger at electricity shortages is profound. But when it relates to something beyond tackling a specific issue like dengue fever, which requires a fairly straightforward medical approach, anything that requires institutional change and co-ordination has proven very difficult so far. The Pakistanis need to be encouraged and helped as far as we can.

That leads to another point, which is that progress against corruption will be very slow. As I have said, it is deeply entwined with patronage, which in turn is at the heart of the political system. On the other hand, part of the problem with corruption in Pakistan is not the level, although that is a problem: it is the anarchy thereof. If you talk to Chinese officials or Chinese businessmen, they are used enough to corruption. What infuriates them is competitive corruption: one institution or group competing with the others and constantly coming back for more money, rather than—as I have been told is the case in China—making one big payment and it's through. That is not, of course, something that we can formally advocate as a difference, but it is once again key to this question of actually integrating.

Q12 Pauline Latham: A minute ago, you said "Put aside corruption." That is fine in a theoretical book that you can write, and in which you can say "Well, if we put this aside, this, this and this can happen." However, when you are actually there and you see and hear about the terrible corruption, you cannot put it on one side, because it is there. It is our taxpayers' money that is being spent on corrupt practices, which is completely unacceptable to people here. Then you said "It starts at the top and then it goes down to regional", but we were told that the regional governments were actually better at spending the money, because it never gets right down.

Professor Lieven: It depends which regional government, and in which circumstances.

Q13 Pauline Latham: I am sure that is the case, but sometimes it is not getting there because bits are being taken off at this level and that level. Last week, we were given the example of a road that was going to be built, and all that was put down was a thin layer of tar. There was the money for it, but somebody had their slice at every level, so when it came down to it all they could do was put down a thin layer of tar. They have got a road in theory, but not in practice. We have got to cut through that. We cannot say that it will happen slowly, because we cannot afford to. It is our taxpayers' money that is being spent on this. You know what the *Daily Mail* readers think of money going to any country, never mind Pakistan, where we know there are huge levels of corruption. We cannot say, "Well, it will take a long time for this to change." We have got to try and change it now.

Professor Lieven: Forgive me, but this is not our country. We are not the Government of Pakistan. We cannot go in there and take over Pakistan.

Q14 Pauline Latham: Should we not then be sending any money until they get their act together, if it is so corrupt?

Professor Lieven: As I expect most of you agree, Britain as a country has a strong interest in Pakistan. Frankly, we are not giving that much money anyway. Compare the amount of money we gave to Pakistan to the amount money we gave to bail out the banks. It is paltry. It is almost insignificant by comparison.

Pauline Latham: With respect, that is not what the taxpayers of this country think.

Professor Lieven: Forgive me, but there is also a degree to which one has to educate the taxpayers in realities.

Pauline Latham: It is all very well saying that.

Professor Lieven: If I may add, we have actually been ruling Afghanistan to a great extent for the past 11 years. We have had an army there, and have had huge numbers of officials actually in the country, and yet Afghanistan is full of roads that are just as you described. If anything, the degree of corruption there greatly exceeds that in Pakistan, and that is despite the fact that we have been sitting there on the spot. So the idea that one can go in and somehow produce miraculous, quick results by shouting at people is simply not going to work.

Q15 Pauline Latham: I was not suggesting that we go in and shout. Maybe Omar could answer this question: if success depends, fundamentally, on what Pakistanis want for Pakistan, what do they want? If the Pakistanis want for their country what we think they should want, where do you feel that foreign donors can have an impact on getting there?

Omar Waraich: Pakistanis want for their country what ordinary people in most countries want, which is better living standards; access to education; access to health; sanitation; and for their children to perhaps enjoy more comfortable and safer futures than themselves. Their security, of course, is a major concern.

Just to tie into your earlier question about what the West can do, one of the problems is that these are relationships that are perceived in Pakistan to be principally about security and what the West can do in terms of the war on terror. To make more of an impact, there needs to be a broader perception that Britain cares about much more than that. For example, Britain is in a very good position in some ways. The fact that we were able to give Pakistan access to the

EU markets put us in very good standing, and as a result they have been asked to abide by a series of metrics measuring democracy and human rights. In return, of course, Britain would have to support democracy and human rights itself. We would have to move away from the Tony Blair days of standing up and praising Pervez Musharraf as symbolising the future for Muslims the world over. We have seen over the last two or three years what that model of dictatorship means for Muslims the world over.

Again, this is a very, very slow and long process. As Professor Lieven has mentioned, corruption is not unique to Pakistan. Leaving aside Afghanistan, there are constant scandals about corruption in India: the 2G telecoms scam, the Commonwealth Games scam, and other bits of scandal that are causing the current Government all sorts of problems. There are many development experts who take the view that this is actually a phase of development, in which there will be corruption until you reach a point where there is better governance, established democracy and transparent institutions. However, for us, the point is that when it comes to British aid one should insist on transparency, rather than take an approach that means that the poor will have to pay the price of the decisions of their elites. This also creates problems in Pakistan in terms of the way the West is perceived.

Q16 Chris White: Good morning. To take this a bit further, 2013 is obviously going to be a big year for Pakistan with the elections. I am just wondering what your predictions for 2013 are at this time of year.

Professor Lieven: I am not going to predict an exact result. Something that I think is certain is that you will have a coalition Government. No-one will win an absolute majority. Imran Khan's party, the Tehreek-e-Insaf, will not win the elections, and may not even increase their representation by very much. However, it is possible that they will play a pivotal role in Parliament and will have to form a part of the next national coalition. It is also quite possible that they will win a majority in Khyber Pakhtunkhwa, because the existing government there has become extremely discredited and unpopular, and the Islamist parties that failed rather miserably when they were in power previously are also discredited. He has a real chance there that I do not think he necessarily has elsewhere. However, the important thing to note is that it will be a coalition Government.

I am playing through scenarios—I am not saying who will win—but it would be a fairly substantial change if the main Opposition, the Pakistan Muslim League under the Sharifs, were in a position to lead the next coalition. That would have a number of effects. It would make for much better co-ordination between Punjab, which has almost 60% of the population and a very, very disproportionate share of industry as well, and the centre. On the other hand, whenever the PMLN is in power, it tends to create greater trouble in Sindh and in Karachi, because they have much less of a grip on the situation there. One might expect the ethnic problems of Karachi to get even worse there.

Frankly, even if Imran were to win an absolute majority in some parallel universe, the idea of him carrying out a revolution in 90 days is populism for electoral purposes. There could be some positive changes, at least in Khyber Pakhtunkhwa, but, once again, they would be limited. One has already seen how he has had to make a whole set of compromises to gain local support. Of course, coalition Governments are notoriously about compromises. That is the picture.

Perhaps I could briefly add one more thing: I do not suppose that there is a single country in which DFID operates that is not highly corrupt. The second thing is just to repeat what Omar said. India is a deeply rooted democracy, which has been—with the exception of one, thank God, very brief period—a democracy since independence. However, as we can see from headlines in India every day, let alone every week, India remains in many ways a deeply corrupt system in which patronage is also highly ingrained, although one where the pattern differs greatly from Indian state to Indian state. It is not a uniform picture, but it is worth keeping that in mind.

Q17 Chris White: Yes, but bearing that in mind, I do not think that we should be accepting corruption in any way, shape or form.

Omar Waraich: No, no one is suggesting that we accept corruption. It is just about placing it in its proper perspective.

2013 is a very important year for Pakistan. It will be the first time in Pakistan's history that a democratically elected civilian Government transfer power to another democratically elected civilian Government. In the past, we have had interruptions in the form of military coups, or palace coups engineered by a proxy of the establishment in the form of the sitting President. This is the very first time that you see that transfer of power happening, and so this is a very important moment in Pakistan's history. We have seen very, very impressive things happen in the preparations for this. There has been a series of constitutional amendments; the establishment of an independent election commission; and a review of electoral rolls, which will mean that the next election will perhaps be the fairest in Pakistan's history. I stress the fact that this is a relative quality, rather than an absolute one.

We have a consensus on an election commissioner, and we are hopefully looking forward to a point where there will actually be a consensus on a caretaker Prime Minister, with the Opposition and the Government agreeing to this. This is, again, a unique moment. In the past, caretaker Governments were run by either a proxy of the establishment or whoever would subsequently benefit from that situation.

At the same time, it is also a year in which the Chief Justice—Iftikhar Chaudhry, who has become a very powerful figure in Pakistan—will be stepping down. We will see how that institution transitions away from the shadow of a particular individual. The same will also happen with the Pakistani army, as General Kayani will be stepping down towards the end of the year as well. In both cases, you are talking about very powerful figures: in General Kayani's case, the most powerful man in the country, and in Iftikhar Chaudhry's case, someone who has steadily become more powerful over time. They have been there for

the past six years and have actually outlasted this civilian Government, and are now stepping away. It will be a transition for the three main power centres in Pakistan, with the military, of course, being the most substantial one.

My prediction is that a coalition Government will be a certainty, partly because of the regionalisation of Pakistani politics. For example, even the national parties have been retreating to particular geographic areas, so Nawaz Sharif does not have much of a presence in Sindh or Balochistan, or even vast stretches of Khyber Pakhtunkhwa. Similarly, the Peoples Party has been retreating away from northern and central Punjab, which was once its strongest base. My worry is that the next Government will be even weaker than the present, because of the composition of a future coalition. It would be very vulnerable to pressures, either those applied from behind a thin veil by the military or those applied by an aggressive Opposition backed by, perhaps, the Supreme Court and the media. In either case, that next Government will have a harder time staying together and maintaining the fissiparous coalition than the current one does.

Although this may not come across in a lot of the coverage we see of Pakistan, the tendency in Pakistan is towards anti-incumbency. From the high 60s to 70% of all Members of Parliament are voted out at the next election. For example, Sir Malcolm, your very impressive achievement of winning seven straight elections from the same seat is only matched by one person in Pakistan. That is the Leader of the Opposition, Chaudhry Nisan Ali Khan, who is not a feudal but is from Rawalpindi. We also see this with Khyber Pakhtunkhwa, where over the last four elections, you have had four different parties lead the provincial government there. I think what we will see is a big turnover in the Members of Parliament. It is similar in India, by the way, where two thirds of all Members of Parliament are also voted out at the subsequent election.

That means that this next election is actually Nawaz Sharif's to lose, but he would have to find the necessary allies if he were successful. Would Imran Khan join him in a coalition Government? Imran insists that he would not. Imran insists that he wants to fight this election on his own and achieve a majority on his own, which is difficult to see, simply because the party is a product very much of this new assertive middle class, found principally in urban areas, and its influence has been amplified by it. Therefore, his presence in rural southern Punjab, Sindh and Balochistan is not terribly great.

This may actually lead to a weaker coalition Government, and that may have serious consequences for the federation as a whole. As Professor Lieven mentioned, there would need to be a delicate balance maintained between the federal Government and the provincial governments. What that means is that Britain can play a role of bolstering democracy and the democratic transition taking place, because it has the institutions from which many Pakistanis can pick up—

Q18 Chris White: Just briefly, you both mentioned Imran Khan a couple of times. Do you think he, personally, is going to change the dynamic between the Government and the people, and make the Government more responsive to the people?

Omar Waraich: Again, as Professor Lieven has said, there are real inertial issues here. This is a state in which a lot of the problems are chronic, and have been there for a long time. If you look at tax collection, it is not as if the paltry 8% GDP to tax ratio has suddenly become the case overnight. This has been the case throughout history, and that has to do with the nature of the state and the way in which certain parts of the state have been privileged at the cost of others.

Imran's rhetoric may suggest that he is very keen to deliver these changes, and I have no reason to doubt his intentions. He has been ahead of the curve on a number of things. He made corruption a central plank of his platform as far back as 1996, for example, and other issues he supports do resonate. However, what it means is that—short of miraculously having a two-thirds majority and somehow having the political will and the clout to take on various institutions, stakeholders and series of elites—you are not going to magically see a dramatic change overnight. That is just the realistic view.

Chair: We are going to have to move faster, I think, because we will never get to the end of our agenda.

Q19 Hugh Bayley: It seems to me that if there was the will from the Government, energy subsidies could be cut, and education and health spending, and the effectiveness of health spending, could be improved. That does not happen, so we have health and education programmes as the core of our DFID gift to Pakistan. You might make the argument that we are plugging gaps, rather than helping Pakistan strategically to move to a better place.

Of the people I spoke to, political and military as well as from NGOs and international agencies, some seemed to me to be modernisers. They look at India, and they are afraid of being left behind economically. They look at Afghanistan, and they see the security risks. They want a different approach, and, above all, want macroeconomic success. You also get some people who are locked in the old ways: the West is an enemy, India is an enemy, and Afghanistan is a pawn. It seems that if our development effort is to achieve anything, it ought to be directed at trying to strengthen the position of modernisers and the reformers, and marginalising the old guard, particularly the military old guard.

Does it make sense, if that is our goal, to make health and education our priorities? Shouldn't we be putting much more money into macroeconomic reform, security sector reform and democratic oversight of the armed forces, or programmes of that nature? Given that 1.5% of GNP comes from aid altogether—I do not know what proportion of that is UK aid, perhaps 0.25% or 0.5%—surely that is not going to make the big difference to education, but that amount of money might make a difference to the battle going on in Pakistan between reformers and modernisers and the old guard who are stuck in the old ways.

Professor Lieven: First of all, we have been notoriously bad in many countries around the world at getting involved in politics in this detailed way, and picking goodies and baddies. We have made terrible mistakes in Afghanistan in identifying allies who turned out not to be allies at all. What you are talking about is, in effect, interference in Pakistan's political system. You are talking about backing certain forces against others.

Hugh Bayley: I am talking about politics and economics, but yes.

Professor Lieven: That is highly, highly controversial, especially if it becomes tied up with the whole question of attitudes to the West and to America. From that point of view, Imran Khan is perhaps a progressive in domestic terms and is certainly a very strong populist, but he has been extremely anti-western in geopolitical terms. The Sharifs have, in part, an economic reformist agenda, as they have in the past.

Omar Waraich: It is skewed in favour of the middle classes.

Professor Lieven: Yes, it is skewed in favour of the middle classes, and of course the Sharifs also come from what, at least rhetorically, is a moderate Islamist party. I must say that I would say no, on that score. I would say that education, especially women's education, is critical to the long-term development of the country. Education, especially women's education, is critical to building up a middle class that is not only capable of articulating its interests, but also has some feeling of responsibility to the masses.

Q20 Hugh Bayley: Can I put my question a different way, then? You are arguing that it is important to use what leverage we have through aid to strengthen the education system. How can the current budget decisions made by the Government to spend a lot of money on energy subsidies and little on education be turned around?

Professor Lieven: The problem about pressure from below, and energy subsidies—whether in Pakistan, in Nigeria or in many other countries—is that pressure from the masses is not always a good thing in objective terms. In a dysfunctional system, you get a situation where you are trying to give people cheap energy to compensate for all the other things that you are not giving them.

Hugh Bayley: But you have to make choices.

Professor Lieven: The first thing is to raise more money in the first place, and then, in the second place, to spend less of it on guns.

Omar Waraich: There is a very good reason why money is being spent on energy, and that is because in some of the most productive parts of Pakistan they have energy outages of up to 20 hours a day. That is an intolerable situation, because it leads to things like shaving up to 4% off growth. If you are able to plug that gap, Pakistan could operate with full energy. There is no shortage of capacity: it is just the circular debt problem, where people are not paying each other down the line.

Q21 Hugh Bayley: Should that come at the expense of education?

Omar Waraich: No. Ideally, one would be able to do both things. Given that the amount of money DFID is giving to Pakistan is not a vast amount, as we have acknowledged, but is very significant, plugging the gaps can sometimes be the best thing to do across a number of different things. This means that you are investing in projects that Pakistanis have created and have ownership of. The point of a donor is not to stay there for ever and ever, sustaining projects by themselves, but rather to get things going so you can actually pull away afterwards and move on to more pressing issues. Plugging the gaps is not necessarily a bad approach.

In terms of your other question, it is highly controversial to pick certain allies, particularly in Pakistan. The Americans, for example, adopted the KerryLugar Bill, which was a tripling of non-military aid to Pakistan. However, because it included certain conditions that had some bearing on the military, it triggered a very ferocious reaction from the military. This was behind some of the many interventions the military has made throughout this democratic period of the last five years, which actually ended up hurting the civilians more. These things have to be approached very sensitively, and it is not always advisable to do so.

However, Britain can make a commitment to civilian democracy and the democratic process, which is something that Britain has not historically done. In fact, we have not found, in the past, a military dictator that we did not like. Therefore, when we talk about saying to Pakistan, "You can have access to EU markets in return for progress on democracy and human rights," that means that Britain has to do those things as well. I can tell you that the point at which Britain's standing in Pakistan was at its absolute nadir in recent history was when there was a popular movement to overthrow the dictatorship of Pervez Musharraf and in support of the rule of law, backed by the political parties, civil society and the media. This was a point at which Britain was interfering in a way intended to prop up Pervez Musharraf.

This leads to a lot of damage, and, similarly, we have seen this where the attitude of the West towards aid to Pakistan has been to shower military regimes with great sums, and subsequently choke that flow when civilian Governments have come in. This was most dramatically the case when the Ayub Government was given $1 billion by the Americans back in 1955 for signing up to the Baghdad Pact. Subsequently, there has been the Pressler Amendment that says "We shall monitor progress in terms of Pakistan's nuclear programme", which was ignored during Zia's time but, when it came to the civilians, that aid was then choked off. This creates a lot of bitter resentment in Pakistan, when the West is seen to favour the military elites at the cost of the people.

Q22 Jeremy Lefroy: Professor Lieven, you referred to the need to collect more taxes. Currently it is about 10%, compared to an average of 15% to 16% in many developing countries, including, I think, India. The UK has had considerable success in working together with Governments in a number of countries and raising tax take, most recently a country like Burundi.

Do you see that there is a place for the UK to help in this in Pakistan? Or is it, as you have tended to indicate in some of your earlier responses, pretty much impossible unless there is wholesale reform? In which case, what chance do you see of that political reform being implemented and resulting in an increase in that tax take, which is so vital?

Professor Lieven: Britain is only one player here. The international financial institutions have, year upon year, brought pressure on Pakistani Governments to do more about this, and there have been certain small improvements, such as those in last year's budget, although that did have to be passed by presidential decree. He could not get it through Parliament, because of the obstruction, once again, of the elites. All we can do is bring our influence to bear, together with that of the other international institutions working in this field. We can help the Pakistanis, or, at least, improve the institutions concerned with revenue collection, just as we can advise the Pakistanis on how to improve the institutions concerned with energy strategy.

Q23 Jeremy Lefroy: Given that Pakistan is facing its own fiscal cliff this coming year, do you think the IMF should play hardball and get these kinds of reforms?

Anatol Lieven: Yes. I am a very strong believer in two things. One is, whenever possible, encouraging trade, not aid. If we want to strengthen middle classes of a modern kind in Pakistan, by far the best thing we can do—this was the best aspect of American help to parts of Asia during the Cold War—is not financial aid; it is opening markets to their products. Unfortunately of course, in present circumstances that is not easy, and in the US it seems to be impossible. That is actually the most important thing the West can do to help Pakistan. Secondly, our aid should be targeted. I am not a believer in giving money just to prop up and for budgetary support. That is precisely a chance for Pakistan not to change. We have to recognise, again, that both the money we are giving and our influence are limited. We cannot force Pakistan to change. The forces on the other side in Pakistan are very powerful indeed. This will, I fear, change slowly once again.

Q24 Chair: I have a couple of quick questions on the military which you already mentioned. How do the military feel about aid being given to civilian Governments? You indicated they did rather well at getting it when it was military Governments. Are they comfortable with it going to civilian Governments? Given the huge proneness to disaster that Pakistan seems perpetually to be in, isn't it sensible for the military to be the main respondent to that? They seem to be better at it than anybody else.

Omar Waraich: They seem to be better at it in certain cases because they husband the bulk of resources in terms of these things, and in some ways it is their job. For example, when we saw the floods, the reason why the army was able to respond quickly—but only in certain parts of the country, and in particular the north-west province of Khyber Pakhtunkhwa—is because it had the helicopters and because it had taken control of things like the National Disaster Management Authority. That was already being run by the military, so it was their job to do that.

How does the military respond to civilian aid? They do not have a problem with it, as long as it does not interfere within their sphere. There is no danger of the military siphoning off any of this aid if it is targeted at particular civilian projects. It would be concerned if this aid were conditional on anything that interferes with, particularly, military promotions or the nuclear programme. All these things have a very neuralgic resonance with the military and they are capable of reacting very fiercely to this.

Q25 Chair: If it is focused on health or education then they do not have a problem with this.

Omar Waraich: No, they do not. The way they structure the state and the budget means that it has not got much in the first place, so it is probably welcome in terms of these things. They do not want to see health and education suffer; it is just that they privilege certain things over health and education. But, in the long term, this can only change if civilian Governments and civilian institutions are built up, are made transparent, are robust enough, enjoy popular standing and authority and can marshal the resources necessary to be able to deliver in this situation.

Anatol Lieven: And are responsive to the needs of the masses as opposed to the needs of the elites. There are a number of examples—even India in many ways is an example—of countries with the democratic institutions but where the political leadership and the parties do not respond to the needs of the masses because they are concerned only with themselves and the elites they represent.

Intelligent members of the military are becoming more and more worried about India's steep economic growth compared to Pakistan. That is inclining some of them to think more seriously about what Pakistan needs to do to develop. On disaster relief, I'm afraid, as you have said, they are the guys with the helicopters. Very large-scale disaster relief is the business of the military in most countries around the world, even in the United States as we have seen on occasions. So I do not think that is something which can or should change.

Q26 Hugh Bayley: Given that Pakistan is a middle-income country and our development law requires us to help poor people in poor countries, why are we involved in Pakistan? If it wasn't for our security concerns, would it be possible for DFID to make a case for a basic human needs, health and education development programme? Is it the truth that we are there because they are a nuclear power in an unstable region, with British troops on the border who are being killed by terrorists who cross and re-cross the border to Pakistan?

Anatol Lieven: There are two things. First of all, irrespective of the comparative position with other countries and our security needs, there are a lot of very poor people in Pakistan who have a desperate need for a whole range of things they are not getting.

Q27 Hugh Bayley: The difference between a middle-income country and a poor country is that, if

there was a will, the middle class in Pakistan could find money for health and education for the poor. In Mozambique, there is no middle-income group.

Anatol Lieven: That brings me to the second thing. I worked in Washington for eight years and it is completely accepted in the United States that US aid to various countries will, in part, be influenced by lobbies among American citizens who come from particular countries.

First, we have a very large and steeply growing Pakistani population in this country, which has a legitimate right to ask that we should give help to Pakistan, as to Bangladesh and other places. Secondly, as I tried to stress, we have to face the fact that sections of the population here are a potential security threat to Britain. They have been in recent years, as we have seen, and they will continue to be in future. The attitude of British voters has been mentioned. From that point of view, I do not see that it is inherently immoral, let alone illegal, for British aid to go to countries that are of great importance to the security of our citizens in this country. That seems entirely legitimate to me.

Q28 Hugh Bayley: Could ask I you both what you think the consequence would be if DFID was not in Pakistan?

Anatol Lieven: British influence would go down very sharply. It would be seen as a slap in the face.

Omar Waraich: The British can play more of an influential role than any of the other western countries in Pakistan. The Americans may have most of the power, but given the levels of anti-Americanism that exist in Pakistan that can often be neutralised. A couple of drone strikes that are seen to kill large numbers of innocent civilians can, at a stroke, do away with a lot of good that US aid programmes can do. The security concerns that you mention that are directly relevant to Britain are obviously important. There are other security concerns as well. I think it is in the world's interest that the sub-continent remains a peaceful place. Any influence that can be brought to bear in bringing Pakistan and India together is for everyone's good.

Q29 Hugh Bayley: This brings me back to my earlier questions. You are saying DFID ought to be there because otherwise we will lose influence and we will therefore lose leverage over a range of security issues—the Pakistani diaspora, the tiny minority in the UK who provide a security threat, the nuclear question and so on. But if those are our goals, then a humanitarian and education programme is not addressing those concerns. How do you think DFID should define success in Pakistan?

Anatol Lieven: Ask me in 50 years. No, that is something of an exaggeration. But ask me in a reasonable period down the line when programmes have had the chance really to make a difference. One can look at the roots of radicalism in Pakistan, which have a direct impact on this country, remember—you talked about a tiny minority, and it is also a small minority in Pakistan that is actively involved in militancy. But in certain circumstances, they can gain the sympathy of much larger populations, above all when it comes to anti-American and nationalist feeling. Radicalism in Pakistan, therefore, has a direct impact on the situation in this country. From that point of view, improving education, especially for women, can only be a good thing. This is both because it does have a knock-on effect for economic development in general, which will hopefully reduce the economic roots of radicalism, and also because it hopefully develops over time broader middle classes that are concerned with the kind of concrete issues of development that we have been talking about and not with ideas of Islamic resistance and hatred for the West, which unfortunately have dominated a large part of the discourse in Pakistan up to now.

Q30 Chris White: A lot of your answers today, forgive me if I am wrong, have been about how we should be very careful about our influence in Pakistan. Your answer to Mr Bayley's question was that we would lose our influence in Pakistan. Have I misunderstood you?

Anatol Lieven: It is a question of how you use your influence. Influence must clearly be employed in a smart, effective and discreet way. Charging into a place, telling people what to do and even how to vote and ordering people to change their institutions would not be a good idea, even if we were giving 100 times more money to Pakistan. Of course, we want influence, but for the influence to be effective it has to be intelligently used. Whatever influence we do have would, I think you will agree, diminish radically if we simply pulled the plug on their aid.

Omar Waraich: In Pakistan, there is a series of changes taking place, and one of them is that there is a keen sense that people would not like to be dependent on foreign aid in the long term. Currently, we are passing through a very crucial transition period in terms of things that I outlined earlier, in the transition into democracy. We are seeing social changes take place as well. The status of it being a middle-income country is less relevant right now because the mechanisms are not in place. That middle-income section is not particularly strong, big or wealthy in the first place. The structures and the institutions are not in place for any new wealth to be distributed effectively and address concerns like health and education. Where DFID can play a role is in terms of not just maintaining influence in a positive way in Pakistan, but also taking the vast experience that Britain has in dealing with these issues and guiding Pakistan towards a better and more prosperous future.

Chair: Thank you both very much for that. I am sorry that we have run out of time. We very much appreciate the fact that you are both people who have considerable impact and insight in Pakistan and we thank you very much for coming along and sharing that with us.

Examination of Witnesses

Witnesses: **James Fennell MBE,** Principal Consultant, theIDLgroup, and **Michael Green**, economist, author and development commentator, gave evidence.

Q31 Chair: Good morning gentlemen, and thank you for coming in and giving us the benefit of your experience. I think you have both been in for the previous session so you will have something of the flavour for it. Can I ask you for the record to introduce yourselves?

Michael Green: Good morning. My name is Michael Green. I am an economist and author. I worked at DFID for 12 years as an economic advisor, programme manager and head of communications. My last position in government was on secondment to the Home Office thinking about the relationship between development and preventing violent extremism, where I had a particular interest in Pakistan. For the last four years, I have been writing about new actors in the aid business, the emergence of private actors and the way the aid landscape is changing.

James Fennell: I am James Fennell. I work for a consultancy company called theIDLgroup. We were commissioned by DFID to put together the country governance and conflict analysis. I also previously worked for DFID as a conflict advisor in Afghanistan and also in West Africa. Prior to that, I was head of emergencies for a humanitarian charity.

Q32 Chair: You have heard something of the line of questioning we have had with the previous witnesses. Interestingly, they made a number of references to India. We are running down our programme in India but we are expanding it in Pakistan, even though they are both middle-income countries. The point was made to us that the state of Bihar is a much poorer place than Pakistan is. Why do you think the UK Government has taken the decision to cut the aid to India and boost it to Pakistan? Do you think it is the right thing to do?

Michael Green: Let's look at some numbers. In 2011, total official development assistance to Pakistan was about 1.7% of national income—that's all official donors. Total aid to India in 2011 was 0.2% of national income. So there is a big disparity there in the amount of aid already being given, and that trend, if aid to Pakistan increases over the coming years and the aid to India declines, is going to widen ever further. India's national income is about $3,500 per year per capita; Pakistan's is about $2,500, based on purchasing power parity. So Pakistan is a bit poorer than India but is much more aided. The other way to look at this question is to note that there is quite a big gap between India and Pakistan in terms of human development. In the Human Development Index, Pakistan is a low human development country. Aid makes up 8% to 9% of national income in low human development countries. Relative to those peers, Pakistan is under-aided. You also have to look at prospects for the future. There are some issues for the Indian economy but growth looks like a reasonable prospect over the medium term, whereas Pakistan's economic future looks very wobbly. Growth has slowed since 2008 and it is pretty hard to see a prospect of more than 3% growth over the next few years. That is going to be a real problem in terms of generating resources. So there is a case to treat Pakistan very differently to India and for saying there are particular needs that Pakistan faces, especially looking forward, that would justify an increase in the aid budget.

The other thing you need to look at, if you are thinking about the increase in the DFID programme, is its relationship to other donors. If you look at aid to Pakistan over the last 10 years, it has been enormously volatile. It has swung around through highs and lows, largely because of US funding. US funding, as Professor Lieven was saying, is very short-term. Even if we are seeing a glut of aid at one moment, we may see a famine of aid the next year. There is a point that UK aid can be more stable and predictable than perhaps other donors can be.

James Fennell: Institutions in India as compared to institutions in Pakistan are much more capable at the moment of delivering development and addressing poverty. Whether they do so or not is another issue. In Pakistan, there is also a confluence of security issues that are not just national security issues for the UK but security issues for the region. Pakistan is the Northern Ireland of south Asia, in the sense that if Pakistan does not succeed politically or in terms of stability as well as in terms of development, then that will handicap both India and the wider region—the belt from Iran to Burma. Pakistan needs help. The structure of how that help is put together and whether it is dependent entirely on financial transfers is debatable. Nevertheless, Pakistan does need help, not just in the context of the poor people inside Pakistan but in the context of poor people across the region.

Q33 Mr McCann: Good morning, gentlemen. Can I ask some questions about the hard cash? Do you think that DFID can spend £400 million in Pakistan? Do you think the increase in budget is driven by development needs or by dint of the fact that the budget is increasing by such a huge amount of money?

Michael Green: I was looking at the figures for UK aid to Pakistan, and although they have not been as volatile as US aid, there have been some very big changes. If you look at total UK aid in 2000—this is DFID and other ODA—it is $24 million; these are figures from the OECD, so they are in dollars. It then jumps to $112 million in 2003, slumps to $63 million in 2005 and jumps to $200 million in 2006. So there is a lot of volatility there, even in the UK aid programme. There is a big challenge for DFID in managing this expansion.

In terms of the driver, there is a robust case to say that there is a development need in Pakistan; there is an urgency; there is a window of opportunity; Pakistan does need our assistance now and that does justify this budget increase. There are questions, though, about

how that aid programme is being delivered. A lot of heroic assumptions have been made about capacity to deliver through Government. I think there is a significant risk of over-promising and under-delivering if many of the substantial risks come home to roost.

James Fennell: I think DFID is trying to see if it is feasible to create a step change, in one generational shift, in service delivery in Pakistan, partly on the understanding that getting education and health right—education in particular—is the way to expand the middle classes, and is the way to political enfranchisement. It is also because those resources are there; they are available because of the increase in the aid budget to allow them to try that. It is high-risk, and those risks are being taken because there is a confluence between security and development needs. Both are critical. Pakistan is a critical foreign policy issue as well as a critical development issue. I think it is very brave.

Mr McCann: Is that in civil service speak, "very brave"?

James Fennell: They will need to be as politically brave as they are financially brave to get the leverage from this level of investment. They need to be tough with Pakistan in return for this.

Q34 Mr McCann: Do you think, in terms of the number of staff that DFID has and the contractors it employs, that it has in effect set up a parallel system to the Government of Pakistan?

James Fennell: I think inevitably there will be some element of that, although the investment in education in Pakistan is minimal. Within Pakistan, you have states within states. The ruling elite, whether it is the military elite or the bureaucratic elite, do not use the education system. It is sort of run as a colonial project in those outland areas where "we don't live". In that sense, the education system is pretty moribund anyway, and very underfunded. So, a parallel system? There is not much of a system anyway. If they can use that to help create a system, and more importantly a generation that demands a system, then that would be a success.

Q35 Mr McCann: When we visited, it was quite clear that there is a huge amount of talent in Pakistan. We visited the NDMA and met some people who, in terms of a level of ability and knowledge to plan, were extraordinary, of the highest possible quality. Why do you think, when we have that quality within Pakistan, Pakistan's federal and provincial governments need consultants paid for by the UK taxpayer to advise them?

James Fennell: I am a consultant; do you want me to answer that honestly?

Mr McCann: Indeed. Make a stab at the honesty part.

James Fennell: Partly, it is to do with making sure that our money is looked after. One would have to use a consultancy, full stop, whether you use one that is Pakistani based or an international organisation. There are two issues. There are extremely well educated and competent people in Pakistan, but there are very few from the classes that are going to be helped. Access to education has been so limited that there aren't quite so many people as you might imagine who have those skills. Secondly, in order to look after DFID's money, you probably need an organisation that is at least bound by the law in the United Kingdom to make sure the money is spent correctly. Lastly, it is critical that those consultancy organisations employ largely Pakistanis. If by consultants you mean bring in lots of middle class people from western Europe, then I agree with you that they should not. They should employ as many Pakistanis as possible.

Michael Green: I think the way the education programme is structured in trying to use state systems but also to guarantee results means this parallel state problem is inevitable. There is a real challenge, given the security constraints on DFID's staff's ability to travel, in actually making sure results are absolutely genuine. You have got to invest consultant time in trying to find out what is going on and making sure the money is being used widely. That is a cost and it does create some parallel structures.

Q36 Mr McCann: How far is the UK aid programme driven by security? How would you measure it?

James Fennell: Certainly in south Asia it is driven by security, because there has been an energy within Government to work across Government on security issues. DFID, in order to secure its institutional survival—remember DFID is in an uncomfortable position being the only Ministry that has not had to cut budgets—needs to be seen to be playing with broader cross-governmental agendas. It is both making itself relevant and addressing its core mandate.

Michael Green: Look at the focus of the programme on education. Education has got great benefits in terms of direct human development of the individuals; spin-off benefits in terms of health; economic spin-off benefits; and also on top of that some positive externalities such as perhaps an impact on radicalisation and extremism, as Professor Lieven said. I would not say it is driving the priorities, but you could report back on the investment in education in particular and say that it would be in a sense helping on the prevention side.

Q37 Mr McCann: In terms of the rise to £400 million plus, will that money make any difference whatsoever in programmes in health and education if the government of Pakistan is not serious itself about making some really important reforms?

Michael Green: We have to look at the economic numbers. Tax revenue is about 10% of national income. Last year, the Government ran a deficit of 8.5% of national income. There is talk about cutting that to 4–5% this year. That is not going to happen; there may be a 6% deficit. The IMF wants further cuts. That means slow growth and attempts to cut the deficit through austerity. The amount of money available is going to be very squeezed over the coming years. We are therefore going to have pressure on keeping the Pakistani Government to its commitments on funding things like education. The question then comes: are those political priorities? That is a very difficult conversation we are going to

have around making sure domestic resources are being leveraged to the areas that DFID cares about.

James Fennell: Successive Pakistani Governments have been experts at making Faustian bargains, whether with Islamist elements or the United States or ourselves. In this case, they have to make a Faustian bargain with us in collaboration with the other donors to make those reforms in return for this investment. The issue for me is not whether this investment will work or whether the Government is going to have the will to do it; it is how do we use this investment to help create the will for reform? Ultimately, without that reform, the political class—i.e. the elite in Pakistan—are putting themselves at risk, so there is a kind of dialogue around their own survival. The time is perhaps right for that.

Q38 Fiona O'Donnell: I wanted to follow up on that. In your responses, you both frequently refer to risks. You have not, however, spelled out what those risks are. Are they economic? Are they social? Are they security? Are they all three?

Michael Green: They are all three. First, they are economic. There is a very difficult period ahead for the Pakistani economy. There are political risks flowing from the elections and general political commitment. James can speak more about this, but there are general security issues for Pakistan going forward. There is a very complex range of risks.

I was looking at the World Bank's Country Assistance Strategy, which is produced annually. One of the things it says there is about lessons learned from the past. You must have a programme that is flexible to manage these risks so you can change patterns. It also must be a programme that is realistic and not overambitious. Those are the key recommendations the World Bank had in terms of how to programme in such a risky environment.

Q39 Fiona O'Donnell: Do you think the DFID programme is flexible enough?

Michael Green: I would be concerned that it is not flexible enough and that it is overambitious.

Q40 Pauline Latham: We have heard earlier today, and we know, that corruption at every level in Pakistan is rife. How do you think DFID can ever be sure that UK aid is being spent effectively and getting to the people who really need it? Whilst we were there we went to see a lady health worker's scheme and we even heard there about corruption in that, and that is deemed to be a success. What on earth can we do about it?

Michael Green: There are two things here. One is that if you are using public systems, you must put in place absolutely robust monitoring mechanisms. Again, that is a key finding from the World Bank's lessons learned. You have to have timely and effective monitoring and evaluation. That does have resource implications in terms of DFID's capacity to do that monitoring and not solely rely on Government systems.

The second area, which I think is underdeveloped in DFID's programmes, is whether you can find ways to do more working outside the state system. Are there other forms of delivery—particularly of education—where the British taxpayer could get better value for money and better confidence in value for money in delivering real outcomes?

James Fennell: We need to look at corruption not as a societal dysfunction, but as being there for a reason. In Pakistan, its reason is to bind people into a political system, which is essentially unequal. There is a very small elite; they need to keep the majority of the population under control and make sure they vote for them.

If you look at where the most corrupt institutions are, one is the police; I think they are second in terms of least transparency. It is the land tax administration, the guys who tax your harvest, and the income tax administration that have shot up to the highest places most recently. These are the interfaces with people. These are the institutions that ordinary people—those not part of the elite—have to deal with. The reason they are allowed to be corrupt is that they need to be biddable in order to make sure that people vote for the right people, for the so-called feudals in southern Punjab and northern Sindh, for example.

Corruption, for me, is part of the political problem in Pakistan itself. We are lucky, in a way, that education is one of the least corrupt institutions. People suggest that the military is corrupt. The military's corruption is slightly different: it just occupies most of the economy. In that sense, for me, one part of the reform process—the process of, if you like, emancipating people so that they can vote—is educating them so that they are able to make better decisions, but the other part of it is also releasing them from those corrupt institutions. In a sense, because there is corruption, there is a reason why we should be working with those institutions, not avoiding them.

Q41 Pauline Latham: Do you think we should be putting controls on their Government by making the aid that we give conditional on it not being corrupt and it not going missing?

James Fennell: Yes, absolutely.

Q42 Pauline Latham: We were in Derby taking evidence last week and we were told there were doctors being paid in the equivalent of NHS hospitals, state hospitals, but they never go there. They go and earn another salary in a private hospital.

James Fennell: They do, yes.

Pauline Latham: We cannot put money into health and allow that to happen.

James Fennell: No. There is a system in place. The majority of people who have power and influence do not use the social services. They do not use the health service and the education system, which are provided by the state. They do not use the tax administration, since they do not pay any taxes. Those institutions are not part of their lives. Those institutions have value only in bringing people into line to support them.

In order to bring people into line, they cannot work perfectly. They have to be biddable. The Pakistani elite are masters at manipulating these institutions for their own benefit. The work that we do with those institutions has to be conditional and it also has to have this political element of "We are doing this;

therefore, we would wish for you to do that." In terms of disbursing funds and so on, it would be conditional on meeting those targets.

Michael Green: Could I just sound a warning on conditionality? It can be seen as being this great solution, but a lot of conditionality is meaningless. It is things that do not really matter, or it is not measurable, or—as we have found in some other countries, actually—it is very hard to respond to if a condition is broken. If we are talking about conditionality, we have to be more granular. What form will that conditionality take? Is it measurable, is it implementable and can we act on that basis? If that conditionality is triggered, what is the response? Is it just turning off the tap or is it switching to something else and having a plan B scenario? I think we should unpack the conditionality point a little more.

James Fennell: I am talking more about political conditionality. It is very hard to measure corruption and it is very easy to hide it, even if you know it is there. The political conditionality is around enacting reforms of those key institutions with which we are engaging. That makes sense. Why are we making this investment? We are making this investment, ultimately, not only to improve poverty levels but to create a context in which growth can happen for all people in Pakistan.

We do need to make our investment conditional. One of the key issues that came out of our analysis was that Pakistan is very good at enacting legislation but it is not very good at implementing it. It becomes discretionary, because it falls into the military/bureaucratic power bloc. Some they like; some they do not. Some they implement; some they do not. You can make conditionality around the implementation of legislation.

Q43 Fiona O'Donnell: Pauline already pressed the previous witnesses quite a bit on the *Daily Mail* headlines about the middle classes not paying their taxes in Pakistan and that working-class people here are. I wonder if I could ask about the politicians. We have seen recent exposure of them not paying their taxes. Do you think there is any prospect of change? That is now in the public domain. Could that change the culture in terms of taxation compliance in Pakistan?

James Fennell: I do not think anybody pays their taxes if they can get away with it. We have seen that with all of these issues with multinationals recently. There was a bargain made when the British occupied that part of northwest India. The bargain was, "We are occupying this part of north-west India for security reasons, not for economic reasons." Unlike the United Provinces—Uttar Pradesh in India now—they said, "We will not raise taxes on you, but we want your loyalty." That bargain has been held as the bargain with the state by the landowners.

During the negotiations over the creation of Pakistan, the north-west, Punjab and Sindh, did not want to join. They were more unionist. The way they were persuaded by the All-India Muslim League was that they could keep their privileges of not paying taxes. There is a history. It is kind of a Magna Carta, if you like. They are in a position where they have demanded they do not have to pay a king and they have got away with it. It is like the UK and the EU. Why on earth should we give up our privilege? That was our deal to join this federation. Obviously, they have to because, apart from anything, Pakistan is in a permanent state of default, because it cannot raise enough taxes to pay for even the meagre institutions it provides.

The elephant in the room in all of the negotiations between aid providers, foreign Governments and Pakistan is about how you make these guys pay their taxes. Bhutto had a go. Bhutto senior had a go. It did not really work. In fact, it was all smoke and mirrors, because he gave with one hand and took away with the other.

However, in my view, the survival of the elite is reaching a crucial moment. Economic growth, which has not really been real in Pakistan for many generations, is real. It is flattening out now—partly because of not educating the population. However, there is a kind of 1830 scenario, from a UK perspective. There is an industrialising, rural society. There are large numbers of people moving to cities. There is more education. Those people are becoming more politically aware, but not politically engaged in terms of the existing system, which is built around a rural, oligarchic system where you make your feudals vote for you by throwing the head of the family in jail and paying him off come election day.

What is happening is that those people are not turning to mainstream politics. They cannot vote for other forms of politics right now, because of these systems of patronage. However, what they are doing is supporting things like MQM in Karachi and things like Jamaat-e-Islami. Those parties have been very clever. For example, the education system is pretty much controlled by Jamaat and has been since about 1980. What you are getting is a politicised urban population who have no space to be political within this system. It is not designed to give them any opportunity. That is very dangerous.

You can go the way of Russia in 1905, or you can go the evolutionary path of the UK. So there are some good incentives for the ruling classes to begin to give up some of these privileges in a sort of self-serving way, not because they are altruistic but because they need to survive and not end up like Assad in Syria or wherever. From that point of view, I think this is the time to use that leverage. I think our aid programme gives us an argument to make.

Q44 Fiona O'Donnell: What we heard when we were there was that it is not just about people being able to get away with not paying their taxes, but they did not have the confidence that if they did, the money would reach the people it was intended to. There was a strong culture of private philanthropy. I wondered to what extent that might compensate.

Michael Green: The numbers on private giving in Pakistan are very wobbly. The best international comparison says about 1.5% of national income goes into philanthropy, which is about double the level of the UK. I think it is probably larger than that. In some ways, if you look at human development indicators in Pakistan, especially around hunger, in a sense they are

a lot better because of that private charitable provision.

I think there is another piece of the jigsaw here. Private giving is 1.5% of GDP, but remittances are 5.4% of GDP. That includes a whole range of different things; it is not equivalent to aid, but there is a whole opportunity there. How can remittances be harnessed more effectively for development? The kind of work that has happened in Mexico with the hometown development associations can be a way of saying to the diaspora, "Actually, you get more bang for your buck if you work through these structures to help and get some collective action." There is a lot of potential there for DFID to see this as a pool of development financing that is not official aid. It probably comes with some other benefits in terms of engaging the diaspora in Pakistan's development. It could be used in very important ways.

Q45 Chair: We got a very positive appeal from the representatives of the diaspora we met last week in Derby, many of whom are actively engaged in projects—if you want to call it that—in Pakistan, and who asked why they cannot partner with DFID. They said, "We know who the rogues are and we know who the people you can work with are, probably better than DFID does."

Michael Green: DFID can actually bring something to that in terms of finding the right kind of partners. I would say that Pakistan is unaided by global, big philanthropy. I speak to a lot of American foundations and their normal line is the title of Professor Lieven's book: it is too hard, a hard country. DFID could play a role as a pioneer in leveraging some of that other private money. Match funding is a great way to leverage more donations.

Q46 Chair: That is an interesting line to explore. Mr Fennell, you were co-author of the Country Governance Analysis last year. You have articulated some of this already, but you felt that things are changing and there is potential. To what extent do you think DFID has followed your analysis and to what extent have they not? In other words, what would you like them to do that they are not doing?

James Fennell: I think they have taken it seriously, which is good. It took a bit of time for them to take it seriously, partly because of the high level of investment and its implications. The big issues that I raised—around electoral reform, taxation and the relationship with India—will appear to be too big for the aid programme to address. I am concerned when they get interpreted as technical electoral reform—getting involved in the Electoral Commission of Pakistan and so on—because that is really not what I mean.

As I said, it is more about emancipating the vote than it is about improving the technical system of voting. It is more about the institutions: who controls the institutions that have power over people's lives? Is it the very same people who are going to be elected? Should there be a separation of powers? It is that sort of thing.

I would like them to do more. In defence of DFID in Pakistan, they were pretty set on this course when this analysis was done. They had already agreed to invest large amounts in voice and accountability, through civil society and in education. It is a super-tanker, but I hope we will have some influence on which way it points in the future.

Q47 Chair: While we were there, the Foreign Minister met with the Foreign Minister of Afghanistan and they signed some kind of agreement, which I interpreted as Pakistan basically saying, "We will work with whatever Government there is in Afghanistan rather than try to tell Afghanistan what Government it should have." At the same time, they had also signed a most favoured nation agreement with India, which, again, appeared to be saying, "Yes, we have issues with all kinds of things, but we actually need to trade and invest with each other."

It is coincidental that these have happened in the last two or three weeks. How significant do you think they are? If you bring it back to the UK aid programme, what is the role that DFID can play in those kind of developments to make them, if you like, meet the needs of Pakistan?

James Fennell: To begin with Afghanistan, Afghanistan is of critical importance to Pakistan's foreign policy. Pakistani foreign policy for years has been that you are able to retreat back into Afghanistan, but also its influence over the Taliban and over radical Islam—through ISI and so on—means that certainly within parts of the military establishment there is an understanding, in a sense, that they have a shared future and some leverage over those folks. They are also afraid of Iran, because it is a powerful Shia state nearby.

Pakistan will want to have a friendly state, a state in which it has influence, in Afghanistan. That can be good and it can be bad. That is a very important reason from a non-aid perspective for maintaining our relationship and having influence over Pakistan.

I think you are right about the changing relationship with India. India's economic success means that there is no longer any idea that Pakistan could confront India conventionally. Even the use of asymmetric warfare, as took place in the 1990s and recently, is going off the boil because of this requirement, particularly amongst the political elite in Pakistan, not to lose all of its friends globally.

It is very interesting, listening to the previous panel, to hear that this will be the very first transition of civilian rule. No civilian Administration has lasted the course; it has either been overthrown internally or by the military. That, for me, is political progress. It may not appear as progress, because the political system is still so marginal to the lives of those people. By the way, that is another reason why philanthropy is so much more important, if you like. Nevertheless, it is progress. It is something to lean on.

Q48 Chair: The real issue is DFID's role in this. These are things that Pakistan is doing for itself. We have had that indication that we have a better relationship than, say, the Americans do. What can we do that is not interference and is positive? What is the scale of the relationship that can help Pakistan improve its governance, its electoral accountability

and its tax base, which is not just telling them what to do but it is actually working with them?

Michael Green: I have maybe one comment. There is a danger. One of the risks that we have is the DFID resource curse. DFID has to spend all of its time managing a very large amount of money, rather than thinking about some of these wider issues around trade relations and diplomatic relations. Understanding the development story in some of these wider policy debates will be crucial. Making sure that DFID is pushing those aspects of development, not just aid delivery, will be crucial. DFID has a very fine balance to strike in terms of being focused on the needs of the poor through things like the education and health programmes, but also driving long-term reforms that are going to increase economic growth and provide the resources for development. There is a balance to strike. There is a danger in the immediate focus on human development needs; there is a distraction from some of these structural issues.

James Fennell: I think that is true. I very much agree with you, Michael. Since 1997 and the founding of DFID, because DFID has had such greater resources, it has become much more of a bank. It has been making investment decisions and providing technical support to ensure those investments pay off, whereas prior to that, it was very much more interested in the broader policy.

For me, these big investments create a space in which you can have a meaningful policy debate. It is not one or the other; it is both. This is particularly the case in Pakistan, because there is this inertia, which is natural. The incentives are simply not there for reform. It is not in the daytoday interests of individuals to change these structures, yet they are damaging Pakistan and its relationships.

For me, policy engagement has to be a critical part of this investment. As Michael said, DFID have to create the space in their programme and in their office so that they are not just bankers all day long.

Chair: What we did see was that the High Commission's operation and DFID's operation were pretty well integrated, which is obviously essential.

Q49 Fiona O'Donnell: Part of the issue there was that those responsibilities might lie with the Department for Business, Innovation and Skills, or the Foreign and Commonwealth Office. Do you think government is joined-up enough in this country when it comes to being strategic about these kinds of issues?

Michael Green: Joined-up government works when the Departments talk to each other. I remember working on trade many years ago. It was about DFID lobbying what was then called DTI and, in the end, DTI coming into line with DFID's viewpoint. DFID does still need to be an advocate for development within Whitehall on other policies as well. Joined-up government is great, but DFID needs to be the voice. The worst case I can see for the DFID Pakistan programme is if this growth in the aid programme is like a sugar rush: that suddenly we hit 2015, the risks come home to roost, we do not see success and the programme gets squashed again. What message does that send to Pakistan? That is the question that must be fundamental to the DFID programme: if this is a long-term relationship, what is the message we are sending out to Pakistan? Is it a credible message?

Q50 Chris White: In your view, why does the Pakistani state spend so little on education?

James Fennell: It is because the Pakistani state is a state within a state, as I said. The people who make the decisions about spending money on education do not use the education system and they are not properly accountable to the people who do. They have not really got an incentive to put money into social services, which do not buy them votes, and they do not use them themselves.

Michael Green: To challenge the conventional wisdom a bit, Pakistan spends 2.6% of its national income on education. This is lower than Bangladesh, with 3.4%. This is lower than India, with 4.2%. It is lower than Malawi, a much poorer country, with 6.2%. In a sense, you could say that Malawi maybe spends more on education because it gets so much more aid per capita. Maybe not India and Bangladesh, but other countries may spend more because they are better at collecting taxes. The other way you could look at it is to say that, actually, Bangladesh spends a quarter of its tax revenues on education. It spends about 15% of total public expenditure on education, which is greater than the UK, which is about 10%. It has to be linked to this general point about the lack of revenue as well, not just the lack of investment in education.

Q51 Hugh Bayley: To come back to this point, if this is a problem, why are we not pressing for economic and fiscal reform rather than just plugging a gap in the education system?

Michael Green: This is the absolute centrepiece of World Bank/IMF/Asian Development Bank programme. I guess DFID must be supporting that in some way with some technical assistance, but I presume they would be saying, "You've got that covered; we are backing it; and we are picking up some other areas that are more focused on DFID priorities." If you read the World Bank Country Assistance Strategy, its number one message is fiscal reform.

James Fennell: However, that is a political issue, not a technical issue.

Q52 Hugh Bayley: Do you disagree with the previous speakers, who said that to set macroeconomic goals, to encourage Pakistan to modernise and broker deals with India and Afghanistan and strengthen its trade, is the wrong thing to do?

Michael Green: Yes, clearly.

Hugh Bayley: I think you are saying that is the right thing to do. In which case, why does DFID not put its resources behind that, instead of spending what in Pakistani terms is a tiny amount of money on its education system? Why do we not act strategically?

James Fennell: In Pakistani terms it is not a tiny amount in terms of the education system, because so little is spent on it. There is the potential to have influence. Because Jamaat-e-Islami in particular has targeted the education system and has political

representation on the boards of most universities and many schools, it is a very hard nut to crack in the sense of people getting a quality education that gives them a better ability to have or make a choice. Nevertheless, I do think it is valid. Education has essentially been abandoned by the state, for the reasons I said before, but it has been very strategically targeted by Islamist organisations.

When Jamaat were invited into Government by Zia-ul-Haq in the early 1980s, he offered them a couple of different Ministries, including foreign affairs. They chose information and education. There is no doubt that education provides a more narrow-minded, strictly Sunni and non-inclusive education than it did in the 1970s.

Q53 Hugh Bayley: I have heard you and your colleagues before you saying, "Well, yes, we need to address some of these strategic issues, but education is an important back-up." Pakistan spends almost as much on health as it does on education, but not one of you has said a single word in favour of the value of the health organisation.

Michael Green: Quickly, on the impact of the education programme, if you take what DFID will be spending in 2014–2015, plus what will come from the World Bank and other donors, it is an increase of somewhere between 10% and 20% in the education budget. It is not a tiny amount.

On the health front, one reason is that if you look at where Pakistan is underperforming compared to its peer countries in terms of human development, education is the standout problem. Secondly, the great weakness of the health system is that it is a very, very big problem to get into. It is also one where there is a lot more private provision already working in that area. That is why health has perhaps not had the priority. It is interesting that DFID has chosen maternal health aspects of health in particular, which I presume is a system-strengthening approach.

James Fennell: I was not part of their decision-making process, but I imagine they are also trying to improve the parts of government that people have a direct engagement with, to improve the relationship between the people and the state. I imagine there is a state-building agenda in that, too.

Q54 Hugh Bayley: I have one last point. The way it seems to me is that spending on health and education is a sort of UK philanthropy. It is a nice thing to do. There are clear needs there. Women benefit because of maternal and child health programmes. Children benefit because of schools programmes. It makes us feel good, but everybody is telling us that, strategically, Pakistan has got to challenge military control, challenge elite capture, go for macroeconomic reform and start trading with its neighbours. If it does these things it will modernise and progress and if it does not, we will carry on doing little bits of philanthropy because the Pakistanis do not give a damn about their own people. Shouldn't we do the big job?

Michael Green: How many of those issues are tractable through aid spending? On balance you can say that education in particular and heath are investments that will improve Pakistan's growth rates in the long term and therefore do have longer-term benefits. They are not just palliative care. There is a real investment there. However, for those big structural reforms, what is aid's role in that? That is why I talked about the risk of the resource curse of DFID and getting distracted only by those aid programmes, rather than looking at these big structural issues and thinking about the UK's wider role in its conversation with Pakistan about how it can influence Pakistan towards addressing those challenges.

James Fennell: I also do not think that investment in health and education is philanthropy, because it is investment in human capital. In particular, education will give people an opportunity to participate politically. The history of pretty much every democratic society is that education transforms the engagement of people in politics. It is risky to think that we can do that with one big whack of cash, but it is the right direction.

Q55 Chris White: Bringing it back to education for a second, what impact do you think the case of Malala will have on the education system, particularly in terms of girls being educated?

James Fennell: There has been a significant improvement in girls' participation in education anyway. I think it was something like 20% in the past year. When we were there we went to the university in Multan, which is in south Punjab, pretty much beyond the bounds of the elite-dominated areas. They have had an 80% increase in female attendance at the university. There is an ongoing process already.

It is, quite interestingly, not the one that we expect. In some ways, the provision is more modern in Pakistani terms, i.e. more religiosity in thinking means that women are trusted more to go to school and college. Often, wearing the veil and so on is actually a passport to allow you to go and live in a city and attend a university, whereas you would not have been allowed out of the house. There has been some improvement.

I think the Malala case is very good for us. It raises the issue here. I do not think it will have a particularly great impact. One of the dangers with aid programmes is bringing a bunch of what are our norms, which actually appear in Pakistani society—particularly in the parts of society we are trying to influence—as quite radical and perhaps dangerous.

Q56 Chair: That is interesting because the Prime Minister spontaneously raised the Malala case with us, without our mentioning it. Was that because he thought we ought to know about it or was it genuinely because it has had an impact on Government thinking?

James Fennell: You know better than I do. I would imagine, though, that it is a point of engagement. It is common ground.

Chair: We certainly did not raise it; he did.

Q57 Chris White: Is DFID's education programme in Punjab too reliant on the Chief Minister or relations with the Chief Minister?

James Fennell: I am not as well sighted on this, but if it is reliant on a relationship with Nawaz Sharif, then it will not work. As I said, Jamaat-e-Islami are extremely influential in the education system, probably more so than Nawaz Sharif. It has not been a core ministry. It has not been a place where you can be a civil servant and go on to great things. I suspect that if the programme is dependent on that relationship, it will have limited impact.

Michael Green: I think the ICAI report on Pakistan tells a very strong story about how DFID has done risk mitigation around its programme in general and the Punjab programme. I do think, however, it is a good description of best practice in programme design; I do not think it has taken into account the broader strategic risks. There are bigger risks to the programme, particularly the Punjab education programme, than are recognised in the ICAI report.

Q58 Fiona O'Donnell: What are they?

Michael Green: There are these political risks around political leadership and will in the long term. I think what we have are some mitigation measures that are not hitting some of those big strategic issues. Particularly, what is the plan B if this does not work out? The danger is, when you make a very big bet like this, that even if it starts going wrong you carry on betting on it because you cannot admit it is failing. That is a big danger to the DFID programme. A clear plan B, knowing what to do as an alternative—not just turning off the taps—and responding to reality will all be crucial.

James Fennell: Yes.

Chair: That is actually very helpful. Can I thank you both very much indeed? That was a very useful session. Thank you for giving us such direct and sharp answers. It is very much appreciated. Thank you.

Thursday 17 January 2013

Members present:

Sir Malcolm Bruce (Chair)

Hugh Bayley
Pauline Latham
Jeremy Lefroy
Mr Michael McCann
Chris White

Examination of Witnesses

Witnesses: **Sir Michael Barber**, DFID's Special Representative on Education in Pakistan, **Anwar Akhtar**, Founding Director, theSamosa.co.uk, and **Dr Matthew Nelson**, School of Oriental and African Studies, University of London, gave evidence.

Q59 Chair: Good morning, and thank you very much for coming in to give us evidence. Obviously you gave us an informal overview before we went to Pakistan, Sir Michael, for which we thank you, but now this is obviously formal. Again, to be formal, I wonder if you could introduce yourselves for the record.

Sir Michael Barber: I am Michael Barber, DFID's Special Representative on Education in Pakistan.

Anwar Akhtar: I am Anwar Akhtar. I work around human rights and development in Pakistan, specifically working with the British Pakistani community.

Dr Nelson: I am Matthew Nelson. I am a Reader in Politics at SOAS, and I focus primarily on Pakistan, with a bit of time in Washington and various think tanks.

Q60 Chair: Thank you very much. As I said, the Committee visited Pakistan before Christmas, and as you know we went to Lahore and met the Chief Minister and others. We looked at health as well as education while we were there. We were somewhat inhibited in terms of our freedom of movement, but at least we managed to get out and about a bit and see certain things. The questions will reflect some of the things we saw and heard. I will start by asking for your thoughts on what you think DFID's commitment to education in Pakistan should be trying to achieve. Obviously we have the broad Millennium Development Goals, including the levels of literacy. Should it be concentrating on getting primary children into school, or should it focus on technical skills? A lot of us said that was an issue: the quality of education and the lack of focus meant that it was not very useful. If you would like to get us started, Sir Michael, we could explore that.

Sir Michael Barber: Thank you. First, let me say that, as I am sure you know, Pakistan is a very, very important country for Britain. We have deep cultural, social, political and historical links with Pakistan. It is a place that is important from an economic and social point of view as well as security and other points of view.

Secondly, unless Pakistan is able to fix its education problem, among the many other problems it faces, it will not be—it cannot be—the thriving, successful Islamic democratic republic that we would all like it to be. Education is absolutely fundamental, and fixing some of those fundamental institutions of the State is crucial for Pakistan's future. If we turn that round, Pakistan 25 years from now could be exactly what I have just described: it could be a thriving economy, a democratic Islamic republic, playing a part in solving the problems of that region, which as you know are very substantial. I see education as fundamental.

As you say, Chairman, there are many educational problems. We have not met the primary school MDGs yet, or anything like; even the children who are in school are not learning enough. Then there is the whole issue of vocational and technical skills. The way I have seen it, and I think the way DFID have seen it, is that we should start by getting full access to primary education, making sure that that education is of sufficient quality to prepare children for the future. That does not mean in the meantime we should neglect technical and vocational education. A single aid agency cannot do everything, so we are focused there, but if there are things we can do that can help solve that technical and vocational education problem as well, so be it.

As you know, I think, from your visit, DFID and the World Bank are planning the next phase of aid to the Punjab specifically, jointly, and that programme will begin to move beyond primary education.

That is the background. I wanted to say at this point, Chairman, I am in the process of doing a substantial piece of writing on what we have been doing on the Punjab education reform, and when it is finished I will give that to the Committee. I would like to know from the Clerk at what time I need to get that to you in order to be useful to your inquiry, but when I have finished it I will give it to the Committee.

Chair: Do that. It would be quite soon, I would say.

Sir Michael Barber: Yes. I am just proofreading it now, so it is not far away.

Chair: That is fine. We have one other evidence session with the Secretary of State.

Sir Michael Barber: Okay.

Dr Nelson: I absolutely agree that Pakistan is an incredibly important priority for the UK, and within that relationship, education has to be emphasised, as it has been more in this programme than it ever has been before. However, having said that, I wonder about the prioritisation of various aspects of the education sector, and whether a whole system change focusing primarily on primary education in the Punjab needs to be the real focus, or whether some of the other avenues explored by previous large education sector reform initiatives like USAID need to be

examined for their successes and failures very carefully.

One thing that they emphasised, which I do not think is primarily focused on in this project, is basic literacy, even outside primary education. Another thing that has not been focused on is secondary education, and I think secondary education deserves some special attention, because it contributes to the sustainability of any education reform initiative. If you are training a slightly more highly qualified group to work as teachers, you can then sustain a teacher-focused education reform initiative, and every successful education reform initiative emphasises teachers. I do not think that contingent of training has been emphasised quite as much as the primary education sector, and enrolments in that sector. USAID also tried to tap into Chambers of Commerce and businesses to encourage them to drive demand for technical education. They dabbled in some form of corporate philanthropy to encourage training. That could be emphasised as well.

Q61 Chair: I do not know whether Mr Akhtar wants to comment on this. It was a point made to us more than once that there was actually a vested interest amongst the political classes in keeping the population uneducated, especially in rural areas, because that was the way they captured their votes and held on to them. That is a pretty fundamental problem, which we probably had in medieval England, I guess. The difficulty is, how do you deliver if the people who ultimately are responsible for delivery do not actually believe in it?

Dr Nelson: If I could say so, it is the rural leadership that has that vested interest. The business leadership does not share that interest.

Anwar Akhtar: I would like to put some of this in the specific context of the diaspora; I might do that at a later moment, but on the specific question of priorities for DFID in terms of education, it will have to be a mixed approach. The sums of money that DFID is delivering and spending alone are not going to change Pakistan's existential educational crisis, so it is what can be achieved that is beneficial and helpful. It will also probably involve taking some risks. One of the key issues is the need to have a mixed portfolio working with the public and private sectors, and there are some challenges within that.

For instance, look at The Citizens Foundation, which is probably Pakistan's most efficient and trusted charitable welfare and education delivery organisation across the country, running in the region of 900 schools. If you were to scale them up to double or treble their delivery over five years, that is still wholly inadequate, and that is the best, most trusted private provider. There is a need to look at and engage with that, because even what is best in Pakistan requires some long-term methodical investment, bluntly outside the lines of delivery timetables that are driven by parliamentary cycles in Britain.

I also think there is an issue around top-end engagement with the high-achieving educational institutions, the professional classes, the business classes, the entrepreneurial classes, the mercantile classes, and again, relatively small sums of money targeting peer-to-peer partnerships with institutions in Britain and the west need to be engaged with. Often they do not get off the sketch delivery portfolio of organisations. There is a need to take some risks with quite small sums of money with institutions there. From my experience of working across all the agencies in Pakistan and multiple visits, there is an issue; it is very difficult, and I in no way want to be critical of some extraordinarily committed and brave staff in these institutions in Pakistan, but institutions get siloed.

Probably the most pressing thing to help stabilise Pakistan is a peace and reconciliation process with India. Civil society has a huge part to play in helping with that and address the issues you have raised about feudals and some of their pernicious activity in holding society back. There needs to be an investment in culture, in civil society and human rights, alongside education, through the prism of education work. There needs to be a much wider portfolio of smaller-scale activity that can deliver quite large rewards, alongside what DFID is correctly doing, which is attempting to improve literacy, which is by any standard a good thing in terms of addressing Pakistan's problems, and attempting to improve the efficiency of the sector in the Punjab.

Q62 Chair: I was going to say, as a final point, DFID have concentrated on the Punjab. Is that the right thing for them to have done? There was an official we met in Lahore who was from Balochistan, and he was complaining that DFID was not doing enough in Balochistan. When we were in Derby, we found—which is not untypical of the Pakistani diaspora—a lot of Kashmiris, who ask why we are not doing more in Kashmir. We cannot be everywhere, we cannot do everything, but are we right to concentrate not exclusively but substantially on the Punjab?

Sir Michael Barber: Let me just pick up some points from my colleagues here, and then answer your question. You have to demonstrate this somewhere, and Punjab is a good place to do that, and we are beginning to do that. We are also, as you know, beginning to do a similar programme in Khyber Pakhtunkhwa, which has many more challenges. For DFID to take on two big provinces is a very substantial commitment, and you cannot do this everywhere. I want to make the point that what we are doing with the Punjab education reform is much more important than the content of that programme. The DFID money is a small amount, as you rightly say, Anwar, but it is levering the entire Punjab education budget. Although the DFID money is less than 5% of it, it is changing the way the whole Punjab budget is spent. We will do the same in KPK.

One of the most important things to do in Pakistan in education is demonstrate that reform is possible, that results can be delivered. Nobody in Pakistan in the echelons of the bureaucracy expects a programme to succeed. They have had so many decades of failure at this. I think I quoted a Russian Prime Minister last time I was here: "We tried to do better, but everything turned out as usual." That is how most Pakistani officials think. We have to demonstrate results, and we are doing that. We have dramatic progress on teacher

presence, student attendance, fixing the facilities, progress on enrolment, improvements in quality, including literacy.

Unless we can demonstrate success in a big programme, we will never be able to change these other programmes. The demonstration effect of what we are doing is as important as the intrinsic merits of it. That is the point I want to make. The Punjab is the best place to do that, because it is the biggest province; it has the biggest impact on the most children fastest, and if Punjab does it we will find that other provinces follow. It has big implications for the education programme in Punjab, for the education programme in Pakistan, and indeed for other aid programmes in Pakistan.

Anwar Akhtar: The work that I do is completely apolitical and cross-party, but I think it might be quite helpful to play back some comments that were given to me by an activist in Pakistan. He is someone who is very unlikely to have anything good to say about the ruling party politicians in Lahore, but clearly they see a threat from Imran Khan, and they feel a need to deliver and be seen to be delivering, and be seen to be giving value for public service and for the constituencies of Lahore. Within that there is an opportunity for leverage, and that is to be commended. If something is working in Pakistan, it is progress, for whatever reason; work with that.

On the issue of Punjab as a province, reforming Punjab is a smart move, but there is a risk of alienating other provinces, and whilst there is difficulty in engaging with other provinces, Karachi must be engaged with as much as possible because of the conflict issues there. What I would urge DFID to do is look to work with the civil society organisations and work with the diaspora organisations if you cannot do this yourself. Accept that there will be risks: two out of five things might fail, but three might work. That might be the equation you have to work with.

Chair: We will come back with some other questions.

Dr Nelson: Let me just jump in quickly on the Punjab. It is useful to keep a national perspective in mind, and a historical perspective. In Pakistan, of course, Punjab is the biggest, but it is also the richest, and so the provincial rivalries that we know so well from Pakistan will not necessarily be calmed by a special emphasis on Punjab. Even within Punjab, the districts that are lagging behind, Mianwali or Rahim Yar Khan and so on, are also the districts that are lagging behind in the current reform project. It is valuable to keep the relative resources of the different provinces in mind. Furthermore, previously when a rapid and large investment in education was made, by USAID between 2003–2007, they focused on Sindh and Balochistan, not very successfully. It could be that that previous focus led to a change of provincial emphasis, but the lessons from that previous experience are crucial.

Sir Michael Barber: Maybe if I could just get a couple of facts on the table here. One is, there is a big DFID programme in Karachi.

Chair: Unfortunately we were not able to get there.

Sir Michael Barber: Yes, but the Education Fund for Sindh is directly working with The Citizens Foundation and civil society to provide low-cost private education to children in Karachi, for the exact reasons that Anwar gave. The other thing is that DFID is focused on Punjab and KPK both. The Americans are focused, as you say, on Sindh and the World Bank also has a programme in Sindh. There is quite a lot of distribution. DFID can only do so much, and the demonstration effect is what is really important here.

Q63 Mr McCann: Good morning. My question is about education. Is part of DFID's plan in terms of its investment in education a belief that it will reduce Islamist extremism? If it is, is it working? Perhaps, Sir Michael, you are best placed to answer that question.

Sir Michael Barber: I would go somewhat beneath your question and then come back to it. I am about to make my 29th visit to Pakistan, starting on Saturday. The reason I have been doing that, and the reason DFID is investing money, and the reason I originally responded to David Miliband's request to get involved in this programme, which has since been supported by the current Prime Minister and administration, is that we need to make Pakistan a healthy, strong, successful, thriving economy, society and democracy. Yes, part of it is therefore to reduce the degree of terrorism and the security threat. I think you met the Chief Minister from Punjab.

Chair: We had a substantial lunch with him.

Sir Michael Barber: He always emphasises that until you educate people across particularly the rural parts of Punjab, some of the districts Matthew just mentioned, you will never be able to solve the terrorist and security problem. However, that is not the sole point of it. The point is to make Pakistan a healthy, thriving economy and democracy. While sometimes, when you look at Pakistan with all its many problems, it is hard to imagine that, I see a key part of my role—and I get a strong response from Pakistani officials on this—as creating the belief that the vision of a successful, thriving, democratic Pakistan really is possible if we do some of these things properly. Hopefully by fixing the education problem we will achieve those bigger goals and deal with the security problem as we go through. Is it working? It is too early to say, truthfully.

Dr Nelson: It is true at this point that we can say that the link between primary education and counter-radicalisation is a weak link. That is not at all to say that investment in primary education is not important for many of the reasons that Sir Michael has just mentioned, with reference to cultivating a livelier civil society and stronger democracy. However, I do not think we should kid ourselves by saying that the link between education reform and counter-radicalisation is direct.

Having said that, those who are interested in counter-radicalisation and education focus primarily on things related to the curriculum, what students learn. They do not focus quite as much on increasing enrolment or improving the administration of the education system, which is where this project, I think, is focused. Religious education and the religious education curriculum are an integral part of every school in Pakistan—Government schools, private schools and obviously madrasas. I do not think we should imagine that focusing on Government schools

leads us away from a focus on religious education. They include a component in their Islamiat curriculum; even in their Pakistan studies curriculum they focus on religion.

I think that DFID should not shy away from the issue of curriculum, including religious education, but DFID would have to do so with extreme sensitivity and a much richer knowledge base, linked to an understanding of education in other Muslim-majority countries. There are some organisations that have worked very effectively with religious leaders. The Asia Foundation works with local mullahs in Afghanistan, Bangladesh and so on. They also have an office in Pakistan; that office has not focused on working with religious leaders as much, but I think that that organisation can provide some information about how to carefully, slowly and systematically engage some of these incredibly sensitive issues, even in an educational context.

Anwar Akhtar: It is an extraordinarily difficult question. My work, and the work of my peers in the organisations we engage with, is campaigning around plurality and minority rights. We are involved in campaigns against minority religious organisations that have been attacked. We are very close to this, so I will give you a very blunt answer. I was quite struck by James Fennell's comments in the earlier session about Jamaat-e-Islami having a significant role in educational provision and curriculum development in Pakistan.

The reality is there is not one Jamaat-e-Islami. There are about 30, 35 or 40 different branches. They are extraordinarily disparate in their range, and within those groups, if I may just draw a crass, simplistic comparison with our experiences in Northern Ireland, there will be figures such as Gerry Adams, Martin McGuinness and Ian Paisley who will be part of a reconciliation and stabilisation process, and there will be difficult discussions. There will also be people who will never leave their sectarian agenda behind or engage with other communities.

It is a very difficult thing for DFID. We can all be grateful that Osama bin Laden has been taken out of the picture, and he cannot wreak havoc anymore, but one of the consequential impacts of using a health or education programme alongside a security intervention is the attacks on polio workers that we are seeing in Pakistan now, which is heartbreaking. We have to tread very carefully; certainly DFID need to be aware of this. The phrase they use in Pakistan is "ir NGO agendahe" and essentially that is what they use. What they mean is that it is a white, colonial, Christian agenda, and they use that against health intervention, education, minority rights.

The best thing DFID can do is support literacy, support women's education, and those steps have their own value and their own benefit. That issue and that question that you raise, sir, is an argument for civil society in Pakistan and diaspora organisations to engage with. There are organisations on the frontline leading that argument within Pakistan, and within the diaspora. Again, I come back to the emphasis of engagement with civil society, and empowering those organisations to have the arguments on their terms, and within their value systems and their narratives. It is something that I would urge all the agencies in Pakistan to engage with, because they are the organisations that have to deal with this.

Q64 Mr McCann: You have jumped on to the next point I was going to make. We will come back with a couple of final points, to which hopefully we can get short answers, but in terms of Jamaat-e-Islami, a witness stated in an earlier session that they have a great influence over the educational establishment. You have already commented on it; perhaps others want to comment on it and answer the question of what the implications are of this for sustained improvements in education outcomes? Does DFID have any relations with that group?

Dr Nelson: I am not able to comment on whether DFID has any direct relations with Jamaat-e-Islami; I suspect they do not have any direct and substantial links. With reference to the influence of the Jamaat-e-Islami on the education sector, and particularly the curriculum, their influence had a high point during the Zia-ul-Haq years, but some of the themes that people associate with the Jamaat-e-Islami have a very long history that is not confined to their influence. The Jamaat-e–Islami is particularly interested in emphasising the homogeneity of the Muslim community in Pakistan for the sake of promoting national cohesion. What this means in effect is a relative blindness to some of the diversity within the Muslim community: sectarian diversity, some of the regional diversities, ethnic diversities and so on. The Jamaat-e-Islami downplays those, but as a consequence, in over-emphasising some of this unity, the groups that are neglected do not necessarily feel their voices are heard.

Therefore you have a blindness to sectarianism that leads children in school to have an under-developed appreciation of the fact that their community is diverse. The Jamaat-e-Islami is by no means the only voice articulating that perspective, but they do share that view, and one of the things we might consider important is an appreciation of the diversity in Pakistan, and that the curriculum reflects that. That perspective does not necessarily find space in the curriculum or the Jamaat-e-Islami's approach to it.

Sir Michael Barber: Just briefly answering your question, as far as I know DFID does not have any contacts with Jamaat-e-Islami, but I may not know. I certainly personally do not. When I look at Punjab, if you take 100% of the children and the schools they are in, 60% are in Government schools, about 40% are in low-cost private schools, and about 1% are in madrasas. The way I have thought about it is that I will try to fix the system, get the children in to school, get them learning something in maths, English, Urdu and science, and not even get into that debate. I am a white, former colonial person from a Christian country and that is a debate for Pakistanis to have among themselves, and for the Chief Minister and the other politicians to lead in Punjab as they see fit. I am trying to design in the elements that will help them to fix the basic system, and leave that wider debate to others.

Q65 Mr McCann: Two final points to add; perhaps you could encompass them all, because time is marching on. Are the extremists well-educated, and are we assured that none of DFID's money is getting to any of the extreme organisations? Perhaps if that could be coupled in one answer.

Anwar Akhtar: I am happy answer this one. I have to emphasise again that there is not one Jamat-e-Islami. It is like saying there is one orthodoxy, or one orthodox sectarian element that represents a community. Jamaat-e-Islami's roots in Pakistan go very deep, and they are a bête noire for liberal, progressive, human rights and minority groups. It is worth remembering that their power predominantly dates from the 1980s, when they were on the right side of the Cold War vis-à-vis the militias in Afghanistan. We are talking about a network that the west helped in power, which is now wreaking havoc in Pakistan. Obviously the Pakistan establishment played their part.

Their presence is everywhere in Pakistan, but it is opaque, so in a way, DFID have to be mindful of their presence, but they are everywhere. They run madrasas, they are involved in schools, they have MPs. They are endemic within Pakistani society. You cannot just say, "There is a circle, that is Jamaat-e-Islami, avoid." If you want to do that, you probably cannot enter Pakistan. My assessment, from what I have seen of DFID as an autonomous individual, is that they have been very, very cautious. They are engaging on literacy and development and the schools programme, because bluntly it is not something DFID can engage with, because the backlash would be extraordinary.

Dr Nelson: Can I just add a factual point that I think is useful to keep in mind, about religious education? Religious education, as I mentioned earlier, is not strictly confined to madrasas. We find a religious education curriculum in Government schools, in private schools and in madrasas. It is extremely valuable, growing out of my own extremely detailed research over the last six years across the country, with thousands of interviews, to map what kind of education students receive. It is a mistake to look at full-time enrolment figures. Children routinely spend half of their day in a Government school, and then spend some time in a madrasa in the afternoon, or go to a madrasa in the morning, or call a mullah from the madrasa to their home and then attend another school later in the day.

To assume that there are spaces of religious education, which are madrasas, and then spaces without religious education, which is these other types of schools, is a factual misconception. It is very useful to keep that in mind. It is also unhelpful to think that "extremists" are associated with a particular level of education. There is no correlation. We can find extremists with very sophisticated education here in London; we can find extremists with very little education, so again it is very difficult to draw a direct link between level of education and level of extremism, and we should avoid doing that.

Q66 Jeremy Lefroy: Good morning. Given that a huge amount of DFID's budget in Pakistan—a considerable amount of money in any case, probably going up to more than £200 million per year—is going into improving education, what do you see as the risks that are involved with this programme, given past failures, or should we say less than successful outcomes, in other programmes? Do you think, for instance, in Punjab that the programme is too reliant on the current Chief Minister's engagement?

Sir Michael Barber: It is a great question, and thank you for it. Over the Christmas holidays I was reading the new biography of Nelson. It is fantastic; I recommend it to everybody. On the eve of the battle of Copenhagen, he says, "I am of the opinion that the boldest course is the safest course." There are risks in what we are doing, and I am completely open about that, but they are not as big as the risks of not doing anything. The risks of doing nothing in Pakistan are absolutely enormous, and if we can use some well-targeted aid programmes to build great relationships with Government people and civil society people to make big changes, that is the most important thing we can do.

We need to do it urgently, and with real pace and momentum, because the question I keep asking people in Pakistan is, "How long do we have to fix this problem?" Caution is much more dangerous than going boldly. We are really going boldly. I do not think there is any aid programme in the world where we are moving so fast over such a large scale as we are doing on the Punjab education reform, and it is because the problem is urgent. There are of course risks. One of the risks is that through the election period we will lose some of the officials who have been crucial to it; we do not know what will happen politically. Democracy is like that. We do not know who will come after the election and whether they will be committed, so there is a risk there.

There is a risk all the time of the pace we are moving at that we will make mistakes. I do not doubt that we will. We have had a great run; I hope we will keep having a great run. Then there are risks from outside the programme: Pakistan, as you know, is riven with crises. Even this week we have a warrant for the arrest of the Prime Minister, we have big demonstrations in Islamabad. There were several different terrorist incidents over the last week, and then there were the floods and all of that. There are risks from outside the programme that could overturn it.

The problem in Pakistan, as I see it, is that over many years, because there are so many things going wrong, and because of the lack of commitment among some of the elite, nobody does anything. They are waiting for the next crisis, whereas what we are trying to do is put in place a programme with very clear goals, and drive it whatever happens, so that when there is a dengue fever outbreak, I still go to Lahore; when there is a flood, I still focus people on the schools. Somebody has to keep that focus through. The Chief Minister in Punjab has been great, but political change and crises from outside the education programme, or mistakes we make inside the programme, are all risks. However, they are far smaller risks than the risks of doing nothing or going too slowly.

Dr Nelson: Rather than err on the side of boldness, I will cast a vote for some caution. There are some risks

for the optics relating to DFID with an "all eggs in one basket" approach. There is a remarkable emphasis on Punjab so far—as Sir Michael has said, the focus on Khyber Pakhtunkhwa might be coming soon—and very close public ties to the Chief Minister, Shahbaz Sharif, more than any other figure. There is a risk that DFID will be seen as simply playing into the Sharif patronage pie, with this very large infusion. Beyond that, focusing on a province, Punjab, that is well-off, relatively speaking, means that the relationship between some of the projects and the patronage machine of the Sharifs is important to ascertain.

I am sure every effort is being made to draw a distinction between that patronage process and this project, but historically, leading up to elections, we all know that judges and teachers at a local level are usually called upon by their political patrons to serve as returning officers and election monitors in the context of the election. It would be quite surprising if that historical pattern were broken in this project. We can probably expect that the large push for teacher recruitment will not be overlooked by the political calculations of the Sharifs in the context of any election that we hope is forthcoming.

Sir Michael Barber: Can I just make one factual point? 81,000 teachers in the last two years have been appointed in Punjab, purely on merit. Shahbaz Sharif has made some bold moves to take on the traditions in Pakistan. I am not saying any politican in Pakistan is perfect, but I think we will, through this programme, begin to make progress in breaking those patronage patterns you are describing.

Anwar Akhtar: I said earlier that you can be very, very critical of the Sharifs, because they are just as complicit and just as responsible for the failures of leadership, governance and transparency in Pakistan as previous politicians, but there is quite compelling evidence that one or two spots on their skins have changed. You have to work with the positives. It was a real shock for me to be told that by someone who is essentially a revolutionary socialist trying to bring about a revolution in Pakistan. It was a very neutral view that I pass on there.

The biggest risk for me is sustainability after the funding has gone, which is driven by western cycles. The risks are that it is easier to audit bricks and mortar, so we get lots of schools built but no-one to teach in those schools, and then they end up as grain silos. We have seen that before in Pakistan. An emphasis on teacher training at all levels, from basic literacy and numeracy in villages and rural areas to secondary, is crucial. It is the teachers that you need more than the bricks and the mortar: teacher training, teacher training. There is a need to look beyond basic definitions of education to support civil infrastructure. Again, at the risk of being slightly parrot-like on this, the civil society organisations, the women's rights groups, the minority rights groups, midwives' education, all have a sustainability beyond DFID's cycle. More emphasis on that is needed. The emphasis is there in DFID's priorities; I would like to see it emphasised more in on-the-ground delivery, alongside the demonstrable progress that is being made in the Punjab.

Chair: We have quite a few questions and not an awful lot of time, so can we move it along?

Q67 Hugh Bayley: I was very taken by Anwar's last answer. Sir Michael, I am enormously impressed by your energy and your drive and your leadership, but over more than 30 years I have seen so many development projects that worked brilliantly when the money was flowing, and then you see piles of bulldozers rusting and dams washed away by the first rains. I have a horrible fear that you revolutionise the system as long as DFID is involved, and then it will crumble. What usually goes wrong is not the project itself, but the fact that the system is not strong enough to sustain it.

I made a note of Anwar's comments about the importance of improving teacher training and the importance of having a fan club for education amongst parents, women and so on, but what about the exam system? What about training education administrators? Does this programme need to be wider in order to be sustainable?

Sir Michael Barber: It is a great question, and I totally agree with you; what you are saying is a risk. One of the points I am trying to make all the time is that there are risks in everything we do. The important thing is not to allow those risks to prevent you from getting on with it. I totally agree there is a risk that this might crumble in the future. I believe, however, that there is every reason to go for it, and there are lots of things we can do to prevent that crumbling. Indeed, the 90-page paper I have here, which I will submit to you in draft, answers that question.

First of all, teacher training is absolutely central to this. Secondly, we are not building a single school. We are getting Punjabi money to repair the schools, giving it to the parents, engaging them in exactly the way you would want to, to help them fix their schools, but no DFID money is building new schools. It is all about getting the system to work better. We do training for administrators: every six months I spend two days with the leadership of each of the 36 districts, two people from each district, with my colleague Saad Rizvi and others, and we train those people very specifically to do the roadmap, to learn the skills of analysing the data, deciding where to focus their energy, and getting the system to work.

That training is beginning, undoubtedly, to have an impact. This year we will have a big focus on teacher quality, and a much more refined drive for enrolment, using what we have learned over the last two years. Because we get monthly data we are learning all the time. A huge focus of mine is embedding in the Education Department, the Directorate of Staff Development and the other parts of the Punjab bureaucracy, as well as the district bureaucracies and building that capacity. It is not the general capacity-building that you hear about in aid programmes; it is very specifically focused on achieving the goals we have. I think we are doing everything to prevent that outcome, and to be honest if in two years we pulled out the DFID money—I hope that does not happen, but if it did—I believe this would still continue.

Let me just finish with this: one of the EDOs, the district leaders of the education system, said to me last time we did training, which was in December: "I have pain in every bone in my body, all of us do, but we want this to continue, because the roadmap is not just about education, it is about nation-building." This is motivating people right through the system to change Pakistan.

Dr Nelson: About 10 years ago I was involved in a very large project on legal reform in Pakistan, around $350 million that they tried to spend on things that are very similar to what this project involves. We had ministerial champions, we had an innovation fund, we had extensive media outreach, and, as you have said, as soon as the money stopped flowing, much of the project did too. There was also, in the context of USAID's $100 million education sector reform project, an intensive focus working with the Chief Minister of Sindh on a management information system to capture the data from the project. That was trumpeted as one of the key achievements of their relationship with the Chief Minister. That management information system lasted until 2007 when the project ended. I am extremely hopeful that this project will buck the trend, but I am withholding final judgment for a while.

What you said about recruiting teachers on merit is extremely important. As you have said, one way to ensure that that is possible is by focusing energy on the examination system, and making sure that it has integrity. It is notorious for its lack of integrity. The most important thing is not to encourage ownership of this project at the highest levels of Ministers, but to encourage ownership of this project at the most local levels, which is exactly why the energy spent on training people to capture data on their own is time well spent.

USAID's primary complaint about their project was that there was a lack of internal assessment of the project as it unfolded. What we need are regular, honest progress reports that show, warts and all, what is happening—not, again, at the level of ministerial commitment, but at the level of local capacity, because that will sustain a project over time more than anything else.

Q68 Chris White: I think we all recognise that it is an enormous change management agenda you are looking at. With regards to the structural change, you have already responded through Mr Bayley's question to some of those points. How is this being communicated? How are parents understanding the roadmap? How are teachers understanding the roadmap, and how are the institutions understanding it? Is there a communication strategy going across all parts of the interested parties in educational reform?

Dr Nelson: Sir Michael can say more about that. My understanding is that there is a very elaborate media strategy associated with this, which is trying to reach down to the community level—

Q69 Chris White: Can I interrupt you for just a second? A media strategy is sometimes about a PR strategy, telling all the good things that are happening. How are people being informed?

Sir Michael Barber: We have done a number of things, and it is a really important question. It is part of the answer to Hugh Bayley's question as well, because the ultimate sustainability will come when the parents demand education of the kind we are trying to provide. A lot of the roadmap is focused on improving the supply side. What you are talking about is, "What are you doing to change the demand side?" I completely agree that is an important theme.

There are several things. A big part of it is devolving money to school level, to be decided at school level by parents. That is why we have been able to improve the quality of facilities really fast over the last two years. You get some engagement at that level.

On the enrolment drive, which happened in the second half of 2012 and on which we will build in 2013, we were getting the teachers and pupils themselves to go out into the communities and literally talk to the parents, one by one. "The schools are better, we have changed them in the last two years. Come and see how they are now. Get your child into school, because it is not the failing school that you remember from two years ago." That is the second thing.

Then, above and around it, there is a big media campaign, which DFID has been funding across Pakistan, which has been running for six months now. It began with religious leaders advocating the importance of education, and then went through a diagnosis of the problem. Last time I checked the data, which is a few months ago, 91 million Pakistanis had seen at least four of the adverts or messages that are going out through Geo television. We have been getting people like Jawad Ahmad, the famous Pakistani pop singer, and others doing songs. We are doing lots of stuff to try to address that problem, but in the end it is about how the roadmap engagement between the schools and the communities works.

By the way, one other thing: designing in vouchers, the importance of a low-cost private sector, building enrolment into that, is another way of engaging parents, and whereas the Pakistani elite have always had choice, now we are offering choice to the poorest Pakistanis.

Anwar Akhtar: Pakistani society, Pakistani parents want their children to be educated, and want their children to have a better life. The issue is that everything that has stopped Pakistan from being a failed state to date—the welfare organisations, the diaspora organisations, the civil society organisations—cannot cope with a doubling of population in two generations. I have spoken on the ground to numerous health workers and development workers, and they all say the same thing: "Karachi and Lahore cannot cope with a doubling of population. We are two generations away from favelas and shanty towns and no-go areas, and very difficult urban environments."

Thank the Lord that has not arrived yet, but it is not far off. I think the issue is how you respond to increasing urbanisation, population growth, a large mass of unemployed youth facing either opportunities and education, and a buy-in to the human race, or utter alienation. The Pakistanis want to better themselves. The question is whether Pakistani society, the leadership and the world, can manage the difficult

situation that Pakistan faces, because if it can manage it, Pakistan can have a positive future. If it is not managed, Pakistan could be staring into the abyss. It really is at a crossroads.

Q70 Mr McCann: One of the great advantages of being able to visit a country, when you are doing a report or an investigation, is that you can see firsthand on the ground what is happening. We visited schools, and we were absolutely impressed with a low-income private sector school; the teacher there was doing incredible work. Conversely, we were not particularly impressed by the state sector we visited. I will give you a couple of examples. One we saw was where the kids were being taught about "root, branch, tree, leaf" etc, and they were repeating the words, but when I looked at the children's pages, outside that work, there was nothing there. They were empty, which did not convince me that it was not a set-up, and it did not convince me that the kids were not drilled before we had arrived.

In terms of the programme, I have some questions about its monitoring and evaluation arrangements. Who is verifying that the schools exist, that the number of pupils who are attending do? How are the schools selected that are to be visited and inspected, and are the schools given advance notice? Are repeat visits made? The irony is that in our system, schools are given advance notice of visits, which I think is wrong, but leaving that aside for a moment, I would focus on those particular points. We did come away from those visits a bit sceptical about what we had just seen.

Sir Michael Barber: It is important. We have thought very hard about the question. First of all, let me just say that I think this is the first comprehensive whole-system education reform strategy that incorporates the private sector into it, which would be consistent with your opening remarks. There is that whole Punjab Education Foundation programme, and that is helping to get children into school and get them better results, often at lower cost than in the state sector. Roughly you spend Rs6,000 per year on a voucher place in a low-cost private school, and Rs15,000 per year on a place in a Government school. We are the first strategy anywhere in the world to do that.

Secondly, the way the data system works is that there 900 ex-Army guys who have motorcycles, so it is very low-tech, apart from the motorcycle. Every month, every one of the 60,000 Government schools is visited by one of these guys. They are given a route each week. They never go back to the same school twice in the six–month period. They do not know the route they are going on, and when they arrive they are unannounced at the school. They collect data on a checklist. That data is assembled at district level and submitted to Lahore.

The December data, collected by the means I have described, was shown to me on 10 January, and by next week it will be back out in all the districts. Next week I will sit with the Chief Minister, and we will use that data from November and December to see what worked and what did not work between November and now. It is a remarkable data collection system; to get monthly data on key indicators across Punjab is a pretty remarkable thing. Again, there is no other scheme in the world that does that.

Is it perfect? Absolutely not, but do we check when we see oddities in the data? Yes, we do, in the same way that a sophisticated exam agency would check unusual blips in the data, to see if anything odd had gone on. We do that, and in a certain small number of cases, officials have been moved from districts where we discovered that they were falsifying the data in some way. We have done everything we can to prevent corruption. On my own visits, I have had exactly the same experience you describe. Twice in the last year I escaped security minders and literally turned up at schools unannounced.

I found a couple of schools that had not done anything as a result of the roadmap, but of the 10 or so schools that I visited on those visits, you could see the difference in eight of them from a very low base to a bit better. I am not claiming they were good, but in some cases I could see the teacher guides being used, I could see the facilities had been fixed, I could see that something was beginning to happen: the teachers were there, the student records were there. There is improvement, but it is from a painfully low base, and on my announced visits, it is exactly the same experience that you had.

Q71 Mr McCann: This is a supplementary. Given that we saw some really good work going on in the low-cost private sector, would that not lead you to the conclusion that that is a better place to invest?

Sir Michael Barber: Yes. You have roughly 20 million children in the Punjab, and about 10.5 million or so—the numbers are a bit vague—are in Government schools, and about nine point something million are in low-cost private schools. Part of DFID's funding is going to the Punjab Education Foundation, which is expanding fast. What we are doing this year is building the capacity of the Punjab Education Foundation to go through another big expansion.

The voucher scheme has 140,000 kids on it currently; we will have 150,000 by April this year, and then we hope to double it in the next two years. That is pretty rapid. We are doing what you are saying, but we have to check with all those schemes that the foundation has the capacity to prevent corruption, and all the other things that can undermine any scheme in that part of the world. We are working on the resilience of the PEF right now, so that we can do a doubling of it in the next few years.

Dr Nelson: I absolutely agree that investment in private education is worthwhile, but there are two concerns. First, the regulation of the private sector: if the State does not have sufficient capacity to regulate its own public schools, then expending that capacity to regulate private schools very carefully is difficult. Second, of course, is the issue of scaling up. The private sector, as you pointed out, with The Citizens Foundation and the Punjab Education Foundation supporting it, is moving towards 150,000 students, and doubling that to 300,000 students, but I point out that there are 20 million students to think about in the Punjab.

I cannot agree more that monitoring and evaluation of the project, both in the private sector and the public sector is crucial, absolutely crucial. One-off visits, unannounced, collecting quantitative data, are extremely important, but I also think that monitoring and evaluation needs to consider long-term stays with particular schools to watch the process taking place, doing qualitative research to understand the process of change, as opposed to just measuring through occasional visits and benchmarks. A combination of evaluation techniques—routinely overlooked, I must add, in the development sector—would be extremely advantageous.

Q72 Jeremy Lefroy: In that case, is there evaluation of these statistics? Do you have hard evidence and proof that they are roughly right?
Sir Michael Barber: One of the things I learned in the four years I was in Downing Street, running the delivery unit for Tony Blair, is never to rely in demonstrating success on one data set. There is always a risk. The 900 guys on motorbikes are all checked, and periodically we go to a district and check whether what we are seeing in the returns stands up. In fact, last week my team rang, randomly, 40 schools to check the data that had come into Lahore, because it had improved again, and I said, "We had better just check this is a real improvement," and we got good feedback from that. We do that on a routine basis.
We also have several other data sets now. One is an enrolment survey done by Nielsen every six months, which has shown progress. That ran in December 2011, June of last year, December of 2012, and it will run again in June. That is completely independent of the Punjab Government, and that is showing progress. We want it to go faster, but each time the enrolment figures have improved.
We had a visit from ICAI, who sent teams out to look at things and check all these data systems. As you have seen, that report is very positive, and DFID have funded the kind of evaluation that Matthew was just speaking about, from a consultancy. They have not published their report, but they have fed back to me, and again that was positive. We are using several different data sets to check. The data we are getting from the guys on the motorbikes is good enough to manage the system, to make adjustments, and to keep the strategy going. It is not absolutely perfect. I do not claim that. But it is the best data system that has ever been created in this—

Q73 Chair: So there is no risk of headteachers trying to buy their data? A headteacher might say, "How much will it take to get the right return?"
Sir Michael Barber: For all I know that may happen on some occasions, and that is why the guy on the motorbike never goes back to the same school twice in a six-month period, and does not know the route until the day he gets the route. It is not a perfect place, but we have tried to prevent those elements. We are absolutely confident it is good enough to make decisions about management, about whether each district is doing well.

Q74 Jeremy Lefroy: Is there any engagement with parents? In the school that we visited, a private school set up recently for brick kiln workers' families just outside Lahore, we were impressed by the engagement of the parents, and therefore they would provide some form of third-party quality control.
Sir Michael Barber: Sorry, are you talking about in the Government schools?
Jeremy Lefroy: This was the private schools. I am talking generally.
Chair: We did meet parents at the Government school as well.

Q75 Jeremy Lefroy: We did, but it was particularly noticeable in the private school, where these families were really engaging with the education system for the first time.
Sir Michael Barber: Obviously the whole voucher scheme, and the other two Punjab Education Foundation schemes, all of which affect private schools, do have that, and in the Government schools I was mentioning, we are devolving budgets for repairs—basically, facilities—to the school level. That money is spent in dialogue with the parents. Getting the teachers from the schools to go out into the community as part of the enrolment drive is a key part of the next step. We are trying to have that engagement at every level.
Chair: You have said yourself that you have concentrated on getting children and teachers to turn up, but obviously there are issues about what they are doing when they are there.

Q76 Hugh Bayley: First, could you let us please have a copy of the form the motorcycle driver fills in, if necessary with your translation into English, and shall we say the December returns? The second question I would ask is: this kind of data collection is usually quite good at collecting quantitative data, and you have given us figures of 1.5 million extra children in school, and 81,000 merit-based appointments of teachers and so on. To what extent do these returns capture data on quality and how much the kids have learned?
Sir Michael Barber: I think I have submitted the December data and the returns to the Committee Clerk, so I think you already have that. If you look at the data that I have submitted and you want more, just let me know.

Q77 Hugh Bayley: And from that it is implicit what data is collected?
Sir Michael Barber: Yes, it should be pretty clear, but again, just come back to me if you want more than I have given to the Clerk. The monthly monitoring does not get into the teacher quality issues, but there is a fundamental part of the roadmap that has, first of all, written lesson plans for every lesson for every year, and secondly has reformed the textbooks in maths, English, Urdu and science, and they will all be available in schools from April. The textbooks and the lesson plans will go together. Thirdly, in the last few months we have piloted a new approach to teacher quality. There are 4,000 people called DTEs, District Teacher Educators, run by the Directorate of Staff

Development. We are adjusting their role significantly so that they become coaches and mentors to the teachers, so every teacher in the Punjab will have a monthly visit from a DTE, a trained District Teacher Educator, who will watch a lesson, give a couple of very simple pieces of advice and then a month later come back and say, "How did that work? Was the conclusion to your lesson really effective? Here is a way you could make it better"—that kind of simple advice, or, "Could you have set the problem up differently? Try this."

We have piloted that in two districts, Kasur and Layyah, in the last three or four months. It has gone really well. To check the outcomes of that, to check that teacher quality is turning into student results, some time during 2013 we will introduce a sample assessment across the province of all students. The PEC exam that runs for Grade 5 and Grade 8 shows improvement, but we do not entirely trust those results, for various reasons. We will get an independent team—we have not commissioned it yet—to sample a representative sample of students in the province later this year, to check that the teacher quality pilot is affecting student outcomes.

Q78 Hugh Bayley: My experience as a politician is that parents, generally speaking, like tests and like to know how their school is doing—certainly more educated parents. I listen to teachers and I am told that that is too crude, but the absence of that is too sloppy. If there are problems with what sounds a little bit like a Pakistani SAT, problems of confidence in how accurate a measure it is, how free from corruption and bribery it is, and so on, would it not make sense to supplement—again, thinking about sustainability five or 10 years ahead—if necessary, to go back to DFID and say, "We need an extra £50 million to reform the exam board"?

Sir Michael Barber: Yes. That is a serious question; the exam board does need looking at, and that is on the agenda but we have not really focused on it, simply because we have so much on. However, I do think that is important and I would like to see the PEC exam being strengthened, but faster than that we could get a sample, which will at least check that we are making some difference. I totally agree with you.

Hugh Bayley: I think that would make sense too.

Dr Nelson: What I think it would be helpful to see from DFID is a very astute assessment of how the existing exam system is politicised and undermined, so that if a new exam system is introduced, it can address some of those problems. The question is not, "What questions are on the exam?" The question is, "How do people manipulate the results of said exam?" I think that a very astute political assessment would be extremely helpful from DFID. Similarly, when it comes to revising textbooks and then teacher training manuals and curriculum manuals, textbook boards are notoriously captured by political interests. I would be very interested to know exactly how that textbook reform process went, because it has been a nut that other development agencies have been keen to crack, and have failed to try, given the challenges associated with that. Similarly, textbooks and education in general in Pakistan are provincial matters, and so the content of the textbooks varies from province to province. We would be interested to know exactly how the success of a textbook reform process in Punjab might translate to some of the other provinces, because, increasingly, they may operate in little islands in terms of educational content.

Q79 Hugh Bayley: Can I ask one last question? I think it should probably be addressed to Anwar. It is important to enrol girls; we saw a lot of girls enrolled in schools. We saw some very proud mums advocating the need for their girls to get education at both state school and private school. I did not see many disabled children. What can be done to reach out and say, "Disabled children are children too, and they deserve an education"? What can be done, Anwar, to reinforce the power that women have to advocate for their daughters in a society where often women are marginalised?

Anwar Akhtar: Sometimes things are not always what they seem. It is very different in the tribal regions and Khyber Pakhtunkhwa, but one of the things I have been struck by is that one of the significant barriers for girls going into higher education and university is income. A family is losing an income stream or a potential dowry. The way through that may be something as simple and straightforward as a voucher scheme or some kind of support. There is a risk to that: I remember at my school, dinner tickets became a currency, so you would have to make sure it was non-transferable and audited, but that is one very positive thing that can be looked at.

Q80 Hugh Bayley: That was in the UK, was it?

Anwar Akhtar: Yes. Burnage High School, Manchester, for the record. In terms of school books and curriculums, there is a huge row in civil society about what is on the curriculum and how school books are written, and what is taught. They are all small organisations, voluntary organisations. The Simorgh women's organisation in Lahore is exemplary, run by a woman called Neelam Hussain, who is a heroic individual, but it is one woman in a labour of love, with volunteers, who has actually been rewriting schoolbooks, and campaigning for empowering girls' education.

There are issues about language and mother tongue, because a lot of children are being taught in both Urdu and English, but they might be Balochi or Sindhi or they might be Sylheti speakers from Sialkot. DFID will not be able to resolve that. Only civil society, arguing their way through the issues of how Pakistan develops as a society, will manage those issues.

On disability, it is very difficult: bluntly, unless you are from a wealthy family you will have very little quality of life. There is an extraordinary organisation called Karachi Vocational Training Center, which runs a disabled school in Karachi for 400 or 500 children, providing a level of western-standard provision in terms of training, in terms of health and self-confidence. They are getting young people mentored and into work in manufacturing, restaurants or backroom, and giving them some life value.

However, I think something like 800,000 children in Karachi have learning difficulties or physical

disabilities, and the majority of them are trafficked on the streets. That is the blunt reality. KVTC, like The Citizens Foundation, is the one model that is trusted, that works, that the diaspora send their money to. We could do with 30 of them, but it is run by an extraordinary individual. You need to get that individual to train another level of management to develop that out.

I would like to say something about the diaspora's role, but I think that might be later.

Chair: I will bring in Pauline Latham, because we went to Derby, which is next door to Pauline's constituency.

Q81 Pauline Latham: We went to Derby, and often the diaspora support for Pakistan is family-based, when they visit, or ad hoc. It adds up to much more than the DFID projects that are being spent out there. Do you think there can be any synergy or link between the two?

Anwar Akhtar: We have to go back to basics, because the potential leverage is huge, and it is game-changing, for multiple reasons—cultural, political, strength of voice, level of access, level of engagement, the authority the diaspora has. It might be helpful if I just give you a little bit of history about the nature of the British Pakistani community and the relationship with Pakistan. The vast majority of British Pakistanis are from small towns, villages, rural areas: a great many are from Mirpur, but I am not sure it is 80%. My own feeling is it is nearer 55%-60%, but that is a significant body.

Bluntly, among first and second-generation British Pakistanis, the best and the brightest would go into law, or finance, or medicine, or engineering or business: God knows how many surgeons and physicians we have. There were certain careers that first and second-generation immigrants do not look at, because it is about developing a wealth base and your stake in society. Most people did not go into international relations, media, arts, culture, development, theological leadership, religious leadership. We have not been able to engage with Westminster or DFID or the NGOs in a way that is changing with this generation.

Alongside that, something like 4,000–5,000 people fly out to Pakistan in the summer. That is a huge leverage. The problem has been that Southall or Rusholme or Derby or Handsworth tend not to engage with Islamabad or Lahore or Karachi, so there has not been a relationship with the big development organisations, the big delivery organisations or civil society. That is changing with this generation, and it is a major change. I see it in my work. British Pakistanis are, by human nature, interested in their parents, their grandparents, their heritage, their ancestry.

Pauline Latham: They are very concerned about the bribery and corruption, and they have said to us that they would volunteer to help DFID monitor what is going on out there. We are really short on time, so a history is not actually what we need. We need to know what you think now.

Chair: The fact that they are in rural areas is an added bonus.

Pauline Latham: It is.

Anwar Akhtar: That is changing because of the language access, and there is now a professional class who are engaging with DFID. You have the work of the Samosa, the British Pakistan Foundation, Human Rights Commission, The Citizens Foundation: all the issues and areas that you are talking about, which you have difficulty accessing, and frankly may not be able to access without causing alienation or conflict: we have a direct access.

The issue is, what I have been arguing for does not quite fit DFID's role, and does not quite fit the British Council's role or the FCO's role. It is peer-to-peer relationships with universities and cultural organisations, networking, business support facilitation. If I had a magic wand, I would love to see a small sum of money in the scheme of things, four, five or six million, over a two to three year period, for specific peer-to-peer engagement between the institutions Pakistan needs to grow, and diaspora organisations who can also talk some blunt truths to power.

That needs some trust-building. I am working with theatre organisations to bring women's theatre groups to Britain. The British Pakistani community will turn up en masse as an audience for that, and their voices need to be heard. We do work to profile the Edhi Foundation—

Q82 Pauline Latham: Yes, but it is not about bringing people here, it is about doing stuff in Pakistan. You will only bring a few people in a theatre group. There are millions and millions and millions of people out there not getting a proper education, being ripped off by the tax people or people at the airports when they come in and out. There are a whole host of things that the Pakistani diaspora told us they would like to help with, but I do not see, or they do not feel, they are being used by those people—certainly not in Derby.

Anwar Akhtar: The point I am making is that there is an opportunity. I find it stunning that DFID do not have an information stall at Manchester airport, saying, "These are our projects; go and have a look whilst you are in Pakistan," raising awareness. The British Pakistani community wants to engage. The reason I am talking about the events we do here is that people are engaging. People trust Human Rights Commission Pakistan; they will send their money. People trust the Edhi Foundation; they will send their money. People trust The Citizens Foundation; people trust Islamic Relief. People are engaging. Bluntly, those organisations are not enough to stabilise Pakistan. What I am trying to say is that you need to work with that channel of activity, and engage DFID. My recommendation would be not just DFID—I know I am going outside the remit of this Committee—

Chair: No, no, that is fair enough.

Anwar Akhtar: —but the British Council have a huge role to play, as have the Department of Trade and Industry. British Pakistanis will also invest in water, in health, in education; many are doing so individually. There is a whole set of issues about remittances and how you link that up, but my point is that engaging the British Pakistani community in these issues ipso facto engages Pakistan, because 4,000 fly

out every week. I am quite a belligerent individual by my background and the work I have done. I have had to kick through doors to get our organisation here, and I have been very lucky with the network that we have been able to access, but we are one small group of people with strong connections with civil society in Pakistan.

You need to show Rusholme and Oldham and Bradford and Bolton that route. It is not about dual loyalties. People are interested in their heritage and their ancestry, and they want to engage, and they can act in Britain's interest. It is about trade, education and culture, but my recommendation is you need to develop the space for peer-to-peer relationships at a very small level, and also at a larger level, and take some risks.

Q83 Chair: I think that is a very helpful line of questioning for us to put to the Secretary of State when we have her in front of us. Pauline completely echoes the view, and we have seen in other countries as well that the diaspora have a connection and they want to do things. You are absolutely right that it does not fit the formula, but I think what you are recommending is that we need to perhaps get Government to think a little bit out of the box and find a different way of doing it. I think that would be helpful.

Anwar Akhtar: There is huge goodwill—much more so than in the relationship with America, which is fraught. It is to do with the people who fought in the wars, the Commonwealth, despite the difficulties of Partition. I sometimes think Britain overlooks that there is a level of goodwill to Britain that is very helpful. Finally, the British Pakistani community now is something like half the British Muslim population, so there is a broader set of issues about positive engagement and citizenship that Britain can lead the way in.

Q84 Chair: Thank you very much; thank all three of you very much. It has taken a slightly longer time than we anticipated, but I think it is very important to have the evidence you have given us. I would say to you, Sir Michael, that you have been honest with us about the challenges and the mechanisms; we all want to see it succeed, and in particular to see it succeed institutionally, so that on the day you are not there and the Chief Minister is not there it does not all come to a stop, but has a momentum carrying it through, because you have rooted it in the community. We wish you success in that, although we note Dr Nelson's reservations.

Sir Michael Barber: Can I just say two things: first, what you said is very important, because the biggest barrier to success with anything in Pakistan is the barrier in people's heads. People do not believe they will succeed, and we have to change that. Your Committee's Report can be very influential. I completely agree with what you say about making it institutional. I will submit the 90 pages I have here when I have had a proofread. It may not be finished, but I will submit it in time for your Committee.

Chair: Thank you.

Dr Nelson: I would just say that attention paid to monitoring the project at a very detailed level will help sustainability more than anything else. In terms of speaking to your constituents about accountability and bringing some integrity to the process, particularly in education, emphasis on the exam system is also attention well spent.

Chair: Thank you very much indeed.

Examination of Witnesses

Witnesses: **Dr Ehtisham Ahmad**, Visiting Senior Fellow, Asia Research Centre, London School of Economics, and **David Steven**, Senior Fellow, Centre on Institutional Cooperation, NYU and Brookings Institution, gave evidence.

Q85 Chair: Thank you for coming in. I appreciate that unfortunately we have lost one of our panel because of the situation in Islamabad at the moment, which is obviously unfortunate, but we welcome the two of you. Again, if I could ask you to introduce yourselves for the record.

Dr Ahmad: Ehtisham Ahmad. I am a Senior Fellow at the Asia Centre of the London School of Economics. I spent a career in the IMF and at the end of that career I represented the Government of Pakistan as Senior Advisor on the Board, and was part of the Pakistan team negotiating the last programme, the 2008 programme, for Pakistan. I resigned at the end of 2009.

David Steven: I am David Steven; I am a Senior Fellow at the Centre on International Cooperation at New York University, and also a Senior Non-Resident Fellow at the Brookings Institution.

Q86 Chair: Thank you. The last session was looking specifically at the education reforms that DFID is funding, but this is putting it in a broader context: the whole issue of the tax base and governance. In other words, how can we deal in Pakistan in ways that will contribute to positive transformation? I wonder if we could start on the issue of tax collection, which is a very low base. It is a standard question you will hear from a British taxpayer: "Why should British taxpayers be putting money into public services in Pakistan when those people who can afford to pay taxes in Pakistan are not doing so at all, or at anything reasonable?"

Why do you think the tax base is so low, and how do you think it can be changed in a way that will ensure that the revenue base starts to expand? People want to support Pakistan; it is not a recognition that DFID and UK assistance is not needed, but we also want to see a parallel commitment within Pakistan to match that funding.

Dr Ahmad: If I may start, the traditional answer is that it is due to corruption. That is a very simple answer. There are many causes for the low tax base.

Part of this is due to the split bases regarding income and sales, which go back to the Government of India Act of 1935, when agriculture was given to the provinces and states, and the political economy was such that they stopped collecting income taxes from agriculture. This goes back to 1935. The split bases on the sales tax, again, was also legacy of the 1935 Act, and neither India nor Pakistan have corrected it. Pakistan, until about the mid-1980s, relied very extensively on trade taxes. Of course behind the trade taxes was a very protective structure for industry, so you had 60-year-old infants—you still have 60-year-old infants—that would not survive were it not for various handouts.

The fiscal problems become acute around the mid-1980s; of course there was a lot of pressure on the Zia administration from threatened sanctions. The first serious attempt at tax reform took place in the mid-1980s. The Chairman of the Tax Reform Commission, a gentleman by the name of Mr Qamar-ul Islam, said "You cannot fix the tax system in this country without fixing the administration," and that the then CBR was the most corrupt of institutions in the country. This was in 1985, and unfortunately, or fortunately, he did not see what was yet to come. Corruption was seen as a key element, but corruption accentuated the strategy of protecting industry. The industrialists were essentially the same households or clans as the landed aristocracy, so forming rent-seeking groups in the country, which are not taxed on agriculture and received protection and tax breaks on industry. It was a perfect example of exploitation.

The IMF programmes in the 1990s pushed Pakistan towards more efficiency and openness to trade, and the idea was that tariffs would be reduced and tariffs, inefficient sales taxes and excises would be replaced by the value added tax (known in Pakistan as the General Sales Tax). The GST was brought in, under duress, in 1991, and it operated essentially more like an excise, which fell on industry as a cost that could not be passed on-negating the intention of the GST. In order to offset this charge, Successive Governments instituted exemptions. The exemptions were key in satisfying the vested interests in industry. A key condition in the 1993 ESAF programme was the elimination of the special exemptions under the GST. The PPP Government in June of 1994 told the IMF that all these exemptions had been removed. We are now in 2013, and these exemptions still remain.

Q87 Chair: In the evidence we have been given it says that 768,000 people paid tax—

Dr Ahmad: Indeed.

Chair: —and only 270,000 have paid tax every year for the past three years, and yet there is information of two million people who, on the Revenue's investigation, should be liable for tax and have not paid. They are talking about having an amnesty and saying, "Just give us $400 and we will wipe the slate clean." This suggests to me that there is no serious commitment.

Dr Ahmad: Absolutely. I fully agree with that. What you have is a dodge. The 2008 programme request presented to the IMF was predicated on the removal of these exemptions. This was a commitment of the current Government. The newly-elected President Mr Zardari took this commitment to the Friends of Pakistan, in September 2008, with a programme that stated, "If we are going to stand on our own feet, me must take our tax/GDP ratio from 9% or 10% to 15%"—in order to meet the Millennium Development Goals. In the mid-1980s, the tax/GDP ratio was around 15%, and the intention then was to go from 15% to 20%.

However the tax/GDP ratio has fallen from 10% to 9%, because they did not bring in a proper value added tax. They did not do this for two reasons. One is that the information that is generated through the value added chain can then be used as the basis for the income tax. There is a huge resistance to fixing the holes in the value added tax, largely because it provides information on where your incomes are. This commitment by the Government to fix the value added tax, was made to the IMF for the $8.5 billion standby, which was then increased to $11.5 billion.

In retrospect the Government had absolutely no intention of removing exemptions, which are given by the tax administration without reference to Parliament. The tax administration can override a tax law and give exemptions to Mr White or Ms Whitley by name on income or sales taxes or import duties. That is a very useful tool for making friends and influencing people. The Government is still interested in making friends and influencing people, and the tax/GDP ratio, instead of going up to 15% of GDP, which was the plan under the IMF programme, has actually gone down by 1% of GDP.

Q88 Chair: I do not know whether Mr Steven wants to add a comment.

David Steven: I will just come in on that very briefly. The tax take is not especially low, if you look at comparable countries. It is 9.3% of GDP; India is at 9.7%, China 10.5%—

Dr Ahmad: I would disagree with that.

Jeremy Lefroy: We were told India was 15%.

Dr Ahmad: China is around 19%.

David Steven: I am taking the latest World Bank data.

Dr Ahmad: That is not correct.

David Steven: What I see is that Pakistan is at an intermediary stage. The political settlement is incredibly weak there. I think the Government would have fallen if it had stuck with the IMF plans. It does not have the authority to push through the kind of reforms. There are some people within the Government who have tried, I think, quite hard to push, but there simply is not the political power at the moment. I think what we are beginning to see is the rise of a middle class in Pakistan. We are beginning to see the rise of a stronger political lobby that wants taxation reform, but this is a process that will take a considerable period of time, and it will not happen overnight.

Dr Ahmad: I would dispute the numbers that my colleague has just given: the Chinese tax/GDP ratio is now around 19%; India is 16–17%.

David Steven: I was referring to the figures.[1]

Dr Ahmad: Yes. I work on both countries very extensively. Pakistan has gone down from around 15% of GDP, actually 14.7% in the mid-1980s, to 9.2%. Last night I had a call from the Deputy Chairman of the Planning Commission. He said, "In global terms, spending on education, health and investment, is not more than 5% of GDP and cannot be squeezed further." You cannot run a public healthcare system, a public education system, on essentially less than 1% of GDP each, because the rest is public investment, a large part of which is wasted.

The Government is facing an implosion of the public sector, and of course to some extent foreign donors, charities and the private sector are trying to fill the gap, but it is a huge hole. Indeed the National Finance Commission of 2008 gave more revenues to the provinces, so they could move to a global spending limit of around 9% of GDP at the provincial level for education and health. That has not happened. They gave provinces, a bigger share but the total take went down, so there is an absolute shortfall of around 3.6% of GDP for provinces over what was anticipated in the National Finance Commission in 2008–2009.

What the provinces are facing is a set of unfunded mandates; they were unable to finance the previous responsibilities before the 18th Amendment. Subsequently they received the entire responsibility for education and healthcare, and they are unable to finance the additional responsibilities either. They have gone back to the Federation and said, "We cannot provide higher education, we cannot finance do wide-area healthcare, because there is no financing."

Chair: We heard some of the problems on the health budget.

Q89 Chris White: My question is really, if the revenue collection does not pick up, what impacts will that have on the economy and society?

Dr Ahmad: What is happening is that the Government has been financing its spending through borrowing, essentially from the banking system. Initially the Government was borrowing directly from the Central Bank, but now it is borrowing by issuing Treasury bills, and they have a captive market. What that is doing is crowding out private investment, because it is sucking up the liquidity, and that will eventually lead to an implosion in the banking system as well as an inflationary overhang.

Now in order to address that, clearly they have to fix the tax system. There is no alternative. With deference to Mr Stevens, there is no reason why Pakistan has to be stuck at 9% of GDP. Most middle-income countries, like India and Sri Lanka, are in the 14% of GDP range, which is where Pakistan was in the mid 80s. You do not want to go back to restrictive trade regimes, which means that you have to fix the rent-seeking in the GST in particular, but also in the income tax. The Government has information on who spends what, where they live, their lifestyles, but they are not using this information effectively. The proposal is to use this information combined with an amnesty, but this ensures that the incentive structures for anyone to pay tax are completely absent.

There are gaps in the tax policy framework-people are not taxed on income from agriculture. People are not taxed on any foreign-source income remitted through the banking system, under a provision in the income tax law. What is happening is that people purchase dollars, which are flowing across the border from Afghanistan. These dollars go in suitcases to Dubai and flow back, again, through the banking system, and it becomes tax-free. What you have is a money laundering system that benefits quite a few important people. If you do not fix this, or if the Government does not fix it, and you continue to have a pressure on public services, the increase in militancy and dissatisfaction with the state of affairs is only bound to grow. I think this will be manifest not only in demonstrations in Islamabad, which we are seeing now, but also in increasing regionalism.

Q90 Chair: Mr Steven, you started your first remarks by saying that you did not think the tax collection base was too low.

David Steven: No, I do not think—

Chair: I was going to say, could you clarify how you feel about that particular comment?

David Steven: To go back to the point on what is going to happen, I suspect there will be another IMF programme at some stage. I look at this from a political point of view: it will happen either just before, or just after, an election. Really at that point everything is back in play. I hope that Pakistan gets through the election first, and then a new Government will have some hard decisions to make. However, we are not going to move from the situation we are in now towards a perfect tax system very quickly.

What we need is a tough IMF programme, one that tries to protect the social expenditure that is under an enormous amount of pressure, but does so in a way that provides some kind of political route whereby the new Government can stay in power and get agreement. Pushing too hard, too fast, getting to the point that we nearly got to before, where the Government collapses under the weight of trying to reform the tax system, will not move us forward. I see this as a complex political economy problem, and one that I desperately hope we do not have to deal with before the election comes along.

Q91 Chair: I suppose you are implying the old story, "It is much easier to have to do difficult things

[1] The witness has clarified that the data he refers to are published by the World Bank (http://databank.worldbank.org) and are for compulsory transfers to the central government for public purposes. Tax revenue for Pakistan is shown as 9.31% of GDP in 2011, compared to India at 9.73% of GDP in 2010. Figures from the IMF for central government revenue (defined as taxes, social contributions, grants receivable, and other revenue) show a higher figure for India in 2012 (18.79%), but also for Pakistan (12.77%). According to the World Bank, taxation revenue fell only slightly as a proportion of GDP from 2007–2012. The IMF records a steeper drop, from 15.3% to 12.8% of GDP. An asserted decline from 15% to 9% of GDP appears to mix IMF and World Bank data. More detail is included in the appended note. The witness accepts that neither the World Bank nor IMF figures are definitive and underlines that they only capture central government revenue.

because the IMF told you than to try to do them internally."

David Steven: It is also easier to make these hard decisions at the beginning of a parliamentary term, rather than right at the very end of it.

Dr Ahmad: If I may come in on this point, there were several IMF programmes in the 1990s, and each one of them failed on the issue of fixing the holes in the tax system—

David Steven: And subsidy reform.

Dr Ahmad: —and subsidy reform, and a number of other macro conditions, but the key element was the failure of tax reform, if you look at the common issues across the programs. I have submitted a paper to Louise, which looks at the history of IMF programmes, but it has to be seen in the context of the very complex relations with the United States. The IMF is quite often seen as a substitute for the United States coming in and bailing out the Government, and the Government has used this as a lever.

What you have had is continued failure of public policy making in Pakistan. In the 2008 programme the Government itself—this Government—said, "We are going to stand on our own feet. We are going to fix the holes in the tax system." Because of what seemed to be the ownership by the Government of the programme, the IMF put no conditions, apart from, "Okay, you have said you will do it. Submit the law to Parliament. Just submit the law to Parliament by the end of 2009." My last day in the IMF, was also the last Board meeting in 2009, at which point the conditionality on the VAT law had to be verified. The Finance Secretary called me up and said, "We have submitted the law to Parliament." They had not.

The law that was eventually submitted to Parliament, some months later was full of holes and was designed to fail. They had no intention of doing the reforms, and had never had any intention of doing it, partly because, as excellent report by Mr Cheema shows, many of the beneficiaries of tax exemptions sit in Parliament. Only 20% of the Parliamentarians pay income tax. Only 20%. Most of them do not even have tax identifier numbers. There was no filing by the President in 2011. What are we talking about? Who are we going to elect that will enforce taxes? Unfortunately Mr Jahangir Tareen did not come here. He pays more tax than all the Members of the lower house of Parliament combined. Rs17 million was his tax payment in 2011. It is a pity he is not here.

Chair: It is. That is precisely what we had in our brief, that he was the one who set an example.

Q92 Pauline Latham: We were told by a Minister while we were there, "People do not expect to have to pay tax here." Unfortunately, our taxpayers in this country are paying tax, and we are sending a lot of it to Pakistan. If it were not for the radicalisation and the problems that there are in the north, particularly, but all over generally, I would be saying, "We should not be spending any money there until they sort their tax out." However, we cannot do this, because there are other problems, but that is what they are relying on.

Dr Ahmad: Indeed. That is the political economy leverage that is being used.

Q93 Pauline Latham: But also the World Bank are being inveigled into this. Everybody who supports anything to do with Pakistan is being drawn in because of the other problems, but really they need to sort themselves out. If there is a new Government, by which I mean a new party in power, they almost ought to sacrifice themselves by sorting it out in their first five years. They would not get back in because of it, but it would give the powers that might come in in the future the opportunity to say, "It has been done, and we will not change it. They have fallen by the wayside." But what political party would ever agree to do that? That is really what needs to happen. Somebody bold needs to come in, tackle it, do it, and sustain it.

David Steven: Can I come in on this? This is what development increasingly looks like. We hear a lot about how the poor are increasing in middle-income countries. They are increasingly in very weak and fragile governance environments, and DFID's essential challenge is working out how to be effective in these environments. The Prime Minister has lined himself up behind a commitment to try to end absolute poverty within a generation. That will mean that every time we are successful—i.e. the number of poor people decreases—the remaining poor are in harder and harder places to achieve change.

We heard a lot about the programme in Punjab just now. I do not think DFID has an education programme; it has a governance programme, of which education is the route to try to achieve governance change. That is a pure governance programme in Punjab, and for my mind it is one of the most imaginative, radical and well-implemented programmes that DFID runs anywhere—that any development agency runs anywhere in the world. The frontier for DFID is not trying to do that in Punjab, though I think what it is doing there is incredibly valuable. It is what it is then going to try to do in harder places like KP.

We heard that the programme is very Punjab-focused. I hope I do not get another figure wrong, but I believe the KP programme is worth around £350 million into education over six years, into a much, much, much weaker, much more fragile, much more corrupt environment. Can we begin to achieve the same kind of changes that we are achieving in Punjab in a place like KP? Can we use that as a tool for convincing Pakistani elites that it is worth forging a new political settlement, the kind of thing you are talking about, where a Government sacrifices itself to make change? Can we do what Sir Michael was saying—persuade people that change is possible, and therefore build the will for change? I think it is possible, but it is a very, very big ask for DFID.

Dr Ahmad: Can I come in on the question you raised—how donors, bilateral and multilateral, fall in behind protecting a Government that is on their side? The World Bank had a $135 million project on tax administration reform (TARP), emanating from a report by a former Bank Vice President, Shahid Husain that started before 9/11. Subsequently the financing floodgates opened, but what happened to this project? DFID was a co-financier of the TARP programme. It was meant to create an arm's length

administration, a bit like the reforms in the United Kingdom, where you bring together information on a functional basis.

You take the information from the GST, you cross it with the income tax—those are the two that match best—and you have a system that might be administered on an arm's length basis. You remove the direct contact between the taxpayer and the tax administrator. In 2004, Musharraf took out entire productive structures from the GST, introducing domestic zero rating for major sectors—a domestic zero rating across the board. Why? Because they were still faced with unproductive industries and this was a backdoor way of giving them subsidies, which would not be noticed by the WTO.

The World Bank was present; as was DFID; and the IMF. Did anyone say, "Why are you taking these sectors out of the GST?" Nobody said a word. The Government stopped audit in 2004. How can you run a tax administration without audit? Nobody said a word. The World Bank said nothing. The first peep out of the World Bank was in January 2008, when they deemed this programme non-performing. I was asked to come in and take a look at this programme by Mr Dar, who was the Finance Minister, in the spring of 2008.

There were two issues, which you may want to consider. One is that this programme in 2008 had not even started the functional integration of the tax administration. You were then several years into the programme, which had failed, and they had not even started. I asked about the conceptual design on the IT. They said, "What conceptual design?" Mr Dar's successor, Mr Naveed Qamar said, "Why don't you fix that?"-and DFID were brought in again to rescue the tax administration and finance a team lead by the former head of the Argentine Revenue Authority.

But let us look at the balance sheet of the Government in 2008, at the time they were going to the IMF for $8 billion. Do you know how much money they have sitting around in commercial banks, idle? $10 billion. That has gone up, and nobody can touch it. They do not have a Treasury single account. DFID has done a lot of very good work, including rescuing the tax administration reform. But there was no willingness on the part of the powers that be in the administration to relinquish what are essentially rent-seeking opportunities. It is not just the politicians who are corrupt, but also the tax administrators.

Q94 Jeremy Lefroy: Following on from what Pauline has asked—and I very much share her reflections on it—it seems to me that in most developing countries, on the one hand we encounter a certain amount of desire to increase the taxation revenue, with obvious resistance internally, particularly from wealthy people who are still trying to avoid it. There is a tussle going on, and there is a gradual increase in the percentage of GDP that is collected. We think of Burundi for instance, where work there, despite a lot of resistance, has resulted in an increase in tax revenues across most of sub-Saharan Africa.

In Pakistan you have total collusion between Government authorities and business, so there is nowhere, apart from the exception of the gentleman who could not come here today, and maybe some others, where there is any willingness to push this matter forward. That brings us to the problem that Pauline has eloquently outlined, which is that on the one hand we are saying that Pakistan is a country in which Britain must be engaged, and we have every right to be engaged—and I would agree with Dr Steven about his characterisation of the education programme as more than just education, but as governance—but on the other hand we are telling our taxpayers, "Pakistan is not making any effort to increase its self-reliance."

In effect, we are saying that DFID's programme in Pakistan is completely different from pretty much every other country, because we have no stick with which to say, "You must increase your revenue collection, or there are consequences in reduction." We are effectively saying, "This is too important, and we cannot afford not to do the work."

Dr Ahmad: This is a very fundamental point. If donors, both bilateral and multilateral, take the argument that you must bail out Pakistan regardless, then there will never be any incentive for them to fix the holes in the tax system, designed to benefit cronies and stand on their own feet. Remember Mubarak had a similar problem. The issue of the Treasury single account-transparency requires that-every country should have a Treasury single account. Egypt and Pakistan do not. In Egypt there were 35,000 bank accounts with 15% of GDP in 2005. Pakistan still has over 10% of GDP in Government bank accounts that are not utilised.

These special accounts are there for certain reasons, if donors are going to say, "Fine, let us have business as usual," but business as usual sometimes often does not last. You can play along, as you did with Mubarak and as the Americans did with the Shah, but there are consequences. You do not have to look far to see the consequences; they are quite stark. It is effectively a collapse of the State. To some extent the private sector is doing good work, but it is a drop in the bucket.

Q95 Jeremy Lefroy: How would we put pressure on them, given that, to my mind, we cannot accept this, as UK taxpayers and as DFID? It is not acceptable that the status quo remains in taxation. How can we put pressure on them?

Dr Ahmad: They have to do it. There is no question. You cannot have an IMF programme that says, "Never mind about the tax reform." How is the IMF Board going to turn around and say the same thing to Greece, if Greece is going to ask for the Pakistan treatment? You cannot have another IMF programme with no adjustments on taxes and spending. That is where the United Kingdom, and the Germans—maybe not the Americans, because they may have different interests—come in, as they have a voice in the IMF. No programme without tax reform. Blame it on the IMF, but say, "You are spending 20% of GDP, without a substantial programme on education and health. Of course this includes the military; interest payments; and security-related expenditure. But you are collecting 9% of GDP in taxes, with a pressure on public services." DFID money is a tiny amount in

comparison. Without the tax reform, the rulers of Pakistan are digging themselves deeper and deeper into a hole. They should see it, and a number of people are seeing it including in Pakistan.

Q96 Chair: Does the 18th Amendment have any interplay here?
Dr Ahmad: Yes.

Q97 Chair: Is there not a possibility that the provinces will say, "You have asked us to do things, you have given us the power, we do not have enough base; we should raise taxes in our own provinces"? Is there not a possibility that people might be more willing to pay taxes to them?
Dr Ahmad: Yes, but the problem is that they do not have an effective tax base to levy it on. This goes back to the Government of India Act 1935, which split the tax bases. The potential revenues from agriculture depend on pricing issues, and the administration's ability to verify people's incomes in agriculture, which is very difficult. There are some very good estimates, and these suggest that maybe there is a potential of between 0.5% to 1% of GDP. That does not do the trick.
Pakistan's VAT efficiency is 25%, the lowest in the world. Sri Lankan efficiency of 45% is not as high as New Zealand's 90% efficiency. If Pakistan gets to Sri Lankan levels during the civil war—one could collect another 4% of GDP. This is what Finance Minister Tareen tried to do in 2008 and 2009, but he could not deliver.

Q98 Jeremy Lefroy: So we are talking about the GST and VAT. They are obviously quite different systems. We are talking about the GST.
Dr Ahmad: The GST is the same. They are different names for the same tax.

Q99 Jeremy Lefroy: With respect, they are slightly different. They are sales taxes, but—
Dr Ahmad: No, it is the same tax. They are just different names. The VAT is called GST in New Zealand, Australia and the Subcontinent. The idea of the GST was to remove cascading, make things more efficient, raise revenues without discouraging exports. This was indeed the strategy behind the entire IMF/World Bank reforms from the 1990s through to the 2000 period. You can go back and bring in trade barriers and very high trade taxes, but that is reverting to an inefficient regime, and will lead to low growth. There is no question about that.
If you insist on raising revenues through inefficient means, you will destroy the productive capacity of the country. The only instruments are fixing the VAT or the GST, and going after rich people who have money. The trouble is that they happen to be the same groups. If you lie down and say, "Sorry, we cannot handle that, therefore no tax reform," that is not the solution. As a Pakistani, I would not accept that. It is really unconscionable for this country to be stuck at 9% of GDP because the President does not want to be taxed, or half the Parliament—see Cheema's excellent report—do not pay taxes.
The GST had been stopped in its tracks, firstly because it provides information on where the money is, including people who are sitting in Parliament. The second issue was that the Government wants to retain the power to bribe, which is the terrible system of the SROs, the Statutory Regulatory Orders, whereby a tax administrator, the Head of the Federal Board of Revenue, can override Parliament and give tax breaks to A, B and C.
Let us go back to 2011, when the IMF programme was collapsing. The IMF mission chief, Adnan Mazarei, said, "I understand you cannot get this Bill through Parliament, but why do you not remove all these SROs that you have issued without reference to Parliament?" They did not do it. Not only that, they issued SRO No 283, on April Fools Day 2011, which covered 185 items. One SRO has 185 items! moreover number 185 is really classic. It says, "Anything that we have forgotten is also covered." It was the mother of all SROs, at which point the IMF programme collapsed. Plan B was, "You cannot go to Parliament; get rid of these things you have brought in by a stroke of the pen." They had no intention of doing it.
Chair: You have made your views about tax clear; I think that has given us a clear steer. We will move towards governance aspects as well.

Q100 Chris White: Could you just explain your views on how DFID's governance programme is working?
Dr Ahmad: I am less familiar with the governance programme, but let me make a couple of comments on some aspects of governance that I have worked with. What you see is Government spending that nobody knows about. The Government of Pakistan has no idea what is spent on health and education in the country. If you look at the statistics provided to the IMF GFS, it is only central Government spending on education, which is nothing. If you are looking at the IMF's international report on spending on health and education, you cannot find it—at least not for Pakistan.
Where is it? In addition to this TARP programme, there was a similar programme called PIFRA, which was a Government financial information management system. They spent another $135 million and they do not have numbers on education. It is guesswork. In 2009 I was still in Government and we needed the spending on education and health to take to Tokyo to the donors' conference. They did not know the numbers. They came up with numbers that were greater than the budgeted numbers. They said, "You cannot have spending that is greater than the budget." They said, "Why do you not just put the budget numbers?"
They spent another $135 million on how to track the spending. The problem with that is that the budget classification is not tracked. It is not in the chart of accounts, and it does not provide consolidated information on who is spending what. There is no information on where the money is, so you are not able to track the flows of money. There is no Treasury single account. DFID has spent a lot of money and time on a medium-term expenditure framework. That is needed; it is good; but if you do that to the

exclusion of being able to track what you are allocating, what you are spending, the results of your spending and where the money is, it is useless.

In Pakistan, you do not know where the money is going; you do not know what is happening to the money; and you do not know how much money there is in the first place. Other than that, everything is fine. The question is, in a situation like that, when you talk about governance what are you talking about? This is a situation that of course goes back to the vested interests. It is not in their interests to be too transparent. It is not in the interests of the current Prime Minister, who uses 10% of the investment programme to build roads to his village, by passing the Development Committee. This was just two weeks ago and was widely reported in the press, and confirmed by the Deputy Chairman of the Planning Commission.

Q101 Chair: Is that why he is under arrest?

Dr Ahmad: He said, "I had to do it." This is the system. You have hardly any public investment; you have 5% of GDP on public investment, health and education; and what is investment? It is what is used for essentially electioneering. You have a good programme, the conditional cash transfer. Unfortunately it is called the Benazir Income Support Programme, and it suffers from what my good friend Pranab Bardhan calls clientelism. It is not stolen to the extent to which previous cash transfers were stolen, but this is the mechanism—which is funded partly by DFID—to make friends and influence people. This is the re-election campaign of Mr Zardari, which is funded by DFID. Well done. To some extent it works.

Q102 Chris White: Is there anything to be optimistic or hopeful about?

Dr Ahmad: Not without fixing the tax system.

Chris White: And it all comes back to—

Dr Ahmad: It all comes back to the tax system. It comes down to accountability and responsibility. If you have devolution, as they did—initially it was Musharraf's devolution—everybody just applauded: DFID, the World Bank and the Asian Development Bank were beside themselves with glee. You finally have decentralisation. It was not decentralisation; it was a means to get around the political parties in the provinces. It did not make clear what local governments were responsible for and how the monies were spent.

I am coming back to your question about decentralisation. If you do not have an own- source revenue tax instrument at the provincial or local levels you cannot get accountability. At the margin, you must link what you spend with what tax you impose upon your electorate, and that does not exist in Pakistan. It was not clear what do the districts do? How do they raise their money? They should be in charge of the property tax. Local government should have property tax. That is the norm everywhere. It is the norm in this country. It is the norm in the United States. It is not the norm in Pakistan. No proper tax handles even at the provincial level, as they cannot vary the rate of the GST on services, and this is consequently not an appropriate tax handle for the provinces.

David Steven: Looking at DFID's governance programme, I think the central analysis is that Pakistan has gone through a whole series of losses of democracy. Each time democracy comes back, it comes back with pretty much a clean slate. The military come in, they have a period where they are more effective and more efficient, and then gradually they erode and destroy the institutions, so you come in with pretty much nothing, and you begin the patient process of building it back up again.

In terms of optimism, I think if Pakistan gets through this election and gets through another term of democratic Government, you will begin to see the potential for change to begin to happen. You are beginning to see green shoots, new institutions beginning to develop that are more effective and more powerful. Despite all the problems with BISP, I would put BISP in that example. When you go to Karachi, I have no idea within a factor of 10% or even 20% how many people live in Karachi, but through BISP we know exactly where the poor families are. We know the names and addresses, GIS details, of every poor family, and it is stamped on the mother's NADRA-issued Identity Card.

We are beginning to get quite sophisticated, targeted data about poverty. We heard a little bit about the Punjab Education Foundation, a public-private institution. That is by far the most impressive new, or newish, institution in Pakistan. It educates, I believe, 1.1 million children. It is an education system roughly the size of Switzerland. It is a whole-country-sized education system that is run alongside Government and uses public money to fund education in the private sector. It has superb governance standards and exceptionally good information standards. They can pull up a picture of every child they are educating, and show the school record. They have very good measurement standards.

We are beginning to see these institutions emerging. In terms of the time for putting pressure, with respect to my colleague next to me, on tax, it was too early in the last IMF programme. There is a window of great opportunity after the next election. I hope the World Bank will be tougher in what it does. I desperately hope the IMF will not listen to the US again, and will be tougher in what it does, but this is a long and patient process.

You have to look at DFID's governance programme along two lines: one, specific programmes that it labels governance, which I think is a relatively small part of what DFID does, and two is the mainstreaming of governance into all the other activities. The social sector programmes, as I said before, are essentially governance interventions. The fact that we have somebody like Sir Michael sitting next to the Chief Minister and trying to drive that as a systemic reform throughout the whole of the provincial government system, the fact that we are beginning to try to do that in KP, is a completely different way of looking at governance. It is more mainstream, it is more political, it takes more risks, and it is more aggressive in trying to achieve more change more quickly than we have generally seen in the past.

It is often resisted by the donors for precisely that reason. It makes the World Bank quite nervous, because they are hoping that change will happen sometime in the next 20 or 30 years rather than today. I have often been a harsh critic of DFID. I would not say its programme in Pakistan is in any way perfect, but I think it is in a very difficult political economy situation, in a fragile democracy that honestly might not be there in two or six months. That would be a disaster for the country. It is beginning to achieve the process of change.

Q103 Chair: That was the general comment we heard: "This is the first Parliament that has finished its full term; we are moving into an election; can we have a second term?" Obviously what is happening right now in Islamabad is not very encouraging, but we have to hope they will get it through. In that context, DFID has set itself an objective of getting 2 million more people to vote in these elections. Is that a realistic thing for DFID to achieve? You have said you think the education programme is good governance, and you want there to be proper international pressure to get the tax system sorted. Is getting more people to vote something that DFID should be attempting?

Dr Ahmad: It will be a function to some extent of what the choices are. If you look at the choices throughout the 1990s, you had election after election, interrupted by people from within the civilian administrations who could not stand the fact that the political parties were essentially making money for the election process. The focus of the political parties was to rebuild their war chests, which had been depleted during the military years, apart from putting money away in their pockets.

That is why the second Benazir Government was dismissed for corruption and rent-seeking by a President from her own party, who she had selected. If you have a situation where the choices are the same, and the same lot show up, with no possibility of significant improvement in living standards or governance structures, then people will be turned off from the election process. Hopefully, now that there are honest people like Tareen and others—(I am not a member of his party, I am apolitical)—who come up say that you want to make sure that everyone who wants to be a Member of Parliament is accountable before he is allowed to stand for Parliament should be made to answer the questions: "Have you paid your taxes? Please put them up in public." Then you will have a proper choice.

David Steven: On this specific question I am not really clear whether the numbers are realistic, but I think DFID is doing important work in trying to strengthen the election system. That is potentially leading to more people being in a position to vote. If you look at the broader UK effort and the work the British Council is doing on the next generation, trying to raise the profile of this as a youth election, if you look at the money going into promoting the education roadmap as a big media event in the run-up to the election, beginning to create pressure around an issue that really matters to people and is very close to people's lives, and if you look at the work the High Commissioner and his team are doing, you begin to see that the UK is doing valuable work in trying to create an atmosphere where more people will vote in the election, and where the election is potentially—though I do not want to exaggerate this—going to have a richer issue focus than it would otherwise have done. That is important work. I would urge you to talk to the British Council and look at the work they are doing on these issues.

Dr Ahmad: The election is probably the core, I think.

Chair: Thank you. I think we are going to run out of time and we will not be able to continue. You have made your views very clear about the tax system, and I think we will reflect on that, both in terms of the UK and the international community. Clearly we are in transition, and what happens in the next two or three months will be crucial to the context, but I think the point is that the start of a Parliament, if we get one, is the right time to take the difficult decisions with international engagement. I think you have the mood of the Committee. It is very difficult to explain to British taxpayers why we should put our taxes there when the elite are not paying their share. That has to be said, I think, very explicitly.

Can I thank both of you? In particular I realise that you, Dr Ahmad, have come back from Mexico to give evidence, and you have delayed leaving, Dr Steven. We appreciate the fact that you have adjusted your diaries to enable you to give evidence to us, and we thank you very much for it.

Tuesday 29 January 2013

Members present:

Sir Malcolm Bruce (Chair)

Hugh Bayley
Richard Burden
Fiona Bruce
Pauline Latham
Jeremy Lefroy
Mr Michael McCann
Fiona O'Donnell
Mark Pritchard
Chris White

Examination of Witnesses

Witnesses: **Rt Hon Justine Greening MP**, Secretary of State for International Development, and **Moazzam Malik**, Western Asia and Stabilisation Division, Department for International Development, gave evidence.

Q104 Chair: Good morning, Secretary of State, and thank you very much for coming in to take part in the final evidence session of our inquiry into Pakistan. Just for the record, perhaps you could introduce your colleague, Mr Malik?

Justine Greening: This is Moazzam Malik, who oversees the region that includes Pakistan and I thought would be able to provide some helpful additional evidence to the Committee.

Q105 Chair: Thank you very much. You have obviously visited Pakistan recently, since the Committee visited, and things have become quite dynamic, I suppose, in that timescale. You will appreciate that the security situation limited some of the things we would have wished to do, and I suspect they had a similar effect on you, but we did have the opportunity to see quite a number of things and talk to the people who are directly affected. I think the question in the Committee's mind is that we are very closely engaged with Pakistan; we have a substantial programme that is set to increase, but it is not entirely clear to the Committee exactly why we feel that Pakistan should get such an increasing programme. I wondered if you could say whether you feel it is about poverty alleviation, or is it about the terrorist and security issues, or to what extent do they interact in terms of the Government's policy towards Pakistan and the aid programme?

Justine Greening: You are right, Chair, to set out that there are a number of both short- and longer-term reasons why increasing our investment in Pakistan is a sensible thing to do. First of all we know that there are big challenges on the poverty-reduction agenda. There has been some progress against the MDGs in Pakistan, but we can also see that there are a number that have not been met. To reference your other point, of course there are issues in relation to the stability of Pakistan, and some of the preventative work that DFID can do, particularly around education, for example, we think can have a much longer-term benefit, both to Pakistan and to the region.

It is a very interesting time for you to produce your report, because of course there are some huge challenges in Pakistan, but also some massive opportunities. That country stands on the threshold of having elections, in three months or so, where we will see for the first time a democratically elected Government of Pakistan handing over to a newly elected democratic Government of Pakistan. If you combine that with the demographic shape of the country, which shows a very expanding population—I think by 2020 there will be 205 million people in the country, 40% of whom will be under 30—there is a real choice for all of us around what kind of a future we want to help Pakistan and the Pakistani people create.

Is it a future where those people are healthy and educated, and can help rebuild their country and help it become stable? Or is it a future where they will grow up and we may see continued extremism, and we will lose the chance for Pakistan to play its role in driving economic growth in the region? There is a huge opportunity, and the time to invest and to work with Government in Pakistan to make the most of that is now.

Q106 Chair: You no doubt had the benefit of our High Commissioner's briefing on the two possible paths that Pakistan might take—more optimistic and more pessimistic. How does your Department's programme interact with the Foreign Office and Defence? To what extent do they influence our priorities, and, indeed, to what extent is their spending in-country proportionate and complementary to what DFID is doing?

Justine Greening: It is probably fair to say that the overwhelming bulk of the investment that the British Government makes in Pakistan is through DFID, so it is by far and away the biggest element. Our work does sit alongside the Foreign Office, very much in terms of the work they do on a day-to-day basis around advocacy and the discussions that take place with the Pakistani Government on the need for economic reform. One of the important discussions I was able to have when I was there, with both current Government ministers and opposition politicians, was about how, essentially, whatever happens in the elections, and whichever kind of Government hopefully takes over, they will both face some significant challenges.

The Foreign Office very much sits alongside what DFID does in terms of day-to-day advocacy, and then of course you are right; there is a counterterrorism and security aspect of our thinking, which is around some of the investment we do in the border areas, where we know we can work to in some cases increase infrastructure in many of the areas that have been damaged by floods and earthquakes, but also focus on

education programmes and explicitly try to do our best, working alongside the Government of Pakistan, to try to stop extremism from rising up.

Q107 Chair: Perhaps I can just pursue two points. What influence do we have over the Pakistan Government? They are taking aid programmes: they are taking our taxes, not paying their own taxes; they have billions of pounds in bank accounts, and yet they are looking for money from the IMF. Everybody collectively says, "Oh, well, we expect them to do something." They have had plans in the past to raise their tax base. It has gone down, not up. What influence do we have, and to what extent is our engagement giving us leverage over what they do? To put it at its most negative, are they saying, "We will take your money and do what we please"?

Justine Greening: I do not think our aid budget per se is designed to buy influence. In terms of what we work on, however, and the effectiveness that we are able to help develop in terms of education programmes, I think it can catalyse economic reform, and it can open up an ability for the UK Government, as a hopefully trusted partner of the Pakistan Government, to have those sorts of discussions and be properly listened to. The programmes we invest in are always Government programmes, in which the Government itself is already investing. We are not delivering new Government programmes that the Pakistani Government is not itself already investing in. However, part of the work DFID does alongside the Foreign Office is to, as you point out, try to make sure that we have the right conversations with Pakistani politicians about the reforms we feel need to happen in Pakistan.

It is probably worth me being clear, however. At the end of the day, it will take leadership from Pakistani politicians to get those reforms through that are needed for Pakistan to have a brighter future. They are challenging reforms around tax reform, around economic decisions in particular, but the signs are encouraging that reform is taking place. A significant reform on devolution, as the Committee will know, happened over recent months and the last couple of years. We should not underestimate how dramatic that is in terms of being a reform. There are some signs that the Pakistani Government is willing to take some of the tough decisions, but you are right, Chairman, that there are a lot of very difficult reforms ahead. Certainly the UK Government, alongside our investment, is, of course, pressing the Pakistani Government to make those reforms.

Turning to what I thought was a really important point on tax and a point well made, one of those most important reforms has to be in tax. At the moment, a good example is that 70% of Pakistan's MPs are not filing a tax return. There is no doubt in my mind that if there are difficult reforms, particularly on tax, to be gone through in Pakistan—and it is important that they do that, because we know that their tax base is probably one of the smallest in relation to their GDP in the world—it is important that ordinary Pakistani people can see that these tax reforms apply to everybody. As we know in our own democracy, showing a fair tax system that is equal to everybody is important.

Chair: First of all I take your point that we as a Committee do not think that DFID's support is designed to buy. It is just about what the terms of the relationship are, not about the money per se. I will come back to my second question; Michael McCann should pursue his point, because the tax issue is very important.

Q108 Mr McCann: You have touched upon it already, Secretary of State: it is about the sustainability of programmes. Many past donor-led programmes have failed because there has been a lack of buy-in from Pakistan and the Pakistani Government. In terms of all our programmes, are you confident that each and every one of them is sustainable, in the way you suggested a few moments ago?

Justine Greening: I think they are designed, in a way, to make sure that we maximise the chance of sustainability being achieved. What does that mean in practice? Probably a good example would be the education work that we do, which is a huge, underpinning part of the DFID programme. I think it is making sure that we do not think that just doing one strand of activity will be the whole strategy. You had Sir Michael Barber come here and give evidence on the education roadmap work he has done, which is a fantastic piece of work, and it is being pursued in Punjab, which is a hugely populous part of Pakistan, but also Khyber Pakhtunkhwa. It is a very effective piece of work; however, if it is to be sustainable, it has to sit alongside a broader strategy around education, for example, in Punjab.

The work we have done is around increasing or improving the supply side: investing in schools, investing in teachers, investing in textbooks, and helping them develop proper textbooks that teachers can use, and teacher plans, for the first time. It means investing in the demand side and some of the work to encourage parents to send their children to school, whether they are a little boy or a little girl. Then the education roadmap work that Sir Michael Barber has pushed through, which is very important, is about having a structure in place for politicians and officials to make sure that those strategies are being successful and are being pursued right the way down to making an impact on the ground.

If you have those different elements in place, you do start to get sustainability. At that stage you have parents starting to understand why schooling is so important, and seeing good quality schooling happening, and you then start to see politicians realising that, if they want to get elected again, continuing these sorts of really effective programmes, which are really making a difference on the ground and which are very valued, is probably one of the best ways to achieve that. You try to create a virtuous circle, but what is important is that just doing one element of a programme will probably not be enough for sustainability, although in itself it may be a positive thing to do. We are always keen to make sure we feel that there is a broader plan there. Whether or

not it is one that DFID delivers all of is a different matter, but it has to be there in the first place.

Q109 Mr McCann: As a supplementary to that, we saw two examples of education—we saw a very low-cost private school, and then we saw part of the state sector. I think my colleagues would agree that we were less than convinced in terms of the state sector that it was sustainable. To give you an example, when we were in the classroom looking at the children's books, they were drawing a plant, and they knew the different parts of it in English. However, on either side of the textbook, there was no writing whatsoever. You could not escape the conclusion that it had been set up to allow us to see something, and the kids had been tutored. It was not sustainable.

Justine Greening: As all of us do in any visit, you are absolutely right to cast a critical eye over what you are being shown. What is interesting about the system that is developing in Pakistan is that it is—you are right—a combination of Government-provided state schools and low-cost private schools. What is interesting is that there is some evidence that shows that low-cost private schools deliver better education. The challenge is if you want to scale up the provision of education, scaling up low-cost private schools takes longer. It is not quite as straightforward to do it. I think you are right, and the quality of education is something that has certainly in Punjab been identified as one of the challenges.

You are starting to see attendance at school go up, and you are starting to see absenteeism of both pupils and teachers, critically, going down. I think there was identified at the provincial level this question of quality. Interestingly, if you look at the debate that is happening around the Development Framework and where we go with the MDGs, that has also been one of the debates there. Yes, let us get children into school, but they are going there for a reason, which is to have a quality of education that means that they are literate. This is why I think your inquiry will be a very interesting one, because these are precisely some of the observations I am quite interested to hear more about when you do your Report. We, of course, will knit them together with our assessment of how we see low-cost private schools and Government schools on the ground. I can see that Moazzam would like to add to that.

Moazzam Malik: I was just going to add, Chairman and Mr McCann, that on the influence question, if you look at what we are doing, in each of our programmes where we are partnering with Government we are achieving additional spend by the Government, so we are leveraging their resources. We are leveraging an improvement in the quality of their spend, and we are leveraging their policy choices, so with relatively small amounts of money we are shaping what they are doing. For example, in Punjab in education, for roughly £60 million to £70 million a year we are influencing a £1 billion a year budget. On the back of the work we have done, they have started appointing teachers on merit; they have started appointing their education officials in each of the districts on merit. The Chief Minister is engaged in making those policy choices and in trying to secure better value for the children. The relatively small amounts of resource are winning us real influence at that programme level, which is delivering real benefits to poor kids.

On the low-cost versus state sector issue, we also have to remember, and we are very mindful, that roughly half of Pakistan's children still go through the state sector. Invariably they are the poorest children; the children who do not have the choices end up in the state sector. If we are really committed to improving life prospects for the poor, then we have to work on the state sector. The work that Sir Michael is doing with us is very much focussed on trying to get better value in those state-financed schools.

Q110 Mark Pritchard: The Chairman made some references to security, Secretary of State, and in his statement to the House on Mali the Prime Minister made reference to Pakistan and Somalia and mentioned the security progress in both of those countries linked to home-grown terrorism—the reduction in those links. I wondered, in the light of that, albeit that security is just a part of the informal work that DFID does in capacity-building and strengthening institutions in Pakistan, whether DFID is currently reviewing that aspect of the budget, or the budget overall to which that aspect applies, in light of the Prime Minister's comments?

Justine Greening: To be honest, we continually go and look at whether we have the balance of our investment right. One of the things we have been quite careful to build into our future years' investment, which as you know is going up to around £400 million-plus by 2014–15, is flexibility. We do need to make sure that we can react to changing events and changing priorities, so I can hopefully provide some reassurance that we do take that into account. If I had to say where I feel our work with Pakistan fits in in a more regional context, I think it is twofold. It is part of the work you have just talked about in relation to security, counterterrorism and extremism: when you go to Pakistan and talk to Government and Opposition, they are acutely aware of this themselves. It is one of the first challenges they will tell you they need to address.

The UK Government has played a key role in pulling together Afghanistan and Pakistan in trilateral talks. That has, I believe—and if you talk to the Pakistani Foreign Minister—really started to provide an engagement between Afghanistan and Pakistan that is a productive one now, where they both see that having stability in Afghanistan is in both of their interests as countries. That is part of what we do. The second part, interestingly, is with India, and what Pakistan is quite rightly looking to do with its relationship with India is have a more economic, trade-based relationship. Again, that is a very sensible approach they are now taking, which we as a Government, and I think the Foreign Office, should be supporting them to do. I think it is absolutely right.

Q111 Chris White: Good morning, Secretary of State. Your Department says that an increase in aid spending is dependent on the progress that the Pakistani Government makes on some key reforms. You have already started to touch on those reforms in

your previous answers, but I wondered if you could go into a little bit more detail about which key reforms your Department wishes to see? How will they be publicised, and how will these reforms be measured?

Justine Greening: I think they come in several areas. One is social-sector spending on health and education; we have briefly talked about that. Basically, it is seeing the Pakistan Government itself investing in these key areas—and it is: the Government of Punjab spends $1 billion every year now on education. The Government of Pakistan overall is putting, I think I am right in saying, £2 billion into its social protection plan, and again we have put some investment into that to make sure we can play our role in helping it be targeted and effective. I had a chance to see that firsthand, and I think it is an innovative programme, and I can talk about more details on that. Social-sector spending means them themselves putting in place basic services and the kind of welfare system that protects the poorest of the poorest.

Secondly, there is tax revenue, which we have talked about. It is about making sure that Pakistan has its own business model, if you like, to enable it to invest in social spending and growing its own economy, and invest in the infrastructure it needs. Anti-corruption: that means some of the work we have done, but which ultimately has to be pushed forward by the Pakistani Government, around public finance management as well as transparency and accountability, both at the Government level nationally and also provincially.

Finally, human rights and democracy: I believe that if you look, there have been some steps forward made by the Pakistan Government, but I think we all see some of the challenges on the ground. You look at the attack on Malala and some of the attacks on health workers who have been out doing vaccination programmes. What it really brings home is the huge challenge of any Government of Pakistan in terms of moving forward on human rights. It is not just about putting through legislation but making sure that you are able to implement it too. We want to see progress on all of those different things.

How can we make sure it happens? On all of them there are metrics around investment, around the number of children going into schools, and of course health metrics, and metrics around tax revenue. We talked about some of the metrics. It is actually relatively straightforward. It is the proportion of tax raised in relation to GDP, the extent of the tax base, which has grown, and total tax revenue. On anti-corruption, there are anti-corruption and corruption scales on which Pakistan is rated, and we would want to see Pakistan becoming rated as a less corrupt country, and similarly on human rights and democracy. Of course the big test in the latter is having free, fair and hopefully peaceful elections later this year and seeing this democratic Government, for the first time, hand over to another one, which I think we all hope will be a really historic moment for Pakistan.

Q112 Chris White: Thank you. On the other hand, what would it take for you to see aid spending cease, or not increase?

Justine Greening: I have set out where we want to see progress. Human rights are incredibly important, and underpinning all of this, in fact, in any country programme or on any spend, is the need to get value for money—feeling like, and making sure, that what we are doing is pushing forward progress, and helping not just to keep the status quo but change it for the better. There is an element of what my Department does that is humanitarian work. Tomorrow I will be at a donor conference in Kuwait, doing my best to try to help join the calls of many countries to put more money into providing the humanitarian support Syrian refugees need. Yes, we do that, but by and large, on the rest of what we do, I want to see us investing in countries that are moving forward.

Q113 Mark Pritchard: I will ask you some questions in a moment on some of the political developments, but just briefly on that point: DFID do excellent work in Pakistan, but one of the criticisms on human rights, in particular, is that it is very gender-based or sexual-based; it is sexual rights, women's rights. All of those are very, very important, but DFID is perhaps a little shy and a bit more reluctant, perhaps understandably so, arguably, to talk about religious freedom and religious rights. Certainly in my mailbag as a constituency MP people raise the issue of why we are giving so much money to Pakistan and yet they are persecuting the Catholic Church—I am not a Catholic—or other minority faiths in-country, such as the Baha'is or even the very small number of Jewish people who live in the country, believe it or not. I wondered what your views were on that.

Justine Greening: I believe that religious freedom is just as important. It is one of many rights human beings should have.

Q114 Mark Pritchard: But specifically, what representations has the Government made to Pakistan, while noting that is a particularly sensitive issue, with assassinations and so on?

Justine Greening: You are right to highlight that it is a very sensitive issue, and it is something that, on a diplomatic level, of course we raise on an ongoing basis. You are right to highlight that it is probably one of the more challenging debates that happens in Pakistan, and I very much hope that as democracy beds down, and maybe as we see a new Government come in to govern later this year, there will be more progress on human rights. You are right; that will not just be perhaps in relation to gender, although it is massively important—it is very difficult to see countries develop effectively when only half the population is able to be part of that—but other rights, like religious freedom. We also have to recognise that these are difficult discussions to have with the Pakistani Government, but they are had.

Mark Pritchard: Thank you very much.

Moazzam Malik: In terms of the issues the Secretary of State has raised, these issues are discussed with the Pakistani authorities very, very regularly. Last week the Secretary of State raised many of these issues with our partners there. We also have a process of roughly every year having aid talks with the Pakistani

authorities—mainly with the Federal Government, but we are now beginning to look at how we do something similar with the provincial Governments with which we partner—and those talks cover all of these issues, and our Foreign Office colleagues feed into them.

For example, on human rights, I myself have made, in leading those talks, very robust representations to the Pakistani authorities, not just on gender but also on the treatment of minorities, including religious minorities. The Pakistani counterparts take it on the chin; they know they have work to do to put their house in order on this, and it is a tough old place to work and it will take time. However, we do not pull any punches in having those clear conversations.

In terms of how our resources tie into programmes, as the Secretary of State said, our investment decisions run through individual programmes, and if the Pakistanis do not meet their commitments under those programmes, whether in education, social protection, health or whichever area—if they are short of money, we believe the money is not being well used, or they are making the wrong policy choices—then as good officials we will provide recommendations to the Secretary of State that we should put a stop to those, and indeed we have done.

Justine Greening: Indeed we have, in several programmes where we have felt that they just either have not worked or they have not been in the right direction.

Q115 Mark Pritchard: Thank you very much. On the recent political and military developments—the protests in Islamabad, and there have been some pretty serious protests in Karachi and other places—I wonder how that has affected, or how you think it might affect, the DFID work in-country.

Justine Greening: In relation to the march that was instigated by Qadri, I have a couple of observations. One of them was that it showed a debate going on in Pakistan about the relationship between politicians and the public, but also, interestingly, it was ultimately a peaceful march. To my mind, that was a positive sign of a developing democracy—that people could come onto the streets, they could have their say, and then they could go home. That is not always the case, and I take that point. What does it mean for DFID programmes? I think it means that we are right to continue to press on some of the governance reform. I think it means that we are right to have education really centre stage. I also think it means we are right to continue to influence the Government wherever we can, and indeed Opposition politicians, to have a common objective.

The most important thing they all need to agree on is that democracy is the future of Pakistan, and that whatever the outcome of the election, they will all buy into it and they will move forward as a country with a newly elected democratic Government. I suppose I am saying, in a roundabout way, that we obviously take account of things that take place in different parts of Pakistan, and sometimes they will feed into our DFID spend. Broadly, however, I believe we have decisioned the investments more or less where they need to be, including tackling extremism. Therefore I think those sorts of protests demonstrate why we are already doing what we are doing, rather than particularly challenge us to do something fundamentally different.

Q116 Mark Pritchard: Thank you. Finally, I obviously do not expect you to discuss security matters openly, but perhaps one of the lessons from Benghazi in Libya, the American lesson, is that whilst those in Tripoli might have received a top-level protection, albeit that was their Department of State, those in other areas, second and third cities, perhaps do not enjoy that same protection, yet the threat might be similarly high. You talked earlier about flexibility in the delivery of the programme. How flexible are the generic security arrangements for DFID staff, given that events so often in Pakistan emerge very quickly?

The threats can emerge very quickly, and they can also reduce very quickly, so I am sure it is a very difficult judgment to make, done in conjunction with other Government Departments. Do you feel at the moment that the advice you receive from other Government Departments who lead on this is sufficient and given in a timely enough manner for you to make the decision that you have to make as Secretary of State?

Justine Greening: I believe that it is. However, I should also point out to the Committee that I do not need to wait to take the steps that I would often take to make sure that I believe DFID staff are appropriately looked after and in secure situations. Yes, there is a process, a flexible one, that is well established, but I am the kind of person who would not necessarily just assume. I would never just assume the process has clicked in; I will always be the one to pick up the phone and proactively make sure.

Secondly, your point about security is well made. One of the meetings I had in Pakistan was to meet with some of the NGOs working on the ground, to talk about some of their challenges. It has been increasingly challenging over recent months to get to some of the areas where we think we can make the biggest difference. That has been difficult for us, because I think on the one hand we absolutely have to make sure that security is in place, but on the other hand there is sometimes a need to slightly push back if we are told, "It is all too difficult, and you cannot do anything in those areas for the foreseeable future." What we tried to do, and what the NGOs tried to do, is to have a constructive discussion with both national and regional Government about what is appropriate, but you are right that often the work that is done is done under very difficult circumstances, and the people who do it, particularly whether they are NGOs or indeed some of the Government health workers, are people who know about the risks, but believe that what they are doing matters. Therefore they keep getting on with it, as the lady health workers I met in Pakistan told me. I asked them what their response was to, maybe, intimidation or some of the risks they have seen colleagues face. They said, "We just keep on going."

Q117 Hugh Bayley: One of the things that struck me very forcibly when we were in Pakistan was the things

said by senior people in the military and in the business community that reflected their awareness that India, economically, is surging ahead, and their fear that Pakistan will be left behind. It seems to me that if you want to support the forces of modernisation in Pakistan, you need to do all you can, as you said just a moment ago, to encourage trade and cross-investment between Pakistan and India. Given that is both an opportunity and so important, why does Britain not do more in that field? Should not DFID be opening up a much more major part of its development co-operation, assisting business and trade and working with the Foreign Office to open up relations between Pakistan and India?

Justine Greening: That was indeed one of the discussions I had, both with Government and Opposition politicians, and, Hugh, it is something that I would like, across the board, us to look at more closely as a Department.

Q118 Hugh Bayley: What, for instance, might your Department do to help the forces of economic modernisation in Pakistan drive this agenda forward?

Justine Greening: There are a number of different things you can do. You can look at improving domestic investment. That may be looking at liquidity in the banking sector—to what extent it is easy to get funding. When I was in Jordan on Saturday, I saw a very interesting programme seeking to overcome that for SMEs in Jordan. You can look at whether you set up some kind of a fund that provides an investment fund for businesses. You could, traditionally, provide grants—money to help people start businesses. Interestingly, the Government of Punjab have used a fund to give loans to young entrepreneurs, which is in its early days but looks very successful.

You can also, of course, tap into the huge links and diaspora back here in the UK with Pakistan, and see what we can do to provide inward investment from the UK and to leverage some of those very natural links that our two countries have. Those are the areas in which I am quite interested in looking at what DFID can do. Having said that, as I think when you went to Pakistan, my sense was that the work we are doing is well targeted and broadly well delivered, and it is probably worth me putting on record my thanks to the DFID team in Pakistan for the work they do, because I think it is high quality.

Hugh Bayley: Good. I am pleased to hear that.

Moazzam Malik: Can I add on in terms of the regional agenda? It is a really key agenda. We have worked with our Foreign Office colleagues to make the case with our counterparts in India and Pakistan, and indeed Afghanistan and Central Asia, for the need for regional integration, with some success. We have done some things to help businesspeople talk to each other, so that they can articulate the case for trade to their own policymakers, and through our partnership with the State Bank of Pakistan, one of the things we have been looking at is how we can facilitate banking relations between India and Pakistan, because that has been a key obstacle. At the moment the flow of money, the flow of businesspeople and the flow of goods tend to operate via Dubai, and anything we can do to make those connections more direct would help a lot.

With the World Bank, we are looking at the efficiency of the border crossings across this region, and whether those can be improved, and also power generation and power connectivity, which is a key issue. There is a reasonably advanced plan, to which we have provided some support, to construct transmission lines from Central Asia into Pakistan, to bring the surplus hydro power—so clean energy—in Central Asia down into Pakistan, where they are in big deficit. There is also a debate and discussion under way between the Pakistani and Indian authorities, which we are working on with the World Bank, on connecting the two halves of Punjab with transmission lines. I think there is enormous potential in this area for the future.

Hugh Bayley: Good. I must get back to the prepared script. Thank you for those answers.

Justine Greening: You do not have to go back to the prepared script.

Chair: Spontaneity is of the essence in this Committee.

Q119 Hugh Bayley: I am making excuses for myself. I want to go back to the script. How, Secretary of State, would you define the Prime Minister's golden thread, and how is it reflected in the governance work that your Department does in Pakistan?

Justine Greening: It is about building up institutions that we know are what I would call the building blocks for success: the rule of law, tax collection, having a well functioning court system, having transparency in Government. It is about putting in place all those elements of a well functioning democracy and country that we often take for granted, but when you look at some other countries, and Pakistan is probably one of them, they are not always there, or if they are there, they are there in quite a fledgling state. What we are doing about them is a good question. We are investing in a lot of the transparency and accountability agenda.

We have a project where we help the Government of Khyber Pakhtunkhwa around zero-based budgeting, which was not just about them doing a more effective budget process, although they have done that. It was also about engaging with local communities about what they wanted, and then providing a baseline budget against which they then had to deliver and could be held accountable. We are doing a fair amount of work on that, and we support work on public finance management that takes place at the national level too.

Q120 Hugh Bayley: I strongly agree that good governance is necessary for good sustainable development, and I think it has been part of Western aid policy for a good long time. The golden thread is a powerful image and a powerful way of expressing the need for good governance—as we have seen with the African Peer Review Mechanism and other initiatives—but is it new? If so, what has changed in our governance programmes in Pakistan? Or is it simply a statement of the continuing importance of good governance as one of the necessary requirements for good development?

Justine Greening: I think it is the Prime Minister's clear and correct observation that we can work with countries to try to help them develop, but fundamentally if there is poor governance and poor structures in place, no democracy, poor accountability, poor transparency and high corruption, that will be a difficult situation in which to invest our money and see development take place effectively. What the Prime Minister has rightly tried to do is to start a debate internationally about the fact that these things matter. They will be part of the G8. They are part of the High-Level Panel work that is going on and the discussion about how they should fit into the Development Framework.

I think many countries support the concept of open economies; there is debate around to what extent open societies is something that everybody can buy into, but it is a debate we should have if we are to make progress on—Mark Pritchard is not here now—some of the important areas like human rights, which we want to see progress made on in particular in Pakistan.

Q121 Hugh Bayley: Should we look at it as conditionality? "You will not get aid unless you go a considerable way towards meeting our requirements on good governance?"

Justine Greening: It is one of the approaches you could take. My sense is that you would always need to be careful that it was not a blunt tool. Therefore it is not the approach that the UK Government has taken in relation to our aid. Therefore we have invested in where we think there is the ability to make progress, where it represents good value for money and alongside that, yes, we have been clear on partnership principles that we want to have in place with governments. If you really want to make progress, if it were as simple as saying, "We will give you some aid money, in which case you will then do this," you would have seen a lot more change on the ground.

What it shows is that in having the difficult, often, discussions with countries about why golden thread matters, and why it is in their interest to become more open on many different levels, you genuinely have to win that debate with them. Even if they were to say, "Yes, of course, we will pass this reform; we will pass this Bill," that is not the same as seeing it implemented. Realistically, you need to have a far more broad-based strategy to pursuing the golden thread agenda, in my opinion.

Chair: We have already raised the issue of taxation, and I think we will pursue it a little further, because that is one of the differences.

Q122 Fiona O'Donnell: I just want to continue, Secretary of State. It is still January, so I wanted to ask you to look back and to look forward. We have been in Pakistan for some years; what has DFID achieved in terms of improving governance and transparency during that time, and what will you do differently to improve outcomes in the future?

Justine Greening: We have achieved a huge amount in supporting elections and good governance. That is something we will continue to work on with the Pakistani Government. We are working with the Election Commission of Pakistan, for example, to help make sure that we have free and fair elections. We have achieved a huge amount, particularly on health and education, and also supporting infrastructure development, in the past, and I think you will see that continue to work.

Q123 Fiona O'Donnell: Sorry, I meant specifically in terms of governance and transparency.

Justine Greening: Going forward, we are working, as I said earlier, more at the provincial level with Governments like the Government of Punjab and also Khyber Pakhtunkhwa. We are also working at the national level too. However, I think we recognise that the overwhelming bulk of that work is on projects like the education projects that we have running, and a lot of the way in which I believe we can see improvements in governance, transparency and accountability is through influencing, and through the relationships that we have with the Pakistani Government on a day-to-day basis, through the Foreign Office. Do you want to add to that?

Moazzam Malik: We also have governance and transparency measures built into all our programmes, so for example in our work on education, I talked earlier about merit-based appointment of teachers. That is a governance reform. The publication of budgets: the Secretary of State talked about the output-based budgeting in Khyber Pakhtunkhwa; that is a transparency and governance reform even though it is about money. Similarly, we are working around audits, and we have been doing a lot of work with the Auditor General of Pakistan.

We have a standard requirement in our work in education and health and social transfers that they will be subject to audit, both internal Government of Pakistan systems, as well as external audit. Again, that is about governance and transparency, even though it is about achieving value. In some ways, we are looking at governance and transparency changes right across our portfolio as well as doing the work on elections and some of the headline areas that the Secretary of State mentioned.

Q124 Fiona O'Donnell: That is really important for us to be able to tell our constituents, but also the recurring argument we heard in Pakistan was, "I do not pay my taxes because the Government is so corrupt that it does not do any good, so I would rather engage in private philanthropy." Then as long as people are not paying tax, they do not feel they have a stake in holding the Government to account. Secretary of State, in terms of working with other bodies such was the World Bank and the IMF, Pakistan has gone to the IMF to ask for $8 billion, so are you having any discussions about how you can work in partnership with them to improve governance and transparency?

Justine Greening: We had those discussions when I was there. The question, in a sense, is, following up the IMF visit that happened earlier this month, what Pakistan needs to do. They need to follow up that visit and look at some of the reforms that have also been proposed by the IMF, potentially. They also need themselves—I sense, on a cross-party basis—to start to get some agreement on what needs to be reformed,

whoever wins, so that you try to take the politics out of what are structural economic challenges that will face whatever government takes over after the next election.

Therefore, everybody knows what these challenges are: they are around the tax base and how you make sure you reform it in a fair way. They are around to what extent you use the existing tax system and make that work better—so there is law there but it is not being used—and to what extent you need to perhaps bring in new laws around better forms of taxation. We do have those conversations, but the thing that struck me is that it will be for political leaders in Pakistan to take those decisions, and it will require a real political will if they are to be taken forward successfully.

Q125 Fiona O'Donnell: We can also lead by example. I am aware I have asked you the same question on two separate occasions, but do you support making companies registered on the Stock Exchange here declare what tax they pay in developing countries?

Justine Greening: That is probably more one for the Treasury and BIS to talk about rather than me, but tax transparency is something that we will have as part of the G8 agenda. The PM has been incredibly clear-cut about his priority to see companies pay their fare share.

Q126 Fiona O'Donnell: It has a direct impact on the economies of developing countries. You must have an opinion as to whether or not that is something that would be desirable.

Justine Greening: Transparency is a good thing, but it needs to be transparency with a purpose rather than transparency for maybe a political campaign here in the UK. I think what we need is an overall strategy for improving tax transparency and making sure that companies pay their fair tax in countries where they are based. In reality, alongside transparency probably needs to sit more international agreements on how to approach this, which is why it is right that we are having it as part of our G8 agenda.

It is not easy to do that. It will be a difficult discussion that happens as part of the G8 around tax and tax transparency, because we all know that there are tax havens. Unless you can broadly get general agreement amongst the international community, then the danger is that you change the tax system somewhere in a way that looks like the right thing to do but does not really make any difference when it comes down to it, because companies will minimise their tax by going elsewhere. I think it needs an international approach. I support transparency, but it needs to be done in a thoughtful way.

Q127 Chris White: Going a little bit further on the tax issue, if the donors continue to turn a blind eye to the tax reform, do you think there will be the political will you referred to in your previous answer, particularly after 2013, if the new Pakistani Government does not make substantial progress with tax reform? Do you think this could be a deal-breaker between the new Government and its donors?

Justine Greening: I think donors will expect and hope to see some fast progress in the first 100 days of a new Pakistani Government. It will need to set out its stall about what it wants to achieve in a really clear-cut way. That is not just important to donor countries that are investing in programmes within Pakistan; it is important to the international financial institutions that Pakistan deals with, too.

Q128 Chris White: Can I just ask—maybe we know about this; I do not know whether you know about this—when you talk about the first 100 days, are you seeing in anybody's manifesto that they will be coming down hard on tax and making the reforms necessary?

Justine Greening: I had those discussions with some of the key politicians, and we are waiting to see what will be in their manifestos, but it struck me that there was a political opportunity to show some leadership on the tax agenda. That was needed to.

Q129 Chair: Why do you not look them in the eye and say, "I pay taxes in the UK, Mr President, Mr Prime Minister. Are you paying taxes in Pakistan?"

Justine Greening: I was very clear with them that I think it needs to start from the top and work its way down.

Chair: The President does not even file a tax return.

Justine Greening: I cannot comment on and stray into legal issues within Pakistan in relation to particular politicians, but I can assure the Committee that I was very clear that I do think they will need an overall tax strategy, and I do think that has to be seen to apply to everybody, as it does in any country, if it is to be successful.

Q130 Mr McCann: I have a *Guardian* article, Secretary of State, from Saturday that says, "I like to cut through the crap." That is your quote. The Pakistani MPs and people in high positions are behaving completely inappropriately, so is this not one of the instances where we should be cutting through the crap?

Justine Greening: I would like to think that I did get to the point when I was in Pakistan.

Chair: We expect results.

Justine Greening: At the end of the day, you have a democratically elected Government, some elections, and hopefully free and fair elections, that will lead to a new democratically elected Government. Whoever they are, they will have some very difficult decisions to make. I think they all know that tax reform is one of those difficult decisions. Ultimately, we can be clear about what we think is in Pakistan's interest in terms of growing their tax base and having tax reform, but as I said to Fiona, who is also now not here, it will take political will to put through what will be difficult reforms, and to bring the Pakistani people with them, which is why I think making sure that they apply to everyone is probably an important part of those reforms.

Q131 Richard Burden: I mainly wanted to ask you a couple of questions returning to the education theme, but I will just put one or two penn'orth in on

the tax issue before I do that. It is really following up the question that Fiona O'Donnell asked you more broadly about transparency issues and perhaps what could be done in this country.

This came up during the Westminster Hall debate that we had on our Report last week, and one of the questions that was asked of your deputy was whether or not you could look at the work that is already being done in relation to overseas territories and Crown dependencies as a model for more broad application as far as UK companies are concerned. I would just ask you to consider that as well as work that may be done internationally; there is work being done by you, by our Government, that could have more broad application, if there was a will to do so.

Justine Greening: I take on board that point, and we will obviously talk to the Minister of State who, I think, responded to the Westminster Hall debate about that work.

Q132 Richard Burden: Thank you. In relation to education, you have already said quite a lot about that and I do not want to go over the same things twice. However, if I understood you both correctly, you very much saw the education programme as almost as much a governance programme, securing leverage to ensure that things improve more broadly. Could I ask you about what lessons you draw from the USAID programme that took place in Sindh? One of the things we heard last week was that in many ways that was very, very similar to the UK's programme in Punjab, and the point was put to us that, even though that was supposed to be sustainable, once the US leadership disappeared from that programme, so did the programme. What do you think are the safeguards against the same sort of thing happening in relation to the Punjab? What is it that we are doing differently from what the Americans did in relation to Sindh?

Justine Greening: Our approach was not quite the same as the USAID approach, and I think Moazzam would like to come in and add some comments. Our approach was probably different in that it was more holistic in its breadth, and there has been, certainly in Punjab, extremely effective political engagement that has now transformed from just political engagement to civil service engagement. The feedback from the officials in Punjab on their experience of being part of this programme is very, very good. For the first time, in some cases, they feel they are getting something done and achieving something. Those sorts of things will stand us in good stead to see sustainability.

However, we do of course talk with other politicians who are not necessarily in power at the moment to help them understand why this programme has been effective, and how it works. You are right to point out, in a way, that, if we want sustainability, we have to think about how we can make a programme be delivered effectively now and get political buy-in from political leaders today as well as look ahead and get broader political buy-in, not just from current political leaders but perhaps those people who might be taking those decisions in the future. One of the best ways to do that is to have programmes that are so fundamentally effective on the ground, and so fundamentally valued in terms of what they deliver to people, that politically the most sensible thing for any incoming Government to do is to keep it in place. Is there anything you want to add to that?

Moazzam Malik: I could add a couple of words, Secretary of State. It is not really for me to comment on USAID programmes, but obviously in the design of our work we look at our own past experience and the experience of others. The work we are trying to do in Punjab—indeed, in Pakistan across the whole—is unprecedented in terms of both its scale and ambition, but also the breadth. We are working not just in Government schools; we are also working with low-cost private schools. We are working not just on the supply side but, as the Secretary of State said earlier, we are working on the demand side. We are working on the politics of education and how parents can articulate that, so that it is a political and an advocacy issue, not just a "show up and collect your certificate" kind of thing.

The key to the sustainability here comes from building strong public-private partnerships, and I think one of the mistakes that may have been made in the past in some places in Pakistan was to work just with the very dynamic private sector and to lose sight of the fact that the public sector had to provide the bulk of the finance. The work we are doing in Punjab is looking at how Pakistani public resources can be used to finance low-cost private schools where they are more efficient and more effective. We already have more than a million children in Punjab being educated through those public-private partnerships.

Our resources are of course mingled in with that, but the beauty of having a public-private partnership is that if, in whatever circumstances, we needed it to scale down or to withdraw, the public-private mix would mean that it was for Pakistani policymakers to continue to provide those resources. Given that our resources are relatively small—or very small: less than a 10% share of Government resources—the marginal call that the public authorities would need to make would be relatively small. We have tried to learn lessons and think hard about how to build sustainability both on the supply side and the demand side. I think it was that that led ICAI to commend our programmes for their breadth and innovation. We think we are having a really good go at this.

Q133 Richard Burden: Thank you for that. Obviously we have had some positive evidence about the Punjab programme, as well. If, though, it did seem it was not working, do you have a Plan B there?

Justine Greening: As I mentioned earlier in a response to a previous question, we do have flexibility built into our programme. It is delivered on a number of different levels, at the national level and the provincial level. It is delivered in part alongside Government, but also alongside civil society and the private sector. I do not think we have all our eggs in one basket. The education projects are big, and that is one of the particular things that is probably different about the Pakistan programme. It is at a real scale, and that is intentional, because we know that that is the scale that can truly start to make a difference in terms of schooling in Pakistan.

Just to take Punjab, there are now one million more children enrolled in school as a result of those programmes. Many of those will be little girls, who perhaps otherwise would not have had the chance. We have tried to build in some ability to manage risk, but the focus we have placed on education is one that we think matters, not least because of the demographic profile of Pakistan, but absolutely is a priority shared by the Government, which has declared an "education emergency". They have passed legislation about education for all. That is a good example of where we are pushing in the same direction, and that is one of the reasons why we can hopefully be successful.

Q134 Richard Burden: Thank you. Last question: do you have a target timescale for DFID's own involvement with the Punjab programme? Given that it is based around creating something sustainable, building those partnerships in-country and so on, what is the kind of timeframe you are looking at for DFID's involvement?

Justine Greening: If Moazzam wants to add something, he will, but at the moment the timescale we are looking at is certainly continuing to support this programme over the next five years or so. It has been immensely successful; we are seeing both the Government sector and the low-cost private sector start to develop. The roadmap has been in place now about 18 months to two years, so in the grand scheme of Government programmes it is still relatively new. We will continue to invest whilst that beds down, I think in the hope that towards the end of that time it will have achieved that kind of sustainability. Of course, in theory, we should be going to the second election, where a democratically elected Government of Pakistan can hand over to a third one, so that may well prove a good time for us to get a sense of whether we have properly seen our programmes bed down.

Moazzam Malik: Most of our large change programmes are in the five- to seven-year timeframe, through to the late part of this decade, and our judgment is that you do need that length of time. As the Secretary of State emphasised, there is a great deal of flexibility in annual reviews and more regular reviews, so we can adapt to circumstances. It is in that sense that in the real world it is not possible to have a Plan A, which is the master plan, and a Plan B, and it is not the case that one falls and the other rises. It is about having a portfolio that spans ambitious change, and being ready to slow down things when they do not work, but equally to accelerate and scale up where things do work. It is by having that flexibility and working with those opportunities, but being robust about the results and the accountabilities and following our money, that we hope to achieve real change.

Q135 Chair: Do you accept that the education programme in Punjab is now very much tied to the Chief Minister, and presumably his party's election prospects, in the same way that the Benazir Income Support Programme, by very name, is another vote catcher for the PPP? In other words, you are supporting highly political programmes. I am not saying there is anything wrong with the programmes in themselves, but they are very much attached to political platforms.

Justine Greening: I think that what is happening is that they are both examples of very important programmes in Pakistan that, in my opinion, in a good way have been identified by politicians—and this is a democracy, and therefore these are the people who will be taking decisions going forward—as being extremely valuable. I hope that in relation to the education reform roadmap in Punjab, what you are seeing is a virtuous circle there, where you have a programme that has been put in place that is really starting to deliver and has good monitoring behind it—but has a long way to go to continue delivering—absolutely getting the political support that it needs.

On the BISP, as it is shortened down to, the Income Support Programme, again it is a really fundamental reform from the national Government of Pakistan to provide some very limited support to the poorest of the poor. You are talking about people whose household income is approximately £47 per month, and then through this programme they are getting about an additional £7. It generally involves the woman of the household for the first time getting an ID card.

Chair: We met a lot of them.

Justine Greening: She is maybe getting a mobile phone as part of how she receives that. There are some real side benefits there around empowerment and independence—and yes, it is supported by the Government. That support is critical if you are to see those sorts of successful programmes continue. If we see politicians fighting over who can continue them most successfully, it is probably a good sign of success.

Chair: I think we take that point, but they are very political.

Moazzam Malik: For the record, the idea for the Benazir Income Support Programme came from a senior Opposition politician, and the Act of Parliament was passed unanimously by Parliament, so it did have cross-party support, and indeed our discussions with the main Opposition political parties indicate a great deal of commitment to the concept of income support in this very limited sort of way that is playing out in Pakistan.

Q136 Chair: Hugh Bayley apologises; he wanted to hear the Mali question. It is unfortunate, I know, but these things come up as an urgent question. There is one point about the education programme and the role of extremists or fundamentalists, and in particular of Jamaat-e-Islami, which we were told are pretty well pervasive right across the education system. To what extent can you be sure that the education programme is not captured by fundamentalists or extremists—or as a counter to that, to what extent do you believe the education programme is likely to counter that, given that extremism is not just about poverty and lack of inclusion?

Justine Greening: If you look at some of the research, for example by the Brookings Institute, it shows that extremism can be correlated with low educational achievement. As you say, it is more complicated than that, but certainly we know that well educated people

will be less likely, perhaps, to rely on what they have been told by others, and they will form their own views. They are also more likely, frankly, to want to have the sorts of opportunities that we all want: to be successful, to have a family, to have a good job, and to feel that that is possible.

We also know, in terms of education, that lack of access to education by low-income people and minorities has been one of the things that have fuelled grievances, so people have seen better-off people in Pakistan able to have their kids in school, and they do not have the same opportunity. This element of what we have worked with the Pakistani Government on and the Punjabi Government on, in terms of access, is quite an important part of that. The final stat I wanted to give the Committee is that the proportion of children who go to, as it were, religious schools, is very small in Pakistan. It is around about 2% to 4%.

Q137 Chair: But religion is part of the curriculum in all the schools, is it not?

Justine Greening: That may be true, but the point I was just trying to make is that overwhelmingly, children are going to, to all intents and purposes, non-purely religious schools, so they are either in the state Government schools or they are in the low-cost private sector.

Q138 Pauline Latham: It is interesting about the education, but I was very pleased to see that, when you were in Pakistan, you announced a new health programme. Something we were particularly concerned about was poor nutrition in pregnant and breastfeeding mothers, and also in school-age children. It seemed to us that if you could get the women when they were first pregnant, and help them with nutrition right the way through whilst they were breastfeeding, and then support the children, they would not have the problem when they got to school of being undersized, undernourished, with smaller brains than they should have, and therefore not being able to learn in the same way.

It seemed to us you could do a nutrition programme right the way through, and continue it whilst they are at school, because some of the children we met were barely having one meal per day. Could you tell us if you are working with donors such as the UN World Food Programme and any others to improve the diet of children in Pakistan, from being pregnant right the way through? It is no good just focussing on the school-age children; it needs to come long, long before that, because their development is so important during their formative months in the womb and afterwards, whilst being breast-fed.

Justine Greening: As you pointed out, we are doing investment in those very early days and months and years. We did announce a provincial health and nutrition programme to tackle precisely those sorts of things you talked about, starting from having originally more babies delivered in hospitals, more midwife support and hopefully investment there to mean that there is more immunisation for children, and that hopefully when they, for example, suffer from diarrhoea, which we know can be massively debilitating, there is a higher likelihood of treatment for those children.

I had the chance, when I was there, to meet with a number of lady health workers in Rawalpindi, whose job it is to go out and help with the immunisation programme and also provide that kind of basic advice. They looked like they were very well networked into their communities. Often they would be working in their local communities, so they know the women they are dealing with, they can provide the advice there and then when they wanted it, and that would include the advice to make sure that their children were immunised, and when they were sick they could get them into the local health centre, which was where I was able to go and meet them.

Q139 Pauline Latham: So basically you are not particularly working with programmes like the UN World Food Programme to help those children from inception right the way through to school?

Justine Greening: Moazzam is going to answer that question.

Moazzam Malik: We are not directly financing UN nutrition programmes in Pakistan from the DFID pot; we have general DFID-to-UN-headquarters relationships that are helping some of those organisations with their work, but we are not financing it directly in the DFID Pakistan programme. We are working with them closely in policy terms, and indeed with the World Bank very closely in policy terms, as well as with the Pakistani authorities, to try to address nutrition. As you say, this is both a tragedy for the families involved as well as an economic tragedy. The cost of the malnutrition is estimated to be between 1% and 2% of GDP. For a country that is growing at 3% and needs to grow at 7%, that is a criminal waste. We are working with the UN organisations in policy terms on this issue.

Q140 Pauline Latham: It is fantastic to have more women having their babies born in hospital, but if they are in an incredibly rural situation, they will not get that. Although that is an ideal, there are not enough hospitals to do it. They would probably therefore use the community midwives, and ICAI's Pakistan report discovered problems in the relationships between the lady health workers and the community midwives. DFID has supported both of those programmes, quite rightly, and we saw them as well. Now that responsibility for the programmes has been devolved to the provincial level, how has DFID realigned their support to prevent this conflict of interest and the problems of the relationship between the two? There clearly are issues there.

Justine Greening: I can see Moazzam nodding his head, so I will let him come in, but you are right to point out that we are having to make sure and look at how we continue delivery, given the devolution agenda that has happened. We should also take into account, as we are, the fact that having then devolved responsibility and decision-making and some budget, at the provincial level you need to see Government capacity, in some cases, build up. That is one of the things we are very conscious of and work to support, to make sure that our programmes can be successful.

There is a transition going on, and that transition inevitably means that there is some challenge in making sure that we continue to see our results, in spite of the fact that the Government has engaged in what I think is a really fundamental reform, and the right one. It means we are managing change. Moazzam, would you like to add to that?

Pauline Latham: Also, we heard that some of the women were taking the money but not actually doing the job, so a very, very close watch needs to be kept on that.

Moazzam Malik: The history of these programmes is that they were federal programmes that were set up as vertical programmes. With the devolution that the Secretary of State has just talked about, the responsibilities have been devolved, so the new programme to which you referred is a province-focussed programme, which covers both community midwives and lady health workers and nutrition services. At the core of that, each of the two provinces has defined a package of essential health services, which spans community midwives as well as referral services, Lady Health Workers, nutrition assistance and so on. Our new support is financing that essential health package, and those health packages have been designed to iron out some of the problems that you referred to. I am confident that, going forward, we will crack that.

In terms of payments and so on, that is an issue we watch very closely, but by and large the Lady Health Workers programme has been hugely successful in taking primary health services to rural communities that do not have hospitals and clinics on their doorstep. It has made a real difference in the quality of poor women's lives, so it has been very, very effective, and again we have evaluations over many years to demonstrate its success.

Q141 Chair: We were told that the lady health workers got PKR8000 per month, flat, to do the job, whereas the community midwives got PKR3000 and then so much per delivery. Some of them were saying that they could make quite a lot of money out of it; the younger ones worried that they could not, but clearly there is a difference between basic pay and then having to do something to top it up, and a flat rate. If you are well motivated and want to do it, a flat rate is fine, but if you are not, who is there to make sure you do the work? We saw a particularly good team—I think they were sisters-in-law—of a lady health worker and a community midwife working together, but, from what we heard, that is the exception rather than the rule.

Justine Greening: Which is why monitoring and evaluation of programmes matters hugely, so that we can learn from the different ways in which you are seeing healthcare delivered in this case, and get a sense of what is the right way to structure those programmes, including staff salaries, so that they are delivered successfully.

Q142 Fiona O'Donnell: Just to reinforce what Pauline Latham was saying, we know studies have been done in this country about raising children's achievement through access to nutrition and water as well, and looking at whether investing in training for teachers or investing in nutrition and access to water would make the greater difference might be worthwhile. I am sorry, Mr Malik, if you answered this; I did not catch the beginning of your answer to the previous question about the announcement you made while you were in Pakistan. I wonder if you could give us a bit more detail about how you are scaling up: what is new and what is different about what you will be doing in terms of maternal health? Is it more money, more midwives? What are the details?

Justine Greening: It is a scale-up of the general programme that we have. In a sense it matches some of the scale-up we have done around education, where we have a sense of what works, so we are not creating things from scratch, but what we are doing is taking what works and doing more of it. It is predominantly a scale-up of what is already there—what we have done with the Pakistani Government. Since 2002, for example, we have doubled the number of lady health workers. It is about continuing to scale up that work over time.

Q143 Fiona O'Donnell: So what are the figures? How many more midwives? How much more are we spending?

Justine Greening: I do not have those numbers on me today; I am quite happy to pass them on to the Committee, if that is of interest.

Chair: That would be helpful.

Fiona O'Donnell: That would be good, thank you.

Q144 Fiona Bruce: I have a question about the UK Pakistani community, and whether DFID has a particular relationship with that community. I understand that they send remittances of £627 million a year over to Pakistan, supporting schools and so forth. Have you considered, apart from any co-working you also do, perhaps using some of the UK Pakistani diaspora to monitor DFID programmes in Pakistan where there are no DFID staff?

Justine Greening: I am not sure that has been something we have formally considered in the Department. I am sure Moazzam can say if that is incorrect. The diaspora is a large one; I think I am right in saying that there are well over one million Pakistanis living in the UK now.

Fiona Bruce: That is right; 1.27 million.

Justine Greening: It is probably one of the largest diasporas we have, and the role they can play is advocating in Pakistan for development, in areas like education and health, and probably advocating in the UK on behalf of Pakistan, and talking about some of the challenges that country faces but also how it is steadily moving forward. As you say, critically, this flow of remittances in relation to Pakistan's financial health is such a significant part of the cashflow that comes into that country. Hugh Bayley asked about some of the private-sector opportunities and investment opportunities. That is probably a further strand of interest and activity that the Pakistani diaspora can have some involvement in.

I think they have a very important role to play. I am sure that for some of the accountability work we do within Pakistan and getting the feedback loops from

local communities to DFID to tell us whether our projects are working as intended, and whether money, for example, is getting to the people it is intended for, some of the feedback channels will be through diaspora communities here in the UK. That is why our engagement with them is important.

Moazzam Malik: You suggested that DFID staff are unable to get to our projects, and I wanted to dispel that sense. Our staff are able to go and monitor our projects. We use third-party validation, and we have a range of instruments, both our own staff time but also other instruments, to monitor and verify what is being done and achieved through our projects. Of course part of that relies on Pakistani organisations to provide us with the feedback.

The Secretary of State has already talked about some of the conversations that we have had with the British Pakistani diaspora. We meet them regularly, and indeed in many of our project teams—both in our own office as well as in many of the project teams in Lahore and Peshawar and elsewhere—we have a fair few British Pakistani staff, and they are really adding great value. That is a very valuable human resource that we have there.

Q145 Fiona Bruce: One short final question. I just wondered about the number of DFID programmes in Kashmir. Apparently many of the UK Pakistani community come from Kashmir, and I wondered whether that was a factor in your considering whether you could support that part of the country.

Moazzam Malik: The portfolio and the operational plan have been designed around needs and returns. Whilst there are important links between the British diaspora community and Kashmir, the number of people in Azad Kashmir is relatively small, and they are also relatively better off, and hence we do not have a long string of DFID programmes. However, we are thinking about how, over time, we evolve the national footprint in education. That is the one area in which I think we may end up doing something in due course, if the Secretary of State agrees with that, but we have talked to the AJK authorities. Historically, of course, in the aftermath of the earthquake, we had a very, very large humanitarian operation in Azad Kashmir, and a very large, very successful reconstruction operation in Azad Kashmir, too.

Fiona Bruce: Just to clarify, I think these particular questions came out of a visit that some of the Members of the Select Committee made to the Pakistani community in Derby.

Justine Greening: Thank you.

Q146 Chair: That did, but we also had evidence here. I think it is interesting what both of you have said about the role of the British diaspora, either in monitoring and informing you, or in some cases participating. What has been said to us is that they feel that there could be perhaps more structure to that. Some of them say, "We could do more, we could help more, if we knew how to do it." I suspect we might make some recommendations along those lines, but I do not know if you want to add anything about that.

Justine Greening: I agree. I have the Department working on a piece of work to look at some of these key diaspora groups and how we can engage and work with them in a more, as you say, structured way. Britain is now a very diverse country, and we need to use that diversity and turn it to our advantage. The DFID budget and its natural links between diasporas here and perhaps home communities are links we should seek to strengthen. That is a piece of work that I have the Department looking at, and I would be very interested in any recommendations or indeed ideas that the Committee has about how we might go about that effectively.

Chair: That is helpful. In the last Parliament we had a similar plea from the Bangladeshi community, I have to say.

Justine Greening: Yes.

Q147 Pauline Latham: I was just going to say, having arranged the visit in Derby, if any of the DFID staff members want to speak to them, I can certainly make sure that they are put in touch with the people who were very strong in their recommendation that they would love to help the Government do anything they can to make aid more effective.

Justine Greening: I very much appreciate that offer, and we will take you up on it.

Moazzam Malik: I should say we have talked to British Pakistani communities in London and outside London. I have gone up to Birmingham myself, and we have had some discussions in Manchester and elsewhere.

Pauline Latham: We have quite a strong community in Derby.

Moazzam Malik: We would be delighted to speak with them.

Chair: Can I, Mr Malik and Secretary of State, thank you very much for coming in? I think you will appreciate that there are a lot of issues to wrestle with in Pakistan, but, as you have said, there is opportunity. A point that was made many, many times is that the links between Britain and Pakistan are indissoluble. That is not an issue at all; it is a question of how effectively they can work together for the best benefit of poverty reduction and delivering a better quality of life for the people of Pakistan. That is what we are interested in—as you are, of course—but it is making sure that what we do works and delivers results. Thank you very much indeed.

Written evidence

Written evidence submitted by the Department for International Development to the International Development Committee

Figure 1

MAPS OF PAKISTAN *(WITH POPULATION FIGURES)*[1]

[1] Population figures are preliminary results from the 2011 census: www.census.gov.pl/census2011.php

1. Overview

1.1 *The case for aid*

Pakistan is the sixth most populous country in the world with an estimated population of 180 million.[2] As many as one in three Pakistanis live on 30p a day or less.[3] One in eleven children die before their fifth birthday.[4] Levels of under nutrition are above emergency thresholds at 19%.[5] Pakistan also faces an education emergency. Half of all adults, and two thirds of women, are illiterate and 12 million children are out of school.[6]

Entrenched poverty is denying opportunities to millions of people and undermining Pakistan's long term stability and prosperity. Furthermore population growth is high. By 2020 the population could exceed 205 million, with nearly 40% aged 10–29 years.[7] By 2050 it is expected to increase by more than half. With economic growth averaging only 3.5% over the past five years and the population increasing by 2% year on year, Pakistan is struggling to maintain living standards or to create jobs for millions of young people,[8] leading to increased poverty and instability.

A politically and economically secure Pakistan can also help to support stability and development across the region, one of the least integrated in the world. As NATO troops drawdown from Afghanistan, Pakistan will have a key regional role to play over the next decade. Supporting Pakistan now to build peace and stability in its Border Areas, and to tackle its own economic and governance challenges will enable it to play a positive role and provide the economic linkages that Afghanistan needs. As dialogue between India and Pakistan progresses, trade relations are normalising, creating economic opportunities for both countries as well as potentially for Afghanistan and Central Asia. Helping Pakistan take advantage of these opportunities for trade and development will make a significant contribution to regional and global prosperity.

This is why Pakistan is one of the UK's top development priorities. The Department for International Development (DFID) is committed to helping future generations be healthy, educated, nourished, able to work and play their part in transforming Pakistan, helping to ensure stability in the region and beyond.

1.2 *The scale of the challenge*

Achieving lasting change in Pakistan will be challenging. Recent years have seen regular humanitarian disasters and other upheavals. In 2008 the global economic crisis prompted sharp rises in oil and food prices. 2009 saw a massive internal displacement of people following military operations in the border areas. In 2010 unprecedented floods resulted in the world's largest ever natural disaster. Pakistan also faces significant macro-economic challenges and an extended energy crisis.

Pakistan also faces internal instability and sectarian violence. Since 2001 more than 30,000 Pakistani civilians have been killed and many more injured. The Government of Pakistan (GoP) estimate that the adverse security situation has cost Pakistan's economy up to $67.63 billion since 2001.[9] This constrains economic growth, has held back public services and damaged Pakistan's ability to address poverty.

Improving Governments ability to provide basic services like health and education can play a key role in undermining the grievances that contribute to this instability, as well as lifting people out of poverty. In 2010 important responsibilities (including education, health and social welfare) were devolved from the Federal to the Provincial Government, creating new opportunities by bringing government closer to the people and potentially increasing accountability and transparency. However, it also poses significant challenges as improved delivery will depend on the capability of local government.

National elections are due to be held by May 2013.[10] Pakistan is on track to see a civilian government complete a full term in office and democratically transfer power for the first time in its history. Credible elections are essential to build faith in the democratic process and give the government a stronger mandate for reform.

1.3 *HMG vision for Pakistan*

Pakistan remains one of the UK's most important foreign, defence and development priorities. The UK has one of the largest Pakistani diasporas in the world (1 million people, 1.7% of the UK population) creating strong family and business links.

---

2 http://data.worldbank.org/country/palistan

3 This refers to the food poverty line (connected with daily calorific intake) which is equivalent to 30p a day. Calculations are based on poverty figures given in the Pakistan Economic Survey 2008–09 of 36.1%. However estimates range from 17—36.1%.

4 UN Interagency Estimates for Child Mortality, 2011.

5 UNICEF (2009). Tracking Progress on Child and Maternal Nutrition.

6 DFID Pakistan E-brochure UK aid: Changing lives and delivering results in Pakistan (Summer 2012).

7 http://esa.un.org/wpp/Other-Information/faq.htm

8 Government of Pakistan. Pakistan Economic Survey, 2011–12 Ministry of Finance.

9 Pakistan Economic Survey 2010–11, Table 2, P 220- parent source: Ministry of Foreign Affairs Joint Ministerial Group.

10 The actual date has not yet been confirmed.

DFID's Operational Plan supports delivery of the National Security Council's objectives for Pakistan. DFID's work focuses on building peace and stability; making democracy work; promoting macroeconomic stability, growth and jobs; and the effective delivery of basic services. Together these help promote stability for the benefit of poor Pakistanis, the region and the UK.

DFID works closely with the Cabinet Office, Foreign and Commonwealth Office (FCO) and Ministry of Defence in Whitehall and in Pakistan. DFID's work is central to the British High Commission's Integrated Delivery Plan.

2. Summary of Pakistan's Progress Against the MDGs

2.1 *Introduction*

GoP's commitment to the Millennium Development Goals (MDGs) is reflected in their Medium Term Development Framework and 2011 Framework for Economic Growth. Development indicators have improved since 2001–02, but still lag behind most other countries in South Asia. Pakistan is off track to meet the majority of the MDGs by 2015 (Table 1).[11] The international community is working with Pakistan to help them tackle these challenges.

Country	MDG1 Proportion of population below $1.25 a day	MDG2 Net enrolment in primary education	MDG 3 Ratio of girls to boys in primary education	MDG 4 Under 5 mortality ratio	MDg 5 Maternal mortality ratio	MDG 6 HIV prevelance, 15-49 years old	MDG 7 improved water source
Afghanistan							
Bangladesh							
India							
Nepal							
Pakistan							

– achieved or on-track; –slow progress; –off track; –no data;

Detail on overseas development assistance (ODA) to Pakistan is at Figure 2.

2.2 *MDG 1—End poverty and hunger*

Pakistan is currently assessed as on track to achieve the income poverty MDG[12] but 21% of the population, some 37 million people, are still estimated to live under the south Asian average of $1.25 a day.[13] Poor people remain particularly vulnerable to inflation of food and energy prices. Charitable giving, significant remittances, and GoP cash transfer schemes all help to boost poor people's income.

2.3 *MDG 2—Universal education*

The Constitutional guarantee to free and compulsory education for all 5–16 year olds is a bold new step. This commitment is welcome but the challenges are huge. Pakistan has the second highest population in the world of out of school children, currently 12 million children. In 2011, only 56% of children were enrolled in primary school[14] and the primary completion rate was just 54.6%, leaving Pakistan significantly behind the MDG target of 97.5%.[15]

2.4 *MDG 3—Gender equality*

Despite ground-breaking new legislation, gender inequality in Pakistan remains high. Pakistan ranked 133 out of 135 countries in the 2011 UN Global Gender Gap Report and violence against women is widespread.

[11] DFID Annual Report (2011). Please note that the maternal mortality assessment is currently being reviewed due to the methodology used and may change to amber. The current central DFID assessment methodology does not include a country specific rating for MDG 8—Global Partnerships, which is predominantly an assessment of donor activity, and while important is largely out with the developing country's direct control. DFID's Annual Report does include a global assessment of progress against MDG 8.

[12] The target for MDG 1 poverty headcount ratio is fewer than 33.6% of the population living on less than $1.25 a day.

[13] Income poverty levels range from 21% using the south Asian average of $1.25 a day income poverty and World Bank indicators, to 17%—36.1%, using GoP poverty line based on a dietary intake of 2,350 calories per person per day or Rp 673 (£8.28 per month) at 1998–2000 prices.

[14] Pakistan Social And Living Standards Measurement Survey (PSLM) 2010–11 http://www.pbs.gov.pk/content/pakistan-social-and-living-standards-measurement-survey-pslm-2010–11-provincial-district-0

[15] The target for MDG 2 National Enrolment Rate (NER) in primary school is 97.5% of the population. The target for the completion rate is also 97.5% of the population.

Progress towards the MDG target in primary schools is slow, becoming worse in secondary schools.[16] As a result, female literacy is 42% compared to 67% for males.[17]

2.5 *MDG 4—Child heath*

Pakistan has the fourth highest number of child deaths in the world for under-five children[18] and is making slow progress towards the MDG target.[19] Over half of these deaths occur within the first month of a child's life due to the lack of availability of vaccines and under nutrition of pregnant women.

2.6 *MDG 5—Maternal health*

Out of the eleven countries that account for 65% of global maternal deaths, Pakistan ranks fourth. 12,000 women still die during pregnancy or childbirth each year and 1 million more suffer ill health or chronic disability. The MDG assessment shows Pakistan as on track to meet the target but the methodology used to assess this is currently being reviewed.

2.7 *MDG 6—Combat diseases*

While HIV prevalence is low and concentrated in vulnerable groups, Pakistan has high rates of both tuberculosis and malaria. The MDG assessment shows Pakistan as making slow progress towards the targets for this goal.[20] Pakistan is a major recipient of Global Fund for TB, Malaria and HIV/AIDs support for all three diseases.

2.8 *MDG 7—Environmental sustainability*

Pakistan faces huge environmental and energy challenges and fast rates of urbanisation. Slow progress is being made on the MDG target of people having access to an improved water supply and sanitation.[21]

2.9 *MDG 8—Global partnerships*

Improving Pakistan's international competitiveness in markets is key. The UK is amongst Pakistan's leading international advocates on trade and played a key role in finalising the recent European Union (EU) trade waiver giving Pakistan enhanced access to EU markets. We continue to work to secure Pakistan's entry into the EU's broader General Sales Preference + (GSP+) scheme. Recent dialogue between India and Pakistan on opening up trade has been positive. Pakistan is also a member of the Global Partnership for Education and the UK is encouraging Pakistan to join the Scaling up Nutrition movement.

Figure 2

ODA FLOWS TO PAKISTAN[22]

Pakistan Statistics: reference and receipts	*2008*	*2009*	*2010*
Population (million)	167.4	170.5	173.6
GNI per capita (USD)	940	1,000	1,050
Net ODA (USD million)	1,550	2,769	3.021
Bilateral share (gross ODA)	51%	46%	71%
Net ODA/GNI	0.9%	1.7%	1.7%
Net Private flows (USD million) 825	156	290	

Top Ten Donors of gross ODA (2009–10) average		*(USD m)*
1	United States	906
2	IDA	774
3	As DB Special Funds	403
4	United Kingdom	258
5	Japan	209
6	EU Institutions	135

[16] The target for MDG 3 Gender Parity Index is 0.975 in both primary and secondary education. Current data indicates Pakistan's Gender Parity Index as 0.84 for primary school and 0.79 for secondary school.

[17] Adult literacy rate: 55% (Male 67%: Female: 42%). Population aged 15 years and older that is literate expressed as a percentage of the population aged 15 years and older. PSLM (2010 survey. Literacy is taken as the ability to read a newspaper and write a simple letter.

[18] Below India, Democratic Republic of Congo and Nigeria.

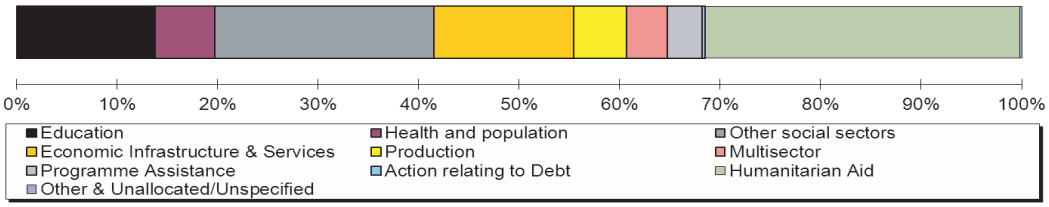
[19] The target for MDG 4 Under 5 mortality rate (per 1,000 births) is 43.3. Data indicates that there has been a decrease in under five mortality (from 130 per 1,000 live births in 1990 to 87 per 1,000 in 2009)

[20] The target for MDG 6 TB treatment success rate is 97.5% of cases. Currently Pakistan's TB treatment rate is 85%.

[21] The target for MDG 7 Environmental sustainability re the population NOT using an improved water source is 7% and the population NOT using improved sanitation is 36%. Data indicates that 55% of households in Pakistan do not have access to adequate sanitation.

[22] Sources: OECD, World Bank. Note these figures show aid commitments not disbursements to date.

Top Ten Donors of gross ODA (2009–10) average		*(USD m)*
7	Germany	134
8	United Arab Emirates	111
9	Turkey	82
10	Australia	78



3. DFID's programme

3.1 *The DFID Pakistan Operational Plan and Results*

DFID Pakistan's Operational Plan (2010/11–2014/15) sets out UK development assistance priorities: education; women and children's health; creating jobs and supporting economic growth; strengthening democracy; and building peace and stability.

Over the life time of the Operational Plan, if GoP makes progress on key reforms, DFID will achieve the following results:

- Education
  - support 4 million children in school;
  - help build 20,000 new classrooms; and
  - recruit and train 45,000 new teachers.
- Health
  - prevent 3,600 mothers deaths in childbirth;
  - prevent half a million children from becoming under-nourished; and
  - help 500,000 couples choose when and how may children to have.
- Economy
  - help 1.23 million people (50% women) access microfinance loans and set up their own small business; and
  - expand branchless banking enabling 3 million people to access financial services.
- Democracy and governance
  - help 2 million more people vote in the next general election;
  - help strengthen GoP institutions; and
  - improve security and access to justice.

The UK will also continue to provide lifesaving humanitarian assistance when needed.

3.2 *The uplift in DFID programme resources*

The 2012–13 DFID Pakistan programme is £267 million. This could increase to £446 million in 2014–15 making Pakistan the UK's largest bilateral aid programme. The increase is dependent on securing value for money and results in a challenging policy and operating environment, and linked to the Government's own progress on reform. This includes taking steps to build a more dynamic economy, strengthening the country's tax base, making progress on human rights and democracy, and tackling corruption.

Subject to design choices still to be made, DFID's funding will be split approximately: national programmes (30%); programmes in DFID's two focal Provinces of Punjab and Khyber Pakhtunkhwa (KP) (55%); and other Provinces (15%).

DFID focuses on Punjab and Khyber Pakhtunkhwa Provinces as together they account for over 70% of Pakistan's population and the largest absolute numbers of poor people. Both Provincial Governments are open to reform and we assess that the fiduciary risks can be managed.

To manage risk and enable us to deliver in the volatile operating environment, DFID uses a variety of channels and partners. Over the Operational Plan Period, approximately 50% of funds will be channelled through government and 50% through private sector, civil society and multilateral partners.

3.3 *Government of Pakistan reforms*

Governance lies at the heart of Pakistan's economic and social problems. Historically, Pakistan's resources have disproportionately benefited elites, at the expense of the development and security needs of its citizens, especially women and minorities.[23] Poor planning, budgeting and management mean health and education services do not meet the needs of the population. 79% of Pakistanis have "lost hope" in the current government's ability to improve their lives.[24]

The Government needs to undertake significant macroeconomic reforms to increase growth, tackle severe energy shortages, and manage fiscal and inflationary pressures. This includes action to improve increase the tax to GDP ratio which is one of the lowest in the world. Until these policy issues are resolved, Pakistan will struggle to invest sufficient resources in basic services to provide for its people, or attract investment and create jobs for its growing population.

However, there has been progress. A series of constitutional amendments have been passed in recent years which could help drive reform. The 18th amendment devolves significant responsibility to the Provinces, with the potential to make Government more accountable and rebuild trust between citizens and the state. Amendment 25A makes universal education to the age of 16 a right of every Pakistani child. Federal Government has passed legislation to protect women from violence in the home and to prevent acid crime, ratified key UN Human Rights conventions, and is seeking to open up trade relations with India. In Punjab, the Government has demonstrated real commitment to tackling the education emergency and set up a Revenue Authority to increase tax receipts.

These steps have put in place the foundations from which GoP could make significant improvements to the lives of ordinary Pakistanis over the coming years.

3.4 *The operating environment*

The wider political and security situation frames the environment in which all donors operate. Pakistan's broader relations with foreign partners can affect operational issues such as international staff visas and travel. Travel by UK staff outside of Islamabad requires prior Government approval.

DFID operates under FCO security protocols and the security situation is kept under constant review to ensure staff safety. While access to some parts of the country is limited, alternative approaches have been adopted to ensure effective programme monitoring. Audit, Third Party Verification (TPV) and beneficiary feedback ensure programmes are achieving results and help to safeguard UK taxpayer's funds. For example, in Punjab DFID and the World Bank use TPV to assess progress on the education programme before funds are released. This includes whether schools have been provided with necessary facilities such as boundary walls and toilets, whether girls are receiving stipends to attend schools and whether teachers are being recruited according to need.

3.5 *How DFID works with other donors and multilateral agencies*

Donor co-ordination is important in Pakistan to leverage reform, engage political debate and ensure the efforts of the international community are complementary. Recently, DFID has driven the agenda on key issues including economic reform, gender equality, corruption and nutrition across the donor community and with the Ministry of Finance.[25] DFID also participates in numerous working level donor groups including on elections support, anti-corruption, education, health and humanitarian issues.

Examples of joint working include:

- Development co-operation agreements with the Australian Agency for International Development whereby DFID administers Australian funds to support DFID health and education programmes.
- Working in partnership with the World Bank and Canadian International Development Agency on a sector wide education approach in Punjab. Results to date include: an increase in the provision of suitable facilities in schools (electricity, drinking water, toilets and boundary walls) from 69% to 84%; a decrease in teacher absenteeism in Government schools from 19% to 12% meaning that some 700,000 more students have a teacher each day; and an increase in student attendance to 87%.

[23] Gazdar, H. (2007). Class, caste or race: Veils over Social Oppression in Pakistan.

[24] Gilani weekly poll, August 1st—5th (2011). Gallup and Gilani Pakistan. www.gallup.com.pk

[25] The Ministry of finance convenes monthly meetings with the ten largest donors: China, Germany, Japan, UK, USA, UN, WB, Asian Development Bank, EU and France.

— Funding the World Bank managed Multi-Donor Trust Fund for Reconstruction and Development which supports delivery of the Government's 2010 Post Crisis Needs Assessment for Khyber Pakhtunkhwa and FATA. Results to date include: building 10.5 kms of roads, giving 300,000 people better access to health and education services; the establishment of a judicial academy; and grants to help small businesses.

3.6 *Tackling corruption*

In 2011, Pakistan ranked 134 out of 185 countries in the Transparency International Corruption Perceptions Index.[26] Many Pakistanis perceive corruption to be worsening: half the population reports paying bribes[27] and four fifths believe corruption in Government is widespread.[28]

DFID takes a robust approach to tackling corruption and safeguarding UK taxpayers' funds. Regular Fiduciary Risk Assessments[29] help us identify risks and mitigating actions. Public Expenditure Reviews provide the basis for a dialogue with Government on their health and education budgets. DFID is also funding regular additional audits which scrutinise high risk programmes from the point of disbursement to point of delivery. A zero tolerance approach is adopted to corruption and fraud and all cases are reported to DFID's Counter Fraud and Whistle Blowing Unit.

Improving public financial management, and creating more transparency and accountability in procurement and service delivery is also vital. DFID is supporting the Government of Khyber Pakhtunkhwa to pilot Output Based Budgeting in two districts. This enables communities to decide how best to spend resources and gives the Government better oversight, as funds are released only when results are achieved on the ground. Based on this successful model and the savings made, the approach is being replicated in six districts, and the Government plans to take it Province wide.

3.7 *Addressing gender issues*

Pakistan ranks 133 out of 135 in the World Economic Forum's Global Gender Gap Index. A 2011 Thomas Reuters Foundation Report found Pakistan to be the third most dangerous country in the world to be a woman.

DFID has regular policy discussion with the Government at all levels on women's empowerment and uses the annual "International Day for the Elimination of Violence Against Women" as an advocacy platform. Our programmes work with local communities across Pakistan to provide support to and protect women from honour killing, acid burning, domestic violence and other abuses. Other examples include: providing stipends to girls in some of the poorest districts in Punjab and Khyber Pakhtunkhwa to complete secondary education; working with the Election Commission to ensure an additional one million women vote in the forthcoming national elections; and supporting the Acid Survivors Fund.

4. Summary of DFID's Response to the International Development Committee Report into the 2010 Floods

In 2010 Pakistan experienced the worst floods in its history and, in terms of numbers of people affected, the largest natural disaster in the world. The International Development Committee (IDC) reported on the UK Government's response to the floods, to which HMG responded, agreeing to the majority of recommendations.

The IDC report, the Humanitarian and Emergency Response Review (2011) and the independent evaluation of DFID Pakistan's 2010 Flood Response programme (2012) recommended that DFID focus on:

— Investment in early warning systems and climate science to deliver better information for decision making.

At HQ level, DFID is improving early warning systems by building a global humanitarian risk register, monitoring open source data and specialist risk analysis to monitor current information on risks and disasters. In addition, DFID is working with the multilateral system to improve and better disseminate Early Warning reports to aid decision making and engaging with UK Collaborative Development Sciences on the use of science and climate research to anticipate disasters.

— Investment in programmes to build household and community resilience to emergencies.

Through the 2010 and subsequent 2011 Floods programme, DFID is funding the reconstruction of over 64,000 homes that are designed to be resistant to future flooding. DFID is also providing livelihoods support to over 85,000 families that will build their resilience to future emergencies.

The Humanitarian Emergency Response Review commits all DFID programmes to mainstream resilience through their bilateral programmes by 2015. DFID Pakistan is currently designing a programme to build community level disaster risk management, response and preparedness.

[26] http://www.transparency.org/country#PAK

[27] Transparency International Corruption perception Index 2011

[28] Gallup poll **(**http://www.gallup.com/se/ms/154259/Pakistan-Troubled-State.aspx**)**

[29] DFID defines fiduciary risk as the risk that funds are not used for the intended purposes; do not achieve value for money; and/or are not properly accounted for. The realisation of fiduciary risk can be due to a variety of factors, including lack of capacity, competency or knowledge; bureaucratic inefficiency; and/or active corruption.

Resilience has already been built into existing programmes on cash transfers and earthquake proof schools.

— Improving the international response and UN leadership.

In 2011, DFID and Norway funded an evaluation of the UN Emergency Response Fund's (ERF) first year of operation. The ERF is the only UN humanitarian fund in Pakistan to which all donors can contribute to fund activities in the border areas arising from the on-going conflict and natural disasters.[30] DFID's new humanitarian and resilience programme will consider supporting the Office of the UN Humanitarian Co-ordinator with technical assistance and develop a monitoring mechanism to assess UN performance in the field.

— Promote innovation and new approaches.

The 2010 and 2011 Floods programme used innovative technologies such as solar lighting and housing design. In the 2011 programme, DFID introduced a new approach to emergency shelter that offers much better value for money by providing shelter materials that can later be used to repair roofs—up to five times cheaper than conventional emergency shelter responses. DFID's new humanitarian and resilience programme will consider how we can build on recent experience to effectively provide cash transfers in the event of an emergency.

— Stronger accountability to beneficiaries.

Linking to DFID's commitment to aid transparency, DFID Pakistan's 2011 Floods programme will pilot feedback from people receiving assistance to. DFID will take forward the results of the pilot through the new humanitarian and resilience programme.

January 2013

Further written evidence submitted by the Department for International Development

The programme will provide £160 million over four years (2013–17) to directly support the delivery of reproductive, maternal, new-born and child health and nutrition services in Punjab and Khyber Pakhtunkhwa. The programme will include technical assistance to the two provincial governments to effectively implement health sector plans; and stimulate demand amongst local communities.

This programme aims for 350,000 more babies to be delivered in hospitals, 420,000 more births to be attended by skilled birth attendants, 280,000 more children to be fully immunised and over one million children to be treated for diarrhoea and pneumonia.

DFID's existing Maternal, New-born and Child Health programme helped train and deploy a cadre of 12,000 community midwives (CMWs) across the country, mainly in rural areas. The new programme will train a further 5,500 CMWs along with support to those already trained to help maximise their potential impact.

The programme will also improve nutrition services in Punjab and KP, preventing 500,000 children becoming under-nourished. This will be achieved by scaling up nutrition interventions through 62,000 Lady Health Workers in the two provinces and establishing centres to treat severely malnourished children. We are also looking at providing direct support to improve the diet of mothers and new-born children, including potentially in partnership with the World Food Programme, UNICEF and INGOs, through food fortification interventions. As part of this increased focus on nutrition, we have also encouraged the Government of Pakistan to join the UN's Scaling Up Nutrition (SUN) network to improve their ability to tackle the nutrition crisis.

I also accepted an offer from Pauline Latham for a DFID official to be put in touch with the Pakistani diaspora in Derby. I would be grateful if Pauline could be in touch.

---

[30] In total $36.6 million was contributed by 12 donors to the ERF in 2011. Of these, four are traditional/OECD donors (Norway, New Zealand, Australia and the UK), six are non-traditional/non-OECD donors (India, Azerbaijan, Kazakhstan, Malta, Chile and Botswana). The largest and fourth-largest donors were non-traditional (India and Azerbaijan respectively, with the United Kingdom and Norway being the second and third-largest contributors). Of the total funds received, 60.6% were contributed by non-traditional donors.

Written evidence submitted by Anwar Akhtar, Founder of Samosa.co.uk

That DFID and other UK agencies including the British Council widen support for British Pakistani diaspora cultural, social and campaign groups that support welfare, education, democracy, health, culture, arts and civil society programmes and activities in Pakistan. Those agencies such as DFID and the British Council support peer to peer and institutional partnerships between Pakistan and Britain by engagement of diaspora groups across these areas and seek to identify and support existing models of delivery and good practice in these areas within their Pakistan programmes.

March 2013

Written evidence submitted by David Steven, Senior Fellow, Centre on International Cooperation, NYU and Brookings Institution

As you know, I am not an expert on taxation, although I feel on safe ground when saying that Pakistan's problems collecting revenue are unsurprising for a country with weak institutions and a fragile political settlement.

The data I referred to were drawn from the World Bank (http://databank.worldbank.org) and are for compulsory transfers to the central government for public purposes. The Bank's data are compiled from the IMF and national governments. Tax revenue for Pakistan is shown as 9.31% of GDP in 2011, compared to India at 9.73% of GDP in 2010 (see tables overleaf).

I have compared these data to figures provided by the IMF in its World Economic Outlook for central government revenue (defined as taxes, social contributions, grants receivable, and other revenue). The IMF provides a considerably higher figure than the World Bank for India in 2012 (18.79%), but its figure for Pakistan is also higher (12.77%).

As was mentioned in evidence today, the IMF states that revenues for Pakistan were above 15% as recently as 2007. While tax revenue has more than doubled since then, it has still fallen by 2.5 percentage points as a proportion of GDP. The assertion that revenue has fallen from above 15% to below 10% of GDP, however, seems to mix IMF data (for 2007) with World Bank data (for 2011), and I believe overstates the extent of the decline.

To reiterate, I do not claim to be an expert in this area and defer to those with greater expertise (and, in all probability, access to more accurate data sources). However, it does illustrate the difficulty we all have finding easily accessible data that can be relied upon for Pakistan.

I would be grateful if you could add a footnote to the transcript of the evidence session that says something like "The witness subsequently clarified that the data he referred to are drawn from the World Bank's DataBank, and are for central government revenue." I would also be glad if you could also mention this note to the Committee chairman and send him my apologies for any confusion I may have caused today.

WORLD BANK & IMF TAX REVENUE DATA

WORLD BANK WORLD DEVELOPMENT INDICATORS DATABASE[1]

Tax revenue as a percentage of GDP[2]

	2007 (%)	*2008 (%)*	*2009 (%)*	*2010 (%)*	*2011 (%)*	*2012 (%)*
Bangladesh	8.05	8.82	8.60	-	-	-
China	9.93	10.27	10.54	-	-	-
India	11.89	10.75	9.80	9.73	-	-
Pakistan	9.84	9.86	9.28	10.02	9.31	-

Definition: Tax revenue refers to compulsory transfers to the central government for public purposes. Certain compulsory transfers such as fines, penalties, and most social security contributions are excluded. Refunds and corrections of erroneously collected tax revenue are treated as negative revenue.

Tax revenue (current LCU)[3]

	2007 (Billions)	*2008 (Billions)*	*2009 (Billions)*	*2010 (Billions)*	*2011 (Billions)*	*2012 (Billions)*
Bangladesh	380	481	529	-	-	-
China	2,639	3,225	3,593	-	-	-
India	5,932	6,052	6,330	7,465	-	-
Pakistan	853	1,010	1,181	1,483	1,679	-

Definition: Tax revenue refers to compulsory transfers to the central government for public purposes. Certain compulsory transfers such as fines, penalties, and most social security contributions are excluded. Refunds and corrections of erroneously collected tax revenue are treated as negative revenue.

IMF WORLD ECONOMIC OUTLOOK DATABASE 2012[4]

General government revenue as a percentage of GDP

	2007 (%)	*2008 (%)*	*2009 (%)*	*2010 (%)*	*2011 (%)*	*2012 (%)*	*Estimates start after*
Bangladesh	10.82	11.28	10.85	11.51	12.04	13.12	2010
China	19.80	19.66	20.01	20.19	22.34	22.84	2011
India	21.81	20.30	19.52	18.82	18.46	18.79	2010
Pakistan	15.30	14.94	14.72	14.36	12.77	12.77	2011

Definition: Revenue consists of taxes, social contributions, grants receivable, and other revenue. Revenue increases government's net worth, which is the difference between its assets and liabilities (GFSM 2001, paragraph 4.20). Note: Transactions that merely change the composition of the balance sheet do not change the net worth position, for example, proceeds from sales of nonfinancial and financial assets or incurrence of liabilities.

General government revenue in local currency

	2007 (Billions)	*2008 (Billions)*	*2009 (Billions)*	*2010 (Billions)*	*2011 (Billions)*	*2012 (Billions)*	*Estimates start after*
Bangladesh	511	616	667	799	948	1,206	2010
China	5,262	6,173	6,821	8,105	10,533	11,989	2011
India	10,398	11,060	11,850	13,840	15,745	18,208	2010
Pakistan	1,327	1,530	1,872	2,130	2,306	2,670	2011

Definition: Revenue consists of taxes, social contributions, grants receivable, and other revenue. Revenue increases government's net worth, which is the difference between its assets and liabilities (GFSM 2001, paragraph 4.20). Note: Transactions that merely change the composition of the balance sheet do not change the net worth position, for example, proceeds from sales of nonfinancial and financial assets or incurrence of liabilities.

January 2013

References

1 http://databank.worldbank.org/ddp/home.do

2 Sources listed by World Bank: International Monetary Fund, Government Finance Statistics Yearbook and data files, and World Bank and OECD GDP estimates

3 Sources listed by World Bank: International Monetary Fund, Government Finance Statistics Yearbook and data files

4 http://www.imf.org/external/pubs/ft/weo/2012/01/weodata/index.aspx

---

Written evidence submitted by Dr Ehtisham Ahmad

Issues

- — Why is the tax/GDP ratio so low?
- — Implications of the low tax collections.
- — Role of DfID and governance conditions.
  - — Links with the electoral process.

Why is the tax/GDP ratio so low and falling?

- — From 14% of GDP in mid-1980s to 9% of GDP today.
  - — vs 17% in India and 19% in China for general government.
  - — Unable to provide MDGs with less than 17% of GDP.

Some long-standing issues:

- — Government Of India Act of 1935; split bases (incomes, sales) between Center and States.
  - — Opened up scope for "game play", and created vested interests.
- — Weak and corrupt administrations.
  - — Qamar-ul Islam, Tax Reform Commission 1985—cannot fix tax policy without fixing corrupt tax administration.
- — Mid-1980s: goal was to go from 14% tax/GDP ratio to 20%.

Attempt to implement efficient trade policies

- — High tariff barriers; and administrative regulations.
- — Spawned 60-year old inefficient "infant" industries.
- — 1990s reform strategy to encourage efficiency by reducing tariffs and replacing by VAT/ GST.
  - — But the politicians were related to the owners of the infant industries…
  - — Also recipient of financing for elections and more direct support for corrupt politicians.
  - — Not interested in an efficient tax system and level playing field—Indian reforms of the 1990s not replicated in Pakistan.

Failure of the GST (another name for VAT!)

- — GST introduced in 1991 under duress, and implemented as a 'production excise'—with "apacity prices"(that affect firm profits rather than being passed on to consumers); compensated by exemptions.
  - — Both exemptions in GST, and capacity provisions, were to be removed (June 1994 structural benchmark, under 1993 ESAF;—incorrectly reported as being met; and again under 2008 IMF Program for end-2009—reported met, but again some economy with the truth).
  - — Acceleration of export-promotion strategy under Musharraf, led to gutting the VAT (domestic zero-rating of all major sectors in 2003; suspension of audit—neither DFID nor World Bank objected).
  - — Tax/GDP ratio declined to under 10% by 2008.
  - — Proliferation of SROs—Statutory Regulation Orders, issued by FBR, overriding Parliament and legislation: designed to make friends and influence people.
  - — Egregious SRO283/April 1, 2011—had 185 items; and catch all #185 that gave blanket authorization to issue SROs—leading to collapse of 2008 IMF program.

Tax administration reform, correctly supported by DFID

- — Tax Administration Reform Project (TARP) $135m co-financed by DFID.
- — Designed to implement "Shahid Husain Report" (2001)—functional administration using information from various sources.
  - — Poorly supervised by World Bank Bank/DFID.
  - — Did not follow the Shahid Husain report (reinventing the wheel).
  - — Nobody noticed that audit had been suspended in 2004.
  - — IT was in-house to automate existing procedures and processes; vs off-the-shelf.
  - — Project termed "non-performing" by Bank in February 2008.
  - — Functional administration had not even been initiated until 2009, with another DFID project.
    - — But that too was half hearted and failed.

Tax reforms under 2008 IMF Program

- — Proposed by Zardari to Friends of Pakistan in NY, September 2009.
- — Formed basis for IMF program without conditions.
  - — Arms length administration and removal of SRO powers (required under 2008 IMF program under the reformed VAT) strongly opposed by members of the administration and FBR staff.
  - — Failure due to the interests of the administration to continue "making friends and influencing people".

Habitual problem with IMF programs since 1991

Extent of rent seeking among high and mighty.

- — 2011: 67% Parliamentarians and the President did not file tax returns (CDPI 2012) although average wealth of Parliamentarians was Rs 85 m (2009, approx $ 1 m)—President much richer.
- — Recent support by DFID/Bank to FBR attempt to expand the base by using 3rd Party information—but this excluded the Parliamentarians, and other powerful groups.

- — Critical exemptions: Agricultural incomes; foreign source income (suitcases full of $ flown to Dubai brought back through banking system —#111(4) 2001 Income tax ordinance—effective money laundering provision); plethora of SROs.
- — Plus amnesty—designed to "appease" well-to-do taxpayers.

— What's surprising is that any tax is collected at all—other than withholdings of salaried income.

Effects of the low tax collections—Basic facts

- — Need tax/GDP ratio of around 17–18% to meet MDGs.
- — Weakened state with nuclear weapons in dangerous neighbourhood.
  - — Cannot run a diverse country of 180m with tax/GDP ratio of 9% and declining…
  - — Imploding public services as well as law and order.
  - — Nobel prize winner North's "limited access society"—rent seeking to exclusion of masses becomes unstable.
  - — Financing through borrowing from banking system imposes a tax on the poor, and crowds out investment and growth.

Does decentralization help?

- — National Finance Commission 2009—brought up provincial share of federal revenue pool from 50% to 58% on the assumption that the VAT reform would lead to a tax/GDP ratio of 15% by 2013.
  - — To meet spending pressures at the provincial level.
  - — But gap between expectations and reality: 3.7% of GDP today.
- — 18th Amendment: All social spending devolved to provinces.
  - — Now largely unfunded mandates.
  - — Collapse of higher education—returned to centre but unable to take it up again.
  - — Similar story on wide-area health care—polio epidemic.
- — Decline in public service delivery a fundamental cause of increasing discontent, polarization and turning to alternate/radical sources of welfare and justice.
- — Substantial weakening of the role of the state.

Role of DFID and governance issues—As seen in previous session on education…

- — Many programs well designed and delivered.
- — Makes a point vis a vis "best practice", especially at micro level.

Rush to please government in office..

- — Rush to laud Musharraf decentralization to districts.
  - — No more than a ruse to by-pass the political parties and national elections.
- — Why no objection to TARP until February 2008, when Musharraf was significantly weakened?
  - — Why no protest when audit was suspended in 2004? Major sectors taken out of GST net (no objection from DFID, nor from IM,F nor from WB)?
- — Why the rush to support new initiatives like the tax amnesty? Clientelistic BISP designed to ensure re-election of Mr. Zardari?
  - — Think of Mubarak and the Shah….if not Musharraf.

Preoccupation with "fads"

- — Better governance agenda: transparency in the sources and uses of government monies.
  - — DFID Single-minded focus on MTEFs (not bad per se).
  - — to the exclusion of proper classification and monitoring system (no idea about functional heads—education or health for general government—despite another $135 m World Bank project PIFRA/GFMIS).
  - — No Treasury Single Account—at the time of the approach to the IMF in 2008, there were $10 bn in government bank accounts in commercial banks!! This number has grown.
  - — Same story in Mubarak's Egypt: same causes, effects to be seen!!
- — Inability to track the sources and uses of funds.
  - — facilitates rent seeking and "unauthorized" spending.
  - — including the use of development funds for the "re-election" of the party—or to build roads and power supplies to the PM's home town (ie, making hay while the sun shines)!!

What could DFID do better?

- — Broad governance issues, decide on best practice.
  - — albeit keeping Pakistani reality in mind; and
  - — Institutional forms do not reflect what is really happening!!
- — Key governance issues important-transparency:
  - — stop cheating at all levels; and
  - — both in generating revenues, as well as use of funds.
- — Insistence on the key policy and institutional measures—verified by independent bodies.
- — Do not back off from tax reforms.

Do not back off from tax reforms!!

- — Not in the interest of UK taxpayers.
- — Certainly not in the interest of the Pakistani masses.
- — Insist on proper conditionality in IMF programs.
- — Focus DFID-supported research in this area.

Links with election process

- — Important to keep to the electoral cycle.
- — Demands that tax cheats not be allowed to run seem reasonable.
- — Strong press and excellent work by the CPDI may well influence outcomes for the better.
- — If there is an issue-led campaign, people will turn out to vote without being "paid".

February 2013

Supplementary written evidence from DFID

Whether DFID Pakistan has a gender advisory panel or gender adviser?

DFID Pakistan's Head of Office is gender champion, responsible for ensuring gender remains at the centre of all of our work. There is a senior Social Development Advisor with lead responsibility for gender, and a number of other Social Development Advisors working on gender issues across the programme portfolio. The team in Pakistan is also supported by a senior Social Development Advisor specialising on gender based in London. DFID has regular policy discussions with the Government of Pakistan at all levels on women's empowerment and uses the annual "International Day for the Elimination of Violence Against Women" as an advocacy platform.

If or how DFID works with women's rights activists in Pakistan?

DFID works with Pakistani activists through national and international processes to improve women's human rights. Recent examples include:

- — Joining with women's rights activists to edit the Pakistan document in support of the draft recommendations of the Commission on the Status of women meeting (57) in New York, and meeting with key government officials to promote the agenda that Pakistani women's rights activists had agreed for CSW 57 (which was the same as the UK agenda).
- — Discussions with women's rights activists around the Convention on the Elimination of all forms of Discrimination Against Women (CEDAW) and how to move forward the agenda in Pakistan.
- — Providing support through our programmes to women's rights activists across several initiatives, including, recently, the 16 Days of Action Against Violence Against Women, and International Women's Day (further details on programmes below).

What specific gender programmes DFID has in Pakistan especially on violence against women?—ie acid throwing, domestic violence, legal advice etc

DFID has programmes that specifically target gender equality and Violence Against Women and Girls (VAWG). Additionally DFID prioritises the needs and rights of women across all its programmes.

Gender specific programmes on violence against women

Through our Gender, Justice, Protection Programme, DFID supported a number of NGOs to advocate for vital legislation to protect women from violence. This has contributed to the passage of four important bills through one or both houses of Pakistan's parliament over the last two years (Prevention of Sexual Harassment in the Workplace, 2010; Acid Control and Acid Crime Prevention Amendment to the Pakistan Penal Code 2011; Prevention of Anti Women Practices, 2011; Domestic Violence, 2012).

In particular, direct support to the Acid Survivors Foundation (ASF) and Mehergarh enabled them to bring together powerful lobbying campaigns to lobby for Prevention of Sexual Harassment in the Workplace and the Acid Control and Acid Crime Prevention Amendment Acts. DFID support to Acid Survivors' Foundation has helped to support victims of acid violence in accessing state health services and in receiving rehabilitative care.

Our support has also helped in the roll out and implementation of this new legislation. For example, on the workplace Sexual Harassment law, DFID supported a number of NGOs to help government and the private sector establish sexual harassment committees, develop user friendly complaint mechanisms and adopt suitable codes of conduct on sexual harassment.

DFID has also supported the implementation of existing legislation, for example supporting the Al Mubarak Welfare Society International (AWSI), a group of Islamic scholars, to work with local communities in Khyber Pakhtunkhwa to prevent the practice of *Swara* (the exchange of women for debt).

In Khyber Pakhtunkhwa and Punjab, we have recently launched a new programme called "Aawaz" (Voice). This is tackling violence against women at provincial, district and community levels, through support to lobbying for and drafting of laws to protect women, support to district administrations to implement legislation and policies to promote women's rights, and activities at community level with women, men and boys to reduce tolerance of violence against women and strengthen women's knowledge of their rights to equal inheritance, voting and divorce. Aawaz is also strengthening women's active and safe participation in public events and decision making fora so that their priorities are addressed.

Support for women across other programmes

- In our *Education* programmes, Gender Based Violence (GBV) is included as a cross cutting issue in behaviour change and demand-side interventions. For example, harassment (or fear of harassment) of older girls on their way to school is a barrier to schooling, especially where distances are long. DFID is working with school councils and parent teacher committees in Punjab and Khyber Pakhtunkhwa to support communities in tackling it.
- Of the four million children DFID aims to support in school by 2015, two million will be girls. In the last year, we have helped 400,000 girls go to school in Khyber Pakhtunkhwa by providing stipends.
- In our *Sub National Governance* programme, an e-governance initiative will enable women to voice concerns such as refusal of police to register VAW incidents.
- In Khyber Pakhtunkhwa and FATA, the *Peacebuilding Support to the Post Crisis Needs Assessment* programme will improve police responses to gender based violence through supporting i) recruitment of women police officers to deal with crimes against women; and ii) establishment of Lady Complaint Units (LCU) in police stations.
- In *Health*, VAWG has a direct impact on maternal and child health, unintended pregnancy, death in childbirth and sexually transmitted diseases. Gender-based violence also limits control of women and girls over family planning. DFID is tackling this through public awareness raising and behaviour change strategies. Our support to reduce maternal mortality, *preventing 3,600 mothers dying in childbirth by 2015*, will also improve women's life chances. We are also providing support on reproductive health so that women are able to exercise greater choice on family planning.
- The *Benazir Income Support Programme* (BISP) provides cash transfers directly to female heads of households. Early monitoring indicates this is enhancing their status and enabling them to have more of a say in household affairs. This has the potential to reduce tolerance of VAW in communities, and will be monitored. *Our support to BISP is helping over four million women and their families every month.*
- In our *humanitarian responses*, we aim to provide safe spaces for women and children and help them easily access and obtain immediate and necessary support. Calls for emergency response and early recovery proposals in 2013 will specify inclusion of GBV issues. Our shelter programmes prioritise female headed households for housing, provide solar lamps for women at night to improve safety, and locate water points and latrines in safe spaces.
- We will help *almost one million women access microfinance loans.*
- We will support almost *one million more women to vote* in forthcoming elections.

How these gender programmes or gender mainstreaming is monitored?

DFID prioritises the needs and rights of women across all programmes by including gender specific results targets in all relevant programmes, and sex-disaggregated results data, which informs policy and programme direction. Sex disaggregated-milestones mean that results can be totalled to estimate the overall impact of DFID P's programmes on women and girls. It also enables DFID-P to learn lessons in relation to working with women and girls and share best practices across programmes.

Who/what is the current anti-corruption body in Pakistan—is it still the National Accountability Bureau? What work does DFID do with it?

Pakistan's main anti-corruption body is the National Accountability Bureau (NAB), established in 1999 and formally independent. It has preventive, enforcement and public awareness functions with a mandate to investigate and prosecute corruption cases.

The 2008 U4 paper Overview of Corruption in Pakistan notes that "the NAB is widely perceived to target politicians and civil servants from preceding civilian governments, discrediting political opponents and junior government officials. Judges and military officers as well as political allies of the government have been virtually immune from any investigations or being held accountable for their actions."

In October 2012, the government introduced the draft National Accountability Commission Bill 2012 seeking to replace the NAB with a new accountability institution. The Bill lapsed with the expiry of the National Assembly's term on 16 March 2013. The future of the NAB will be for the next government to decide.

DFID has worked with the NAB in the past, most notably supporting the drafting of the National Ant Corruption Strategy in 2002. This however has had limited impact. The U4 case study suggests that effective implementation of the Strategy has been hampered by the lack of political leadership and structural constraints as a result of NAB's contested authority. Currently, HMG supports NAB through SOCA expertise, which includes advice on how to work with international partners to tackle corruption. Potential training opportunities are also being explored.

DFID's approach to anti-corruption in Pakistan is set out in our recently published strategy. [http://www.dfid.gov.uk/Where-we-work/Asia-South/Pakistan/]

March 2013

Printed in the United Kingdom by The Stationery Office Limited
04/2013 028250 19585