



March 29, 2010

The Honorable Richard Holbrooke
Special Representative for Afghanistan and Pakistan
U.S. Department of State
2201 C Street NW
Washington, DC 20520

Subject: Open letter #1, U.S. development assistance to Pakistan

Dear Ambassador Holbrooke:

At the Center for Global Development, I have launched [a new initiative](#) to provide constructive commentary and practical recommendations for you and your colleagues over the next year on the U.S. foreign assistance and development program in Pakistan. At the core of this initiative is the [CGD Study Group on a U.S. Development Strategy in Pakistan](#), comprising experts in development economics, aid effectiveness, and national security, and including several prominent Pakistanis (please see attached list of study group members). We will convene the study group regularly over the next year to consider how the United States can best deploy its aid resources and other measures, including trade and investment policies, in Pakistan over the next five years.

Along with the members of the study group, I applaud your leadership in establishing a long-term U.S. commitment to Pakistan's economic and social development. We recognize that the challenge the United States faces in Pakistan is immense. Despite the billions of dollars spent by donors and multilateral creditors over the past several decades, Pakistan has made little progress consolidating democracy and meeting the basic social needs of its people. Certainly the security of Pakistanis and Americans justifies the planned U.S. investments in programs that support a more capable, stable and effective Pakistani state. The frustrating paradox is that while the problems of security and state weakness justify our aid spending in Pakistan, they also complicate its effectiveness.

At the first meeting of the CGD Study Group on a U.S. Development Strategy in Pakistan, we focused on [the foreign assistance strategy](#) the administration has defined in response to the [Kerry-Lugar-Berman legislation](#). Study group members, aware of the priority on long-term U.S. security motivating the increase in U.S. aid, commented extensively not only on *what* programs the United States should support but also on the *manner and the context in which U.S. assistance should be delivered* to maximize development outcomes.

On manner and context, we suggest the following four points, guided by input from our study group members.

1. **Clarify the priority the United States puts on the long-term challenge** for the government and the people of Pakistan, namely a capable and responsive state and a prosperous and just society – rather than on the short-term U.S. objective of winning hearts and minds.

Why? There is little evidence in the development literature that aid programs in difficult settings like Pakistan [change public opinion](#) or provide security and stability immediately, or even quickly. Absent clarity about the United States' long-term objective, on which U.S. and Pakistani objectives clearly coincide, U.S. assistance could actually worsen public opinion toward the United States – if Pakistanis perceive aid as a means to bully or bribe their own government or as contributing to shoring up illegitimate political or other elites.

A long-term vision justifies the emphasis you and your team have placed on building local capacity and wherever possible working with and through the public sector, and on investments that have a lasting impact beyond short-term fixes. We urge that the long-term primary development objective behind this approach be made as clear as possible to both American and Pakistani citizens and lawmakers.

2. **Emphasize transparency of the U.S. program**, including by sharing more complete and timely information about program plans, commitments and actual disbursements than we have seen up to now.

The study group members discussed the benefits of transparency to counter the widespread mistrust and misinformation about U.S. practices, and to engage Pakistani civil society in monitoring their governments' and their NGOs' use of funds. USAID could create a public website, for example, providing ongoing and detailed reporting on the plans, commitments, and disbursements of U.S. aid resources. [The Millennium Challenge Corporation](#) can be looked to as a model for public sharing of information. The Administration's [Recovery.gov](#) website, which tracks stimulus funds, is another possible model.

3. **Define with the Government of Pakistan a limited set of key development indicators for the next five years** and hoped-for annual progress against them.

Output indicators of Pakistan's development program might include tube wells restored or brown-outs reduced and increases in tax revenues. Outcome indicators might include jobs created or saved, children vaccinated, and girls entering secondary school. The indicators should be measurable and verifiable and progress against them made fully to Pakistani civil society groups, to the U.S. public and lawmakers, and to other major donors in Pakistan. Agreed indicators could be revised annually and would help motivate a strong emphasis on innovation, evaluation and learning on the part of the government, in turn contributing to the dialogue with the government on adjustments in U.S.-funded programs.

4. **Be frank with the Congress and the American people about the limited leverage** the U.S. assistance program gives the United States with the government on economic policy reforms (tax reform, energy and water tariffs, land reform), and on addressing corruption and other governance problems.

The experience of the United States, other bilateral donors, and the international financial institutions over many years in many countries suggests that outside leverage on domestic policies, even where large sums are involved, is limited, except possibly when donors are willing

to use the blunt instrument of exiting the country. For good reasons, you and the Congress have made clear the intention to stick with Pakistan over the next five years at least, particularly given the United States' relationship with the military, so there is no meaningful threat of exit. Clarifying the limits of leverage would underline that the U.S. program is meant to support Pakistan's long-term development progress, on the grounds that doing so is the best investment in the long-term security of the United States and Pakistan.

Expectations should also be modest because though the United States will be a major donor in the next five years to Pakistan, U.S. transfers are likely to constitute perhaps thirty percent of [all official external transfers](#) in FY2011. On difficult economic policy and governance issues, we believe it will often make sense to join closely with other major donors, especially the World Bank, the IMF, and the Asian Development Bank, in encouraging and supporting politically sustainable change in Pakistan.

In future open letters, we expect to examine the potential for U.S. trade and investment programs to contribute to Pakistan's sustainable development and Americans' security, and we will continue to comment on the U.S. aid program. I hope these letters will be helpful to you and your colleagues, and I welcome any comments from any of those working with you.

Sincerely,

A handwritten signature in black ink that reads "Nancy Birdsall". The signature is written in a cursive, flowing style.

Nancy Birdsall
President, Center for Global Development

Attachment: CGD Study Group on a U.S. Development Strategy in Pakistan

CGD STUDY GROUP ON A U.S. DEVELOPMENT STRATEGY IN PAKISTAN*

Nancy Birdsall, *Chair*
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** Study group members serve in their individual capacity; their affiliations are shown for identification purposes only. While the open letter draws heavily on the views expressed in the working group meeting, individual members do not necessarily endorse all policy recommendations contained in the open letter.*