

VII. Donor Assistance

This chapter describes donor coordination mechanisms and discusses donor activities in relation to financial management and governance arrangements. It is structured as follows:

- 1 – Overview
- 2 – Donor Activities and Aid Coordination.
- 3 – Project for Improvement to Financial Reporting and Auditing.

1. Overview

Table 1: Overall External Assistance to Pakistan⁵

External Source (US\$ million)	Past Three Years (Annual Average)		1997-98	
	Loan/ Credit	TA	Loan/ Credit	TA
Multilateral Assistance				
ADB	483.6	10.6	289.9	3.9
IBRD	360.3	..	250.0	..
IDA	136.4	..	535.2	..
UN System	..	12.3	..	7.7
IFAD	15.8	..	14.4	..
All others (OPEC Fund, IDB, NORDIC, EIB, EEC, etc.)	57.4	38.0	39.0	22.6
Subtotal	1,053.5	60.9	1,128.5	34.2
Bilateral Assistance				
Japan	374.5	66.7	250.0	40.1
Germany	73.2	23.5	30.5	10.6
France	48.1	-	-	-
Netherlands	-	17.3	-	-
People's Republic of China	41.5	2.0	-	6.0
All Others	667.5	69.9	599.2	11.3
Subtotal	1,204.8	179.4	879.7	68.0
Total	2,258.3	240.3	2,008.2	102.0

⁵ Asian Development Bank. January 2000. *Country Assistance Plan: Pakistan*. p. 26.

Table 2: Official Development Assistance⁶

	Cambodia	People's Republic of China	Mongolia	Pakistan	Papua New Guinea	Uzbek -istan	Viet Nam
Dollars per capita	36	2	99	5	78	6	13
Percentage of GNP	12.1	0.2	26.7	1.0	7.8	0.5	4.1

2. Donor Activities and Aid Coordination

Donor coordination in Pakistan is well structured. Donors' resident missions / representatives meet regularly, including through specific sector commitments such as forestry and environment. In addition to individual meetings, ADB's annual Country Programming Mission regularly convenes donor meetings to brief all donors on ADB's operational program, policy dialogue with the Government, and related issues to avoid duplication. The annual Pakistan Development Forum (PDF) is the main broad-based forum for aid coordination and involves substantial and frank discussions on the progress of macroeconomic reforms, aid utilization performance, and sectoral issues. The PDF format and instruments are currently under review by the World Bank and the OECD, in consultation with ADB, major bilateral donors and civil society groups to ensure their relevance, efficiency and effectiveness. The PDF was not held in 1999.

Cooperation between the ADB and World Bank benefits from regular exchanges at the programming, operational and policy levels. It has further strengthened with several envisaged key areas of coordination or joint efforts to support the ongoing economic reform program.

ADB also maintains close working relations with UNDP's good governance group in Pakistan. Cooperation between ADB and bilateral donors, including DFID, SIDA, CIDA, Netherlands, NORAD, Germany, and Japan has generated synergies through parallel financing of programs and projects in forestry, education, health, urban development, water supply, and sanitation.

⁶ Data is for 1997 and is sourced from: World Bank. 2000. *World Development Report 2000*.

3. Project for Improving Financial Reporting and Auditing

The only major related financial management and governance project currently being undertaken in Pakistan is the World Bank sponsored "Project for Improvement to Financial Reporting and Auditing," commonly known as PIFRA.

Internal and external studies for the PIFRA Project commenced in the early 1990s and the Project eventually was approved and commenced in 1997. The Project has two main components:

- To improve the public sector accounting and financial systems; and
 - To provide the basis for enhancing public sector accountability.
- The following is a Summary of Cost Estimates (World Bank Staff Appraisal Report, 5 August 1996).

Project Component (US\$ Millions)	Local Cost	Foreign Cost	Total Cost
Government Accounting and Financial Reporting	5.1	7.3	12.4
Government Auditing	3.2	3.5	6.7
Human Resource Management	0.7	0.6	1.3
Training	3.9	2.1	6.0
Administration	4.5	1.7	6.2
Other Policy Support	0.9	0.8	1.7
Total Baseline Costs	18.3	16.0	34.3
Physical Contingencies	0.4	0.5	0.9
Price Contingencies	1.4	0.6	2.0
Total Project Costs	20.1	17.1	37.2

It is envisaged that the successful implementation of these objectives will improve institutional capacity for economic policy making and financial management. The Project includes provision of consultancy assistance to design and implement a core accounting and reporting system, which would provide an integrated total system for the preparation of financial reports and budgets. The Project Financing Plan is as follows:

Source (US\$ Millions)	Local	Foreign	Total
Government of Pakistan	8.4	..	8.4
International Development Assistance	11.7	17.1	28.8
Total	20.1	17.1	37.2

The first part of this Project was completed in June 1999 with the production and distribution by the Auditor-General of Pakistan (AGP) of the following Exposure Drafts:

- Accounting Policies and Procedures Manual
- Financial Reporting Manual
- Manual of Accounting Principles
- Chart of Accounts
- Accounting Code for Self-accounting Entities
- Handbook of Accounting Guidelines
- Accounting Policy and Procedures Manual – Book of Forms

These Exposure Drafts have been distributed for comment throughout AGP, MOF, the Planning Commission and other users. When the Drafts have been adjusted and agreed to, the implementation stage will commence.

In June 2000, the Auditor-General sought proposals from consultants for the following phases of the PIFRA Project:

- Development of Audit Manual and Guidelines
- Development of Software for Computerized Auditing
- Implementation of Audit Manuals and Software in the Field
- Organizing Seminars on Changes in Audit Standards, Procedures and Technology
- On-the-job Training in New Auditing Procedures
- Strengthening Internal Audit in the Government
- Collaboration with the Private Sector Auditing Firms

The PIFRA Project mainly involves financial and budgeting systems of the Federal and Provincial Governments.

TA5877-REG objectives not covered in PIFRA include the following:

- Private Sector
- Accounting Infrastructure
- Accounting and Auditing Standards