

ISLAMIC RELIEF

WORLDWIDE

19 Rea Street South, Digbeth, Birmingham, B5 6LB United Kingdom

Tel: 0121-605-5555

www.islamic-relief.com



The UK Programme of Development Assistance to Pakistan

Written evidence from Islamic Relief Worldwide to the
International Development Committee

November 2012

ISLAMIC RELIEF

WORLDWIDE

19 Rea Street South, Digbeth, Birmingham, B5 6LB United Kingdom

Tel: 0121-605-5555

www.islamic-relief.com



1. Islamic Relief in Pakistan

- 1.1 Islamic Relief is an international relief and development charity which envisages a caring world where people unite to respond to the suffering of others, empowering them to fulfil their potential. Working in over 29 countries, we promote sustainable economic and social development by working with local communities to eradicate poverty, illiteracy and disease. We also respond to disasters and emergencies, helping people in crisis. Islamic Relief provides support regardless of religion, ethnicity or gender and without expecting anything in return.
- 1.2 Islamic Relief commenced operations in Pakistan in 1992 and was eventually registered under section 42 of the Companies Ordinance 1984 in the year 1994. Since inception in Pakistan, including AJ&K, Islamic Relief has successfully implemented many relief and development projects in the sectors of Water & Sanitation, Health & Nutrition, Education, Income Generation, Islamic Microfinance, Renewable Energy, Orphans Support and Disaster Preparedness & Response.
- 1.3 Islamic Relief assumed a leading role in responding to the devastating 2005 earthquake in some localities of AJ&K and in responding to the mass displacement that followed the military operation in the North West Frontier Province (KPK) in 2009. Over the years, Islamic Relief has grown enormously in Pakistan both in terms of geographical/thematic coverage, as well as in terms of volume of funding. As a result of the 2010 and 2011 floods, it extended its operations to three additional provinces ó Punjab, KPK and Sindh.
- 1.4 Islamic Relief has also undertaken several in-depth thematic studies to better understand the context in which it operates in Pakistan. The most recent ones include a review of the external debt situation in the country conducted in August 2012 and a study of the impacts of the 2010 floods published in 2011.

ISLAMIC RELIEF

WORLDWIDE

19 Rea Street South, Digbeth, Birmingham, B5 6LB United Kingdom
Tel: 0121-605-5555
www.islamic-relief.com



2. Summary of recommendations

Based on our work on the ground in Pakistan, working with communities, the Pakistani government and other agencies, Islamic Relief believes the following areas should be the key development priorities for the UK Programme of Development Assistance to Pakistan:

- 2.1 **Debt management reforms:** Islamic Relief calls on DFID to provide technical assistance to strengthen the capacity of the Pakistani government to sustainably manage internal and external debt as well as support the development of accountability mechanisms, involving civil society, for external debt procurement and utilisation.
- 2.2 Islamic Relief supports DFID's existing work on **disaster risk reduction** but calls on DFID and other agencies to prioritise resources for disaster risk reduction programmes in Pakistan – one of the countries most vulnerable to the increasing frequency and severity of climate-related disasters. In particular, aid programmes should focus towards building the resilience of local communities to reduce the risks and effects of disasters.
- 2.3 Islamic Relief calls on DFID and other agencies to address and **tackle the high levels of poverty** felt throughout Pakistan with a focus on Islamic Microfinance activities.
- 2.4 Islamic Relief calls on DFID to **allocate additional funding and resources to ensure high-quality education for Pakistani children.**

3. Macro-economic context – reforms in dealing with external debt

- 3.1 The burden of external debt has not only put Pakistan's wider economy under increasing stress, but has also hampered grassroots development. Consequently, the country has had limited success in alleviating poverty and widening opportunity among the poorest and most vulnerable sectors of society. A large proportion of foreign loans have in the past been obtained and spent inappropriately by successive military regimes from a development perspective: on sectors/projects contributing little to the productive capacity of the economy; on priorities owing more to the priorities of donors than local needs; and on initiatives that have only marginally benefited the poorest segment of the population. There is a risk that increased aid to the Pakistani government will just plug the hole that is created by external debt repayment.

ISLAMIC RELIEF

WORLDWIDE

19 Rea Street South, Digbeth, Birmingham, B5 6LB United Kingdom

Tel: 0121-605-5555

www.islamic-relief.com



3.2 While the global community has enjoyed decades of relative prosperity and economic growth until the downturn of recent years, the people of Pakistan have lagged behind. This is partly due to policies adopted by successive leaders of Pakistan who did not live up to the aspirations of the people, but piecemeal investment by aid donors has also played a part. Pakistan's growth rate is currently only a third of India's and less than half of Bangladesh's. Ordinary Pakistanis need to be given a stronger platform on which to improve their well-being. That means, among other things, vast improvements in education and health facilities, energy infrastructure to turn the wheels of industry, irrigation systems to expand agricultural productivity and projects to safeguard life and property. Pakistan needs to embark on a long-term economic structural reform programme, and needs financial space to be able to do so.¹

3.3 Islamic Relief believes UK Government aid can play a major role in providing this space. We therefore urge DFID to take a lead in providing technical assistance to the Pakistani government for more **efficient and effective debt management**. This would include:

- A debt audit to publicly examine where the country's debts have come from, where the money has been allocated to and who has benefited from such loans. A debt audit will also reveal which loans were odious, illegitimate or simply the result of reckless lending.
- Strengthening of accountability mechanisms, involving civil society, in the procurement and management of external debt.

However, along with programmes aimed at sustainable debt management, a strong and wide-ranging reform agenda must be implemented which imposes most of the adjustment burden on the richer segment of society. A key component of that agenda should be **a reform of the tax system** to ensure that it is broad-based, progressive and just. Whilst good debt management will aim to reduce financial outflows, tax reform should aim to increase government revenues and by facilitating these desirable outcomes, better focused UK aid can also help to redirect government spending towards addressing the pressing needs of the impoverished people of Pakistan.

¹ Review of Pakistan's External Debt (August 2012): An Islamic Relief internal study

ISLAMIC RELIEF

WORLDWIDE

19 Rea Street South, Digbeth, Birmingham, B5 6LB United Kingdom
Tel: 0121-605-5555
www.islamic-relief.com



4. Further emphasis on disaster risk reduction programmes

- 4.1 Pakistan is vulnerable to disasters from a range of natural and man-made sources including cyclones, storms, droughts, earthquakes, epidemics, floods and landslides. The country has experienced three major natural disasters in the last decade ó a massive earthquake in 2005 and major floods in two consecutive years, 2010 and 2011. These have left the country severely damaged both in terms of loss of life and property and also permanent losses of infrastructure.
- 4.2 A report published by Islamic Relief in 2011 on the Pakistan floods of 2010 pointed out that if Pakistan had invested only US\$40 million in flood protection measures, the losses from the floods would have been only one tenth of the actual US\$10 billion. Academic studies show extreme weather events are on the rise in Pakistan and south Asia, with increasing volumes and intensity of monsoon rains and a sharp increase in the incidence of severe cyclones.²
- 4.3 The medium to long-term impact of glacier melting in the Himalayas suggests that Pakistan is likely to face even more frequent and calamitous natural disasters in the near future. Its potential impacts include massive flooding in some places and intense water scarcity in others with dire consequences for livelihoods and food security. This highlights the need to incorporate a comprehensive water management strategy that takes account of the sustainability of Pakistan's irrigation system into the country's disaster risk reduction strategies.
- 4.4 Islamic Relief's environment policy highlights the organisation's concern about the impact of climate change and environmental degradation on its core work in poverty alleviation. Islamic Relief's concern about environmental issues also reflects a Muslim faith perspective, a belief that human beings have a responsibility under God to care for the environment. This sense of responsibility is based upon several Qur'anic principles ó especially the unity of God and creation, the role of human beings as appointed guardians of the earth, the imperative not to waste resources and the principles of balance and justice.

² Flooded and Forgotten (2011): The ongoing crisis threatening lives and livelihoods in Pakistan (available online: http://www.islamic-relief.org.uk/Flooded_and_Forgotten.aspx)

ISLAMIC RELIEF

WORLDWIDE

19 Rea Street South, Digbeth, Birmingham, B5 6LB United Kingdom

Tel: 0121-605-5555

www.islamic-relief.com



4.5 Islamic Relief supports DFID's existing work on disaster risk reduction but calls on DFID and other agencies to provide support to civil society and the government to **build the resilience of local communities** and reduce the risks and effects of disasters. This should involve:

- Reviewing aid policies for Pakistan to ensure that disaster risk reduction and the far-reaching implications of climate change are fully addressed.
- Supporting the development and implementation of a comprehensive water management strategy and the required investments in irrigation infrastructure aimed at ensuring food security.
- Ensuring that Pakistan is recognised as a priority country to receive climate change finance and capacity-building support to address climate change
- Supporting reforestation and prevention of deforestation in watershed areas and close to rivers.
- Allocating more resources to NGOs to carry out disaster risk reduction work.
- Ensuring that any post-flood reconstruction projects supported by DFID now and in the future strongly emphasise building back better – equipping communities to better withstand the next emergency with flood and earthquake resistant housing, improved drainage, covered water sources and extensive livelihood programmes.

5. Addressing poverty issues through Islamic Microfinance activities

5.1 Approximately one in three Pakistanis currently lives below the poverty line. Despite receiving millions in aid from foreign countries, resources rarely trickle down into communities or if they do, they are not properly utilised to improve livelihoods in the long term. Islamic Relief, following the Islamic approach of risk sharing between the lender and borrower, believes that the current debt burden of Pakistan has only increased levels of poverty. As a result, millions of Pakistanis are stuck in the poverty trap with no direction of how to move forward.

5.2 While Islamic Relief welcomes and supports development work in areas relating to addressing poverty such as healthcare, education, agriculture and sustainable livelihoods, we also strongly believe that **more investment and focus should be directed at Islamic Microfinance activities**. Islamic Microfinance is becoming an increasingly popular mechanism for alleviating poverty in developing Muslim countries. Unlike conventional microfinance, Islamic

ISLAMIC RELIEF

WORLDWIDE

19 Rea Street South, Digbeth, Birmingham, B5 6LB United Kingdom

Tel: 0121-605-5555

www.islamic-relief.com



Microfinance operates by giving small loans to people living in poverty without any demand for interest.

5.3 Islamic Relief launched its microfinance programme in Pakistan in 2001. Initially, the programme was aimed at supporting especially vulnerable groups such as widows and guardians of orphans only by providing microfinance through Islamic modes. Later the focus was broadened to include all poor people. This Sharia-compliant credit-plus programme enables the participants to increase their entrepreneurial skills while also meeting their needs for better food, health, education, clothing and shelter. Currently, three geographical areas are covered namely Punjab, Azad Jammu and Kashmir and Baluchistan, serving over 4,000 poor clients. Based on the successes of this in Pakistan as well as other developing countries, Islamic Relief believes Islamic Microfinance activities can be one effective measure for empowering Pakistani communities and lifting them out of poverty.

6. Allocating additional funding and resources to ensure high-quality education for Pakistani children

6.1 The right of children to receive an education is enshrined in the UN Convention on the Rights of the Child and Pakistan is a signatory to it. It is therefore vital that all children in Pakistan, both boys and girls, have an equal opportunity to attend school.

6.2 Islamic relief estimates that around 20 million children in Pakistan are not receiving the right to an education with a high proportion of Pakistani girls being denied this right. A report by a government commission, carried out 2011, found that half of all Pakistani school children could not read a sentence and described the Pakistani education system as a self inflicted disaster.³

6.3 Islamic Relief believes the problem lies in low quality education. Where there is access to schools, the education system is at very low standards, drop out ratios are high and attendance is dominated by boys rather than girls. This is particularly noticeable in those areas which have been hit hard by disasters.

³ BBC News (2011): Pakistan faces educational 'emergency,' says government (available online: <http://www.bbc.co.uk/news/world-south-asia-12691844>)

ISLAMIC RELIEF

WORLDWIDE

19 Rea Street South, Digbeth, Birmingham, B5 6LB United Kingdom

Tel: 0121-605-5555

www.islamic-relief.com



6.4 Islamic Relief calls on DFID to **allocate additional funding and resources aimed at improving and increasing the quality of education in schools as well as providing the resources and infrastructure to build additional schools which are able to withstand flooding and other natural disasters.**