



January 14, 2014

The Honorable Ambassador James F. Dobbins
Special Representative for Afghanistan and Pakistan
US Department of State
2201 C Street NW
Washington, DC 20520

Subject: Open letter #8, US Support for Development in Pakistan

Dear Ambassador Dobbins:

I write to convey recommendations that emerged from the most recent meeting of the Study Group on US Development Strategy in Pakistan, hosted by the Center for Global Development as part of our ongoing initiative to provide constructive commentary and practical recommendations regarding US development efforts in Pakistan. This is the eighth in a series of open letters to the Special Representative for Afghanistan and Pakistan's office, beginning in 2010. As with earlier letters, it is meant not only for you and your colleagues in the Administration, but also for Members of Congress and their staffs and interested members of the policy and research communities.

I was immensely pleased in recent conversations with your staff to learn more about the planned emphasis of the Government of Pakistan on help from the United States on their broad economic challenges, focusing on economic growth and energy, including through increased trade and US investment.

Consistent with those themes, our Study Group members (meeting just prior to Prime Minister Sharif's visit) reminded each other and us that the US foreign assistance program is not and should not be the centerpiece of our development policy in Pakistan.

With this in mind, and reflecting on our Study Group discussion, I am taking the liberty of making three recommendations, while recognizing they reflect in large part a path you are already on.

- **Work with the US Congress to support the understanding that US assistance is a useful vehicle for fostering a long-term partnership with the Government of Pakistan to build a more secure and stable country.**

The assistance program for Pakistan authorized under the Enhanced Partnership with Pakistan Act has contributed to achieving important near-term goals, such as those

outlined in the Fact Sheet the White House released following the Prime Minister's visit. Traditional aid funding for Pakistan (ideally with an increased stress on funding for multilaterals and an emphasis on development outcomes) should continue following the expiration of the Act. The most recent CGD report on Pakistan titled, [More Money, More Problems: A 2012 Assessment of the US Approach to Development in Pakistan](#), reiterates the importance of committing to a consistent assistance partnership with Pakistan, even as the flows themselves decrease.

At the same time, as the new emphasis from both the US and Pakistan on trade, investment, and energy recognizes, traditional assistance funding can only play a limited role in Pakistan's development. And even that role requires that it be insulated more than it has been from the politics that affect security assistance.

- **“De-projectize” the dialogue on economic development and emphasize discussion of trade and investment relations.**

The economics and finance pillar of the Strategic Dialogue has important potential for driving a broader discussion of growth, energy, jobs and other priorities for Pakistan. As part of the Dialogue, the United States could signal it wants to start with growth priorities as the new Pakistani government sees them, and discussions could focus on ways to forge a long-term partnership that includes but changes the focus from traditional aid to development policy enhancement, institution building, and driving new institutional relationships.

US government tools to assist in forging this long-term partnership include better access to the US market for Pakistani exports (if not duty-free, quota-free market access in the near term, then effective ways to utilize the US Generalized System of Preferences, which I hope that Congress will act quickly to reauthorize); and budget-neutral changes at OPIC such as equity authority and increased staffing, perhaps for Afghanistan and Pakistan on a pilot basis, that would [unleash OPIC's potential](#) to bring US private investment into the country's small and medium-sized enterprise sector and its beleaguered energy sector.

- **Provide no-holds-barred technical and political backing to encourage difficult reforms by the new government.**

At no budget cost, the United States can make a major contribution to Pakistan's development by continuing the recent emphasis on high-level interaction with Pakistani officials across the US government, including from the Departments of Treasury and Energy as well as State, on the timing and financing of tax and energy reforms, as well as longer-term changes in agricultural and related water and land management reforms. On the key issues of tax and energy, the US should continue to participate with and support the efforts of the IMF, the World Bank, and the Asian Development Bank.

This is a critical moment to reaffirm the United States' commitment to a long-term, consistent partnership with Pakistan in our mutual interests. I believe these suggestions can help to build that relationship, which in the end is best served when more Pakistanis enjoy better lives. With my colleagues, I commend the efforts you, your staff, and your colleagues elsewhere in the US government have been making through thick and thin in the last several years.

I hope this letter is helpful to you and your colleagues, and I welcome comments.



Nancy Birdsall
President, Center for Global Development

Cc: Senator Robert Corker
Representative Eliot Engel
Michael Froman, US Trade Representative
Gregory Gottlieb, Mission Director, US Agency for International Development
Senator Lindsey Graham
Representative Kay Granger
Senator Patrick Leahy
Elizabeth Littlefield, President and CEO, Overseas Private Investment Corporation
Representative Nita Lowey
Senator Robert Menendez
Richard Olson, US Ambassador to the Islamic Republic of Pakistan
Representative Edward Royce
Donald "Larry" Sampler Jr., Assistant to the Administrator in the Office of Afghanistan and Pakistan Affairs, US Agency for International Development
Rajiv Shah, Administrator, Administrator, US Agency for International Development

References

Birdsall, Nancy and Molly Kinder and Wren Elhai. 2011. [*Beyond Bullets and Bombs: Fixing the US Approach to Development in Pakistan*](#). Center for Global Development: Washington, DC.

Birdsall, Nancy and Milan Vaishnav and Daniel Cutherell. 2012. [*More Money, More Problems: A 2012 Assessment of the US Approach to Development in Pakistan*](#). Center for Global Development: Washington, DC.

Leo, Ben and Todd Moss and Beth Schwanke. 2013. [*OPIC Unleashed: Strengthening US Tools to Promote Private-Sector Development Overseas*](#). Center for Global Development: Washington, DC.

Additional resources can be found at <http://www.cgdev.org/initiative/pakistan-us-development-strategy>.

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

Nancy Birdsall, *Chair*

Masood Ahmed
Director, Middle East and Central Asia
International Monetary Fund

Wendy Chamberlin
President
Middle East Institute

Shamila Chaudhary
Senior South Asia Fellow
New America Foundation

Patrick Cronin
Senior Advisor and Senior Director of the Asia-
Pacific Security Program
Center for New American Security

Kimberly Ann Elliott
Senior Fellow
Center for Global Development

Dennis de Tray
Principal
Results for Development

Alan Gelb
Senior Fellow
Center for Global Development

Ricardo Hausmann
Director, Center for International Development
Harvard University

Ishrat Husain
Dean and Director
Institute of Business Administration (Karachi)

Asim Khwaja
Professor of Public Policy
Harvard Kennedy School

Clay Lowery
Vice President
Rock Creek Global Advisors

Robert Mosbacher
Former President and CEO
OPIC

Deepa Narayan
Global Development Network

Shuja Nawaz
Director, South Asia Center
Atlantic Council

Paula Newberg
Clinical Professor and Wilson Chair
University of Texas at Austin

Paul O'Brien
Vice President for Policy and Campaigns
Oxfam America

Andrew Wilder
Director, Afghanistan and Pakistan Programs
U.S. Institute of Peace

Michael Woolcock
Senior Social Scientist
World Bank

Moeed Yusuf
Senior Pakistan Expert
U.S. Institute of Peace

**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.*