



## **Long-term Development Partnership Arrangement Between The Government of the Islamic Republic of Pakistan and The Government of the United Kingdom of Great Britain and Northern Ireland (“The Arrangement”)**

### **1. Purpose**

- 1.1 This Arrangement affirms the long-term development partnership between the Government of the Islamic Republic of Pakistan (GoP) and the Government of the United Kingdom of Great Britain and Northern Ireland (UK), acting through the Department for International Development (DFID). It sets out the shared and individual commitments in the development partnership made by the two governments. It provides a transparent framework for mutual accountability for implementation of the development partnership.
- 1.2 This Arrangement covers only UK commitments on international development assistance provided as aid through its Department for International Development (DFID).

### **2. Basis of the Partnership**

- 2.1 Our development partnership is based on a shared commitment to the following three objectives:
- i) Reducing poverty with the objective of achieving the Millennium Development Goals (MDGs) in Pakistan;
  - ii) Respecting relevant international human rights obligations entered into;
  - iii) Strengthening financial management and accountability, and reducing the risk of funds being misused.

### **3. GoP Commitments**

The GoP also makes specific commitments to:

#### MDGs

- Strengthening donor harmonisation, in support of Pakistan’s Poverty Reduction Strategy Paper (PRSP), and in line with the Paris declaration (2005);
- Achieving high and broad based economic growth including the rural economy, while maintaining macroeconomic stability.
- Initiate measures so that by 2015 all children with special emphasis on girls and children in difficult circumstances have access to and free primary education of good quality.
- Improve levels of adult literacy by 2015, especially for women and equitable access to basic and continuing education for all adults



- Initiate measures to reduce gender disparities in primary (grades 1-5), middle (grades 6-8), and secondary (grades 9-10) education, and achieving gender equality in education by 2015, with a focus on girls' full and equal access to and achievement in basic education of good quality.
- Improve health services delivery, and particularly in maternal and neonatal health
- Improve provision of clean water and sanitation services

#### Human Rights

- Continue to abide by its international commitments relating to human rights and that the promotion and protection of human rights is an important principle of its national policy. This commitment extends, inter-alia, not only to its nationals within the country but also those living abroad.

#### Public Financial Management

- Improve public financial management with increasing transparency and public accountability in the budget cycle and medium term economic planning to ensure public funds are used for their intended purpose and properly accounted for and provide value for money;
- Implement the Fiscal Responsibility and Debt Limitation Act (2005);
- Improve and continue the implementation of the Medium Term Budgetary Framework;
- Improve public oversight of the public financial management system through the Public Accounts Committee being operational and fulfilling its mandate;
- Improve transparency and address corruption as envisaged in the GoP's National Anti-corruption strategy (2005);

#### DFID Commitments

4. DFID makes the following commitments to the GoP:

4.1 To provide development assistance to support the GoP to reduce poverty and achieve the MDGs through its **Poverty Reduction Strategy Paper-II (PRSP-II) and Medium Term Development Framework (MTDF)** according to best practice aid effectiveness principles as laid down in the Paris Declaration on Aid Effectiveness (and other development effectiveness arrangements that may supersede this.)

4.2 To implement the Paris Declaration commitments on aid effectiveness (or any that supersede it) and monitor implementation in Pakistan against the internationally agreed indicators (subject to any mutually accepted local amendments to these indicators).

4.3 To help Pakistan's efforts to reduce poverty by continuing to support both increased and more effective international assistance, in line with commitments made, and trade policies that support development.

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4.4 To work with other development partners, including international financial institutions, to improve alignment and harmonisation of development assistance and to limit the burden of conditionality, including in line with the UK's policy set out in "Rethinking Aid Conditionality".

4.5 To review regularly with the GoP the overall level of development assistance to Pakistan, and the focus of the DFID programme components.

#### **Indicative levels of DFID Development Assistance**

5. Subject to the availability of resources to DFID, future indicative funding will be as follows:-

5.1 In UK financial year 2007/08 the indicative commitment will be £106 million. Thereafter there will be a 3 year rolling commitment of development assistance to the GoP. Initially the funding will cover the period between UK financial year 2008/09 and financial year 2010/11 and will amount to an indicative £ 480 million.

5.2 Specific arrangements for allocating and disbursing the development assistance will be decided in separate discussions, and will be subject to separate documentation. The development assistance will be consistent with the GoP's development plans, as set out in the PRSP II, and the MTFD. This assistance may take the form of:

- i) Financial Aid to the GoP,
- ii) High-quality technical cooperation for capacity development,
- iii) Support through International Organisations or Civil Society Organisations,
- iv) Other innovative forms of development assistance.

5.3 Support in the form of development assistance through to 2016 is subject to availability of resources to DFID, the GoP's adherence to the commitments set out in this Arrangement and the GoP's ability to absorb aid effectively.

#### **6. Monitoring and Review**

6.1 Partnership talks will be conducted annually. Talks will assess the performance of each side, and decide specific benchmarks for monitoring progress over the following year, in relation to:

- i) The commitments made by the GoP in this Arrangement (in paragraphs 2 and 3) which will be assessed using benchmarks set in the **PRSP-II, and MTFD** and information drawn from GoP systems and other **official** sources of data. These benchmarks, from April 2007 to March 2008 will be developed with the GoP and recorded at Annex 1. Annex 1 will be updated annually in line with partnership talks.
- ii) The specific commitments made by DFID, under paragraph 4 of this Arrangement, to aid effectiveness within Pakistan.

6.2 The timing of reviews will where possible be aligned with existing national processes, with reviews timed to follow the **PRSP-II and MTFD** monitoring process.

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6.3 There will periodically be a jointly commissioned external review conducted by a team of independent experts on the implementation of commitments outlined in 6.1 drawing on the relevant indicators and benchmarks. The findings and conclusions of such reviews will be discussed at the annual partnership talks.

## 7. Breaches of the Partner Government Commitments

7.1 Based on the review of the team of independent experts, DFID will consider or determine that such commitments have been breached if GoP:

- i) moves significantly away from accepted poverty reduction objectives or outcomes or the accepted objectives of a particular aid commitment; or
- ii) is in significant violation of human rights or other international obligations; or
- iii) faces a significant breakdown in its financial management and accountability, leading to the risk of funds being misused through weak administration or corruption.
- iv) has moved significantly away from one of its specific commitments set out in paragraph 3.

7.2 Except in extreme circumstances, if DFID are concerned that the commitments may have been breached by the GoP, DFID will undertake assessment and discussion with the GoP to:

- (i) enable DFID to explain their concerns,
- (ii) understand better the GoP's position and rationale,
- (iii) explain possible implications of the situation for the amount of aid DFID will deliver and/or the way it is delivered and seek solutions.

7.3 If DFID believes there has been a breach of commitments, the appropriate response will depend on:

- The seriousness of the specific situation and the circumstances that led to a breach of the partnership commitments. In particular DFID will consider the scale, severity and trend of the change, and ensure any response is proportionate to that change.
- The impact that any decision will have on the poor and long term poverty reduction efforts.

7.4 Only in exceptional circumstances DFID will interrupt planned disbursements of aid to government within the GoP's financial year.

## 8. Duration

8.1 If the arrangements set out above are acceptable to both Governments, this Development Partnership Arrangement will place on record the understanding of the two Governments and will come into operation on the date of signature below, subject to 8.2,

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and will remain valid for a period of 10 years. DFID will determine development assistance to the GoP after completion of first three years phase. This Arrangement may be amended only on written acceptance by both Governments of any proposed changes. In the event of translation the English text of this document will prevail.

8.2 The Arrangement can be terminated by three months' written notice by either Government. It is accepted nonetheless that any decision of either Government regarding termination of the Arrangement will first be subject to comprehensive discussion. Equally, modalities of resumption will be subject to thorough discussion.

Signed on behalf of **The Government of the Islamic Republic of Pakistan:**

Signed on behalf of **The Government of the United Kingdom of Great Britain and Northern Ireland:**

Shaukat Aziz

Prime Minister

Date: 19 November 2006

Tony Blair

Prime Minister

Date: 19 November 2006