

5. FOREIGN AID: ROAD TO STABILITY OR RECIPE FOR DISASTER?

OUTLINE:

I. INTRODUCTION:

II. Foreign Aid as a road to stability:

- 1) Foreign aid helps to address structural issues in the governance
- 2) It makes a country able to discover and achieve its true potential by investment
- 3) Repaying compels the government to take economy seriously and adopt relevant policies
- 4) Foreign aid in education sector helps to develop much needed human capital

- 5) Climate funding salvages climate hit economies
- 6) Technological funding and cooperation helps in countries competing in global technological race
- 7) Aid helps to build much needed infrastructure
- 8) Foreign aid compelling countries to promote democracy in its true letter and spirit
- 9) Aid helps to counter terrorism effectively
- 10) Aids build an environment of trust for the developing countries
- 11) Foreign aid promotes cooperation among countries
- 12) Foreign aid as the last resort to save and salvage the economy
- 13) Augmented human development

III.

CONCLUSION:

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Foreign aid is indeed a road to stability. Many examples are present where foreign aid salvaged economies from going into default. Pakistan's example is prime among them. There are compelling arguments that support the claim that foreign aid stabilizes the borrowing countries. It helps to address the persisting structural issues in governance of a country. Through investment, it helps a country to achieve its true potential. The responsibility to pay back compels the governments to devise economic friendly policies. Moreover, aid to promote education helps a country to develop much needed human capital. Climate disaster hit countries are salvaged through climate funding. Also technological funding helps countries to maintain

its pace in line with global standards. Much needed infrastructure is also built through foreign aid.

Furthermore, it compels the countries to promote democracy in its true letter and spirit. Therefore, foreign aid is not a recipe for disaster but a pathway to stability.

To start with, foreign aid helps countries to address their persisting structural issues. Structural problems are among the prime problems that contribute to the stagnancy and weakening of the economy. Structural reforms are difficult to execute for an already fragile economy. These include reducing workforce, stripping off unnecessary funding for underperforming departments, and abolishing them. However, foreign aid helps to achieve these

radical reforms by attaching some caveats with loans. International Monetary Fund's (IMF's) structural Adjustment Programs ~~is~~ one of the examples. Therefore, structural reforms are possible because of foreign aid.

Second, it ^{capacitates} ~~helps~~ countries to achieve ~~the~~ ^{their} true potentials. Many countries contain hidden treasures such as rare earth metals and minerals. Also, some countries contain specific agricultural or tourism potential. However, they are unable to get the best use out of them because of economic constraints. In this situation, foreign aid proves to be a prime source. For example, in Pakistan, there is a massive hidden treasure of rare earth metals which it was unable to tap due to lack of

economic means and necessary technology for mining. Through foreign intervention, including 'USA's Barrickgold', it secured much needed investment. Hence, foreign investment has made countries able to bring the best out of their resources.

Third, the burden of repaying the debt compels the borrowing government to take economic problems seriously. It makes the policy makers to shift their focus from other problems to stabilisation of the economy. For example, when Sri Lankan government declared default after ignorant policies of Rajapaksa, the post revolution government solely on stabilisation of the economy and make the country debt-free. It introduced radical reforms and policies such as stripping government servants of their government provided

villas and auctioning them. These actions ultimately resulted in stability. Thus, debt repaying makes policy makers to focus on improving the economy.

Moreover, foreign aid in education helps in developing much needed human capital. For any country's economy to grow and compete at international levels, it is important that its people are skilled and able to perform in key sectors including science, technology, and many others. A skilled workforce also promotes innovation. However, developing countries, focused to achieve economic stability are unable to invest in their people. At this point foreign aid comes into play. For example, World Bank's Higher education development program (HEDP) funded Pakistan's HEC and staggering

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amount of \$400 million to promote academic and vocational education.

This clearly reflects how foreign aid develops a country's human capital.

To add on, climate funding helps countries to face climate disasters. In the changing global dynamics, climate induced disasters have proved to be prime economic destabilizers.

Pakistan's climate Minister Musadique Malik told a UNFCCC panel that Pakistan's losses due to floods in 2022 were equivalent to

9pc of its GDP while its growth rate remains less than

3pc of its GDP. Such is the level of disaster that countries

face due to climate change. However

there are many international institutions at play that fund the developing countries. Prime among them are

UNFCCC Frameworks. In COP30 meeting under the UNFCCC, \$120bn were pledged to address climate issues of developing countries. therefore, foreign aid helps the countries to fight climate induced disasters.

Moreover, technological funding and cooperation helps countries to compete in global technological race. It has become important for every sector to improve the relevant technologies in line with international standards.

Foreign aid helps in improving agricultural sector, Artificial Intelligence, services sector, and educational institutions to adopt new technologies.

It also helps to improve cooperation among countries. Pakistan, in 60's and mid 70's introduced 'dwarf seeds' to curb food insecurity through Mexican tech cooperation and investment. Similarly, it is building

AI data centres in Pakistan with the help of a US company. Thus, technological funding helps countries to become globally competitive.

Additionally, foreign aid helps country to build much needed infrastructure. It is a key element in growth of any country. However, economic constraints and lack of expertise result in inadequate infrastructure and ultimately economic downfall. However, foreign economic intervention curbs this issue. China, under the framework of CPEC, invested in Pakistan's infrastructure that included roads primarily. Resultantly, these very roads and motorways made Pakistan able to become a key player in regional transit trade. To date, CPEC is considered as the only way forward for

Pakistan's economy. Hence, foreign aid helps countries to become stable through basic infrastructure.

Furthermore, it compels the countries to promote democracy in its true letter and spirit. The International lenders are primarily dominated by western democracies. These democracies function on the concept of 'liberal interventionism' when it comes to foreign policy. As a result, there are caveats attached with loans.

Moreover, when Pervez Musharraf toppled the democratically elected government of Pakistan in 1999.

The country faced sanctions including Glenn, Pressler and Symington amendments by United States - a key decision maker in global lending institutions. Thus, foreign aid promotes stability by demanding democratic compliance.

To add on, foreign aid

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also helps to counter the menace of terrorism. In these modern times, terrorists have also evolved. They have become sophisticated in conducting their missions. An article published in Dawn named 'One eye on the barrel, another on the sky' reflected how terrorists are using drones to execute their missions. To fight these non-state actors, foreign aid proves to be essential. Post 9/11 attacks, Pakistan successfully thwarted terrorism and pushed them to borders because of continuous US funding and intelligence sharing. One of the main funding was 'Coalition Support Fund'. This is a manifestation of how foreign aid helps to counter terrorism.

In addition, aids build an environment of trust among international players towards the borrowing country.

As discussed, the international financial regimes are dominated by western countries and primarily US. As a result, lending of money depends much on their discretion. If IMF sanctions a country, all players are compelled to avoid economic relations building with it. Similarly, if its program is joined by a country, borrowing becomes much more convenient from other players also. Pakistan, as continuous member of IMF programs, remains in partnership with World Bank, ADB, and many key regimes. Hence, foreign aid builds an environment of trust.

Moreover, it promotes cooperation among countries. In the changing global dynamics, economic relations have proved to be the defining feature of modern diplomacy. Foreign aid promotes these very relations. Economic cooperation

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gives way to deepened ties in every sector. For example, Pakistan-China relationship is built on economic partnership. This partnership paved the way for collaboration in every sector including the defense. Resultantly, it is called 'All weather Strategic Partnership'. Therefore, promoting cooperation among countries is key feature of foreign aid.

Furthermore, foreign aid serves as the last resort in saving and salvaging the country's economy. There are many instances present where countries were saved from going into default owing to timely foreign aid intervention. In this regard, role of foreign aid is indispensable. For instance, Pakistan - from the previous few years, continues to get oxygen

from IMF programs to keep its fragile economy running. In the past, many strong economies of today including India, were once saved because of IMF programmes. Hence, foreign aids play a key role in saving countries' economies.

Lastly, it has resulted in increased human development.

As discussed earlier, it helps countries to develop much needed human capital. In addition to that, it also helps maintain basic health ^{needs} of children and needy. Many international programs such as UNESCO continues to serve people including mal-nourished children and mothers.

Also, it promotes and helps to grow educational initiatives. This proves that foreign aid helps governments to cater to the basic needs of people including

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health and education - vital elements for a country's stability.

In conclusion, foreign aid remains the primary tool to address the instability of developing economies. While its consequences are contested, it continues to prove effective in helping countries to achieve stability. It helps countries to achieve that aim by helping them to counter the terrorism effectively, building their credibility among global financial regimes, promoting comprehensive cooperation, and salvaging the weakening economies. To further make the foreign aid optimal for developing nations, ^{more} interest free loans, removal of sanctions, and avoidance of making foreign aid a tool of coercion is needed. Ultimately, this gift of globalization will continue to be a road to stability.