Topic: Foreign Aid: Road to stability or Reciepe for Disaster?

Outline

1) Introduction

Foreign aid, indeed, is a road to stability because it brings drastic improvements in political, economic, social and other sectors of a country; However, some might disagree with this notion by giving weak justifications.

2) Foreign aid as a road to stability:

2.1) strengthening institutional capacity with governance-aid reforms

2.2) Aid-warm geo-political relations, increasing public trust.

2.3) Increasing household consumption amid economic shocks

2.4) Expanding Labor participation in the market.

2.5) Improving productivity in fiscal management

2.6) Upgrading human capital formation

2.7) Narrows-down the structural inequality

2.8) Improving health and Sanitation by which public trust enhances.

2.9) Gender-targeted aid fosters inclusivity in state-institutions

2.10) Aid-based Technology transfer improvises stability.

2.11) Fighting climate-change with aid-based climate adaptation.

3) Foreign aid as a recipe for disaster: A weak opposing stance:

3.1) Foreign aid leads to socio-economic reliance; However, Countries like Rwanda and Columbia strengthened their economy

3.2) Foreign aid ends up corrupt practices; Nevertheless, aid-based governance reforms has overcome intitutional leakages in Pakistan.

3.3) Foreign aid is a tool to control country's political and economic autonomy, but countries like India and Turkey pursue independent foreign policies.

4) Conclusion

In an era of democratic distress and socio-economic upheavals, developing countries face chronic crisis. As **Samuel Huntington** argues in his book **State, Society and Political order.** that stability comes with institutional capacity. Similarly, foreign aid plays pivotal role in reforming institutions. Foreign aid helps states become stable in manifold ways. These include strengthening institutions with enhanced capacity, warming geo-political relations among states, increasing household consumption amid economic shocks, expanding labor participation and improving productivity in fiscal management. Foreign aid also fosters stability in upgrading human capital, improving health and sanitation, technology transfer and coping climate change. However, some believe the opposite and say foreign aid leads to dependency, corruption and politico-economic control of developed nations.

Factfully, foreign aid is a road to stability because it brings drastic improvements in political, economic, social and other sector of a country. However, some might disagree with notion and give weak justification to it.

To begin with, foreign aid strengthens institutional capacity. The aid based on governance reforms serves as building service-oriented institutions. It includes swift electoral functioning, preventing administrative roadblocks and stream line public service delivery through institution. For example, **United Nations Development program (UNDP) and World bank (WB) aid-based reforms in Pakistan speed up institutional working.** According to world bank governance review (2025), countries with policy inscription given by world bank through grant, have improved in governance. Pakistan's political and economic instability from 2020 to 2025 is controlled by improvement in governmental bodies. Thus, foreign aid

aid strengthens the institutional capacity.

Moreover, foreign grants melt-down geo-political relations, resulting in public trust towards government. Developed nations which give aid to developing economies, see them as future trading partner. Aid in this sense works as buffer for healthy relations. **Maleeha Lodhi** in his book **Pakistan Beyond Crisis State** argues that aid is a means to perpetual socio-economic relations. It is also viewed that those countries which are aid partners face low economic sanctions and tariffs. **For example, the US has imposed 19% tariff on Pakistani exports, which is lowest in South Asia.** This is because Pakistan seeks multiple aids from the US in terms of **USAID, climate fund, etc.** Hence, foreign aid warms geo-political relations.

Similarly, foreign aid helps sustain economic shocks by increasing household consumption. Countries like Pakistan faces economic depression due to low export base, climate vulnerability and low foreign direct investment. In this context, aids like **United Nations cash schemes and recent Asian development bank's grant of millions of dollars** increase household consumption amid 2025-lethal floods in Pakistan. It serves as indicator for stability. From given grants, affected households can revamp their agriculture practices and generate income. UN economic review report of 2025 depicts **6%-7%** increase in household income in Pakistan. So, foreign financial waivers helps household increase consumption and income.

In the same way, grants from international organizations and developed nations help achieve more labor participation. In these aids, countries are given funds for training programs, simulations, certifications and expert teachings. people lacking soft skills get admission and become employees. **Vocational training programs under CPEC 2.0 is a vital example.** In multiple SEZs in Pakistan these programs benefit those who do not get job. **As per International Labor organization (ILO),** there has be 15% -20% increase in labour participation. It is evident from Pakistan's share of service sector in its economy which is more than **50%**. Thus, aid leads to stability by increasing labor participation.

Likewise, foreign aid also helps enhance human capital formation. human capital is the inevitable asset for any country. Grants in education, health and infrastructure improves human capital. Funds from UN education programs and UNICEF's child rehabilitation drives improves the hidden human capital. In Pakistan, schools established under **CARE and SEF** **non-governmental organizations** provide basic education to children. These organization are integrated with government which seeks educational grants from foreign countries such the US and UK. As per reports of UN, Pakistan has witnessed 6% increase in child admissions. **These** children after getting proper education will become important asset for the country. Hence, foreign aid upgrades the human capital.

In the same fashion, foreign grants narrow-down the structural inequalities. The inequality based upon income household is widespread across the globe. Due to poverty, unemployment and illiteracy this inequality heavily prevails. **World bank poverty reduction schemes across countries has** reduced inequality. Venezuela, once **hit** with economic stagnation which led to structural inequalities, re-emerged as developing economy just because of grants fully utilized.

In pakistan, Benazir income support program associated with world bank strives to reduce structural inequality across the country. As Dr. Kaiser Bengali says foreign aid when directly, with administrative hindrances, can wipe out inequality. So, foreign grants prove to be eradicating inequalities from society.

Besides, foreign aid fosters stability by upgrading health and sanitation. Country's population remain comfortable with government when it gets proper service delivery. This service delivery is improved through foreign aid, when country does not possess that much resources. For example, **multiple countries send health equipment in Gaza as an aid to cope up health crisis amid war with Israel**. United nations refugee watch also works in gaza to assist the population in terrible times. With these aids, Gaza medical university provide education. This year, the University became able to celebrate the graduation ceremony. Therefore, foreign aid makes societies stable through health and sanitation delivery.

Furthermore, foreign grants related to gender inclusivity leads to stability as institutional performance increases. For economy to be smoother and growing, gender inclusivity is unmatched norm. Women-centric grants such as women empowerment drives, vocational training and skill-based employment fosters stability. World bank women empowered aid for skill training in Bangladesh speed up country's productivity. today, 70% women work in Bangladesh's garment industry (ILO). This has led to 30% increase in productivity as compared to last decade (IMF). Hence, gender-directed grants works as stabilizing factor for a country.

In addition, technology

transfers through foreign aid also enhance country's socio-economic conditions. Today technology works as building block for the success of any country. Countries like Rwanda and Estonia has been benefitted by technology transfer. World bank, United nations and other international organization gave millions of grant to these contries to upgrade their technology. After incorporating tech grants in administration, these countries use one-window digitalization for election, shopping, and health consultations. The world economic forum says countries have modernized their institutions by foreign grants. Thus, technology transfers through foreign aid help achieve stability.

Lastly, foreign aid is a road to stability because ~~(of grants)~~ it helps developing countries cope up with climate catastrophe. Climate adaptation grants such as global climate fund and funds promised in Cooperation of parties (COP) help countries build resilient infrastructure. These funds also help countries to enhance ecosystems, build economic and social resilience. Embankments in **Bangladesh and Indonesia** for tropical cyclones are foreign funded. These country have suffered huge economic and human loss due to climate change. But foreign aided climate adaptation has reduced their vulnerability. Therefore, climate funding through foreign aid saves countries from climate catastrophe.

While some believe that foreign aid is a recipe to disaster for developing economies. They opine that foreign grants have created over-reliance of developing economies on developed nations. As per them, countries like syria, Jordan, nigeria and other south african states heavily rely over grants, meaning they have not established autonomous institutions. However, this stance is weak because foreign aid has strengthened the economies like **Rwanda, Columbia and Turkey.** These countries prior to 21st century were dismantled by institutional weaknesses. After foreign aid from **UN, WB, ADB and country like the US** helped them achieve stability. Today, Rwanda is highly digitalized state, Columbia is good at education and infrastructure, and Turkey is vital example for services delivery. Hence, foreign aid is a road to stability not recipe for disaster.

Moreover, they are of the view that foreign aids end up with corrupt practices in vulnerable countries. They exemplify Afghanistan which gets enormous foreign aid from international organizations such as **UNHCR** and **UNICEF**, become victim of feudals and mullahs. They use aid as political tool to control population.

Nevertheless, a report of world bank governance review which portrays that Pakistan due to administrative grants in the forms of policy reform improved better after 2023 turmoils. Bangladesh which was crippling in the start of 21st century, is now competing in South Asia because the country fully incorporated the foreign aid from world bank in gender-specific training programs. Thus, it is also proved that foreign aid is road to stability.

Lastly in opposing yet weak stance, they believe foreign aid erodes countries' strategic political and economic autonomy. They justify it with those countries like post-colonial states which were highly exploited by United Kingdom, i.e; Zimbabwe, Muzambique and Madagaskar. On the flip side. foreign aid has stablized the economies which pursue their independent foreign policies. their notion of post-colonist states becomes nullified because those state needed more grants than politics-centric contigent aids. For example, India once was a weaker state in south Asia, the country enhanced it institutions after US aids. India, now pursue autonomous foreign policy. It has continued trade relations with Russia and other US non-allied nations.

To conclude, foreign aid is road to stability because it brings drastic improvements in political, economic, social and others sectors of a country. It includes strengthening institutional capacity, increasing household consumption, enhancing public service delivery, technology transfers and strengthening countries to tackle climate change with climate adaptation strategies. However, others carry opposite view of foreign aid which is weak and unjustifiable. Foreign aid has been a

Cornerstone for country's development and stability. Today, in an era of political polarization at state level and imminent conflicts, foreign aid should prevail. Hence foreign aid is a road to stability.