FOREIGN AID: ROAD TO STABILITY OR RECIPE FOR DISASTER

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THE ESSAY

The dramatic end of world war II changed the geopolitical land-scape of the world. Conventional dynamics of war and hegamony were no more effective, yet the world powers had an urge to dominate and control the states of Asia and Africa. This urge to control the world was materalized using economy as a weapon. Economy became a new war front and era of neo-colonialism emerged. Financial institutions like world bank and IMF were created to provide loans to poor states. These institutions were influenced by world powers like USA. These financial institutions provides loans to needy states on various conditions. These conditions are dictated by world powers are made to ensure the national interests of super powers. In this way, these loans proves to be a disaster for states obtaining loan. There is another school of thought that views the foreign aid as a road to stability as it can lead to development and economic well being. But research based evidence suggests that foreign aid leads to a disaster for developing and underdeveloped states.

To begin with, one major way through which foreign aid becomes a disaster is that leads to compromise on sovereignity of a state. State is considered as a sovereign entity as it is independent in deciding its foreign policy. But due to foreign aid, foreign policy of state no more remains independent. This is because foreign aid comes with many obligations including moral obligations. Take the example of Pakistan. For release of latest IMF installment, the consent and approval of USA was mendatory. So Pakistan had to soften its relations with USA though Pakistan is a part of flagship projects of BRI, an anti US project by china. According to US analysts, recent mineral deals between Pakistan and USA is greatly influenced by US control over IMF. This is a manifestation that foreign aid hampers a state ability to persue an independent foreign policy and hence its sovereignity is compromised.

Just like sovereignity, political stability is another cost of foreign aid. Foreign aid in one or other way, leads to political instability of a state. Due to loans, most of the decisions of a state are dictated by aid providers. These dictations are reflected in state policies. These dictated policies of state becomes a bone of contention between ruling elite and oppossition. Populist leaders use this as a narrative to criticize the state policies. This leads to political instability in a state. For example, political instability in mid of 2023 in Sri Lanka is widely attributed to foreign aids, which were used for antistate narrative building. Thus foreign loans holds the seeds of political instability which becomes a road for disaster in developing states.

Like political instability, economic instability is another by product of foreign aid. This instability in economy is due to a number of factors. Firstly, the state has to pay back the loan. Secondly, state has to pay interest over the loan. Thus in order to pay back the loan, more loan is obtained. This leads to a viscious cycle of loan, where loan is required for paying back the previous loan and interest. This leads to dependency trap from which a state becomes entrapped in loans and is never able to come out of this dependency trap. For example, in Pakistan, more than 40% of budgetary allocations of 2023, 2024 and 2025 were to pay back the loans and interests over loans. Due to heavy loans and interests, the developmental budget was cut. This led to currency devaluation, which ultimately increased the loan. This is how the economic instability induced by foreign aids act as a disaster for developing states.

Likewise, the decision making process of a state are also manipulated and dictated by aid provider. Various loan provider institutions dictate the internal affairs of a state. They control the tarrifs, taxations and salaries of officials. Do's and don't of state owned enterprises are dictated by aid providers. For example, gas tarrifs in Pakistan were increased up to 120% in 2023 as per IMF directions. Same was the case of electric power units. According to Express tribune, compared to 2021, Pakistan has witnessed an increase of 290% in electric units in 2025. All these increases were done due to conditions imposed by IMF. In the same way, various FBR reforms and taxations were made to fullfill the IMF conditions. Thus foreign aids, by manipulating the home policies of a state, leads to a disaster for a state.

In the same way, foreign aid leads to compromise on social welfare and well being of individuals in a state. This is because, social well being is hampered by loans and aid through conditions. States become unable to spend money on social well being of individuals. This is because most of budget is used for paying back the loans and interest. Secondly, due to paying back loan, very little amount is spent on developmental projects and industries. This leads to unemployement and thus economic and social unrest. Take the exemple of Pakistan. In 2022, 2023, 2024, and 2025, total average budgetary allocations for education, health and social well being were 10% while 48% of average budgetary allocations were made for paying back the loans in these years. Thus, compromise on social well being makes the foreign aids as road to disaster for developing states.

Last but not the least, foreign aid leads to overall failure of a state. For example, in 1950's, Pakistan went to IMF but till now she is not able to overcome the IMF dependency as it has been trapped in viscous cycle of loans.

Due to its dependency on IMF, it is sandwitched between China and USA at one end and between Saudi Arabia and Iran at the other end. Another example is that of Sri Lanka. Sri Lanka was also dependent on foreign aid. It ultimately collapsed and defaulted. This shows that IMF dependency ultimately leads to failure of a state.

There is another school of thought that argues that foreign loan is good to stability for many states. One major example in this regard is provided of USA. Though USA is a super-power, currently it has loan of about 30 billion dollars. But still US is doing well progress economically and politically. But this argument is refuted as USA is not dependent on IMF. As it controlls and funds IMF, so the budgatary conditions are not imposed on USA by IMF as those conditions are applied and imposed on third world states, making it a ~~da~~ recipe for disaster for these third world state

In the same way, this school of thought argues that foreign aid is a best way to achieve economic stability. The argument is supported by case studies of malasia and Singapore. Both were once colonized states and initially dependent on IMF loans. Both states used IMF loans to boost their economies. Singapore is now among world leading economies, likewise, malasia is no more dependent on IMF, thus rejecting the viscous cycle theory.

But the arguments are again refuted on flaws. Firstly, both these cases are exceptions. Generallity cannot be refuted by exceptions. More than 80% of states which once dependent on IMF still depends on IMF. Furthermore, these states had more political and economic factor that lead to help them coming out of IMF dependency. Those economic and political edges are not available to all states, making foreign aid a recipe for disaster for those states.

In a nutshell, foreign aid, through political instability, economic dependency and compromise on internal and external sovereignity leads to disasters and hampers the overall growth and development of the state. Few states which got benefits from these loans were due to their political and economic edge.

اے طائرِ لاہوتی اس رزق سے موت اچھی
جس رزق سے آتی ہو پرواز میں کوتاہی

As the foreign aid hampers the development, it leads to disaster for developing states