

The Costly Addiction to FOREIGN AID OF FOREIGN AID



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Foreign aid – a hindrance to self-sufficiency of our country, has long been used as a solution to global poverty and economic inequality but now let's term it as a curse. Mainly the aid includes money, resources, and work force that are offered to developing countries around the world to help disaster relief, emergency dealings, economic development, and poverty reduction. A closer examination reveals that this generous act has spread dependency, destabilize local industries, and even aggravate corruption in recipient country. Broadly, the aid is meant to support economic development, alleviate poverty, and promote social well-being in developing countries Pakistan's experience is not fruitful at all. Despite its good intentions, foreign aid has come under increasing scrutiny as long term growth of Pakistan is declining in presence of aid. A large majority of policy makers and economists now argue that foreign aid often fails to achieve its objectives and contribute to more damage in the country.

Currently IMF loans are the main source of aid to Pakistan and it has been noted that aid brings dependency, inefficient allocation, distortion of local markets, lack of ownership, corruption and lack of transparency. Pakistan is having lowest investment 15% (PIDE webinar brief, 2020), 13.1% as percent of GDP (Economic survey, 2024) in the region whereas saving rate is around 13% as percentage of GDP (Economic survey, 2024). Similarly, as reported in OECD data, there were

153 international donors which provided official development assistance to 146 countries in 2017. In 2018-19, it was observed that there were bilateral donors (34), multilateral donors (33) managed more than 2,000 project activities in Pakistan (PIDE webinar brief, 2020). Other than IMF, Pakistan has historically remained in the top recipients of US aid since 1948, the US has sent more than £30bn as aid. Nearly half of this was meant for military assistance (The Guardian)¹.

DEPENDENCY & UNDERMINING PAKISTAN'S AUTONOMY

Foreign aid being a political notion has created a culture of dependency, undermining Pakistan's autonomy and declining self-sufficiency. Often, it is allocated inefficiently, with funds diverted to non-essential projects or drawn off by corrupt officials. They are not fully utilized for the purpose they are given. In fact the policy decisions are done in donor countries and our economy suffers. Still reaching to get the aid again and again doesn't seem reasonable for Pakistan.

AID: A CURSE IN DISGUISE

For Pakistan foreign aid often focuses on short-term solutions, neglecting long-term sustainable development. Aid is often tied to conditionalities that impose donor countries' interests, undermining recipient countries' sovereignty. Pakistan is also facing such conditions. A recent example of IMF aid has put a lot of conditionalities on the country and the country is now trapped in a vicious circle. These measures only provide temporary fixes and now the country needs to redefine its strategy².

LIMITED IMPACT ON POVERTY REDUCTION

Foreign aid is not reaching the vulnerable group of Pakistan and shown limited impact on poverty reduction, failing to address underlying basic issues for which aid is given. Recipient countries have little ownership or control over aid projects, which can lead to ineffective implementation and unsustainable outcomes. Aid distorts local markets, creating artificial prices and undermining local industries, hence keeping the recipient country poor.

FUELING CORRUPTION AND WEAKENING OF INSTITUTIONS

The arrival of huge amount of money without stringent accountability measures usually lead to inefficiencies in the system and obviously Pakistan is a victim of it. It fuels corruption and rent seeking in our country. This not only wastes the aid money and also weakens the institutions, public trust, both in governmental and international institutions.

DISEMPOWERING LOCAL COMMUNITY THROUGH AID

Foreign aid can disempower local communities, undermining their capacity to develop their own solutions. The modern approaches now focuses on empowering local economies. When communities are given the resources to succeed independently, they become source of growth.

BREAKING THE CHAINS: A WAY FORWARD



In a developing country like Pakistan, foreign aid should only be used to provide immediate relief in case of emergencies otherwise it acts like a friendly fire, hampering economic growth. Pakistan must make its own strategy/policy to tackle with foreign aid. The country should align aid with national priorities through negotiations, build self-sufficient environment, control corruption, rent seeking and build strong institutional mechanism. As self-sufficiency outweighs foreign assistance and will keep developing domestic industries/businesses and encouraging local entrepreneurship.

Concluding the above discussion, the decision lies between remaining addict on foreign aid or trying for self-sufficiency. By prioritizing investments in its people, promoting local industries, and adopting innovation, Pakistan can realize its potential and create a lasting legacy of sustainable growth/development. This is the time to take action, with a clear route ahead: choosing self-reliance over foreign dependency.

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¹<https://www.theguardian.com/global-development/poverty-matters/2011/jul/11/us-aid-to-pakistan>

²Webinar brief no.10 (<https://file.pide.org.pk/pdf/pideresearch/wb-010-for-eign-aid-to-pakistan.pdf>)