

International Aid Agenda

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Trends

The aid from the United States has always been politically motivated. The recent among that is the U.S.3 billion package on account of the war on terror. Aid from some other donors has largely been influenced by the international power structures.

The loans have been provided under IMF structural adjustment programme that too with certain conditionalities. Similarly Asian Development Bank and other banks provided loans for ensuring corporate governance, and support the country in balance of payment crisis.

Earlier the aid used to be pumped into different projects now it is being extended under IMF and banks' own programmes such as structural adjustment, poverty reduction initiatives. Now under a fashion, donors have largely diverted the aid from stabilization packages to poverty reduction strategies. IMF could not duly perform its role in maintaining exchange rate mechanism. It took several turns while aiding poor economies first in the name of stabilization, then balance of payment support, poverty reduction and now growth facilitation.

Usage

The aids and loans were utilized under the prescriptions of the donors. IMF and World Bank, ADB and other banks, donors and countries always dictated their terms and conditionalities. The aid is being used through budgetary measures every year. This time in Pakistan, the economic wizards are again depending much on the growth figures saying they have achieved a milestone in this direction. But they fail to understand this fact that growth did not support development and did not help in poverty reduction.

All loans and aids are being given in a way that they end up serving political and economic interests of the donors and their agents. Donors are actually benefiting from the use of loans and international aid in Pakistan. Our debt is growing alarmingly but we are far from the real development and poverty reduction.

The argument that use of aid and loan for growth facilitation help development proved inaccurate as Pakistan has achieved remarkable growth target, but neither target of real development could be achieved nor did any reduction in poverty take place. Even this recipe is no more a recommendation from the originator of this recipe, the donors.

How Aid shapes domestic and external economic and political policy

Politically motivated aid could support to certain regime at certain point of time to shape domestic and external economic and political policies in the poor countries, but it does not benefit the people at large and such kind of aid deals with

symptoms and not causes of the issues. Another important thing is that all such international aids are pumped for short terms to achieve certain political agenda. Aid does not come for mass education and public health for a longer period.

If we look at the international aid paradigm, we find that the target of growth gradually touched certain marks but it did not accelerate development in developing countries such as Pakistan. It did not also help reduce poverty. In nutshell, it is now a proven fact that growth alone is no panacea for alleviation of poverty unless it is accompanied by redistribution of assets and incomes to enable the poor to accumulate financial and human capital. So the utilization of international aid for growth facilitation for being the way of addressing poverty and development issues so far proved to be counterproductive. Even at the World Bank level, it is being recognized that growth did not check the rise in poverty. So, international aid over the last couple of decades could not root out poverty and could not accelerate real social and human development.

Dr Francois Bourguignon, vice present of the World Bank in his presentation at the World Bank office in Washington DC on June 16,2004, in a U turn from the stated World Bank policy on international lending linked to growth facilitation called for redistribution of assets and incomes to increase access of the poor to resources. This he said could address the poverty in real sense.

If we do not redistribute resources before targeting any rise in growth, we should expect that inequalities would go high and real development would be marred. We need to develop human capital to achieve real growth linked to development and poverty reduction.

Issues/options

We have to give priority for resource distribution to those areas where there is population concentration. These areas in case of Pakistan could be the agriculture-fed rural areas. We need to generate more employment opportunities in rural areas so that poverty could be reduced. We should do real sense land reforms that are much needed to change the negative linkage between growth and poverty alleviation and employment generation.

In the agriculture sector, we need to do away with the plans to introduce corporate agriculture farming that could badly hit the landless and small farming communities. Any action of reforms and competitive advantage should be directed towards rural farming communities.

We should utilize international aid to develop a natural industrial base in rural areas that would put farmers ahead in the development process and help ensure food and job security.

If we look at the elimination of absolute poverty in development perspective, then according to Dr Bourguignon we must know that this goal requires strong country specific combinations of growth and policies relating to distribution of resources. But unfortunately, we are just trumpeting on the rise in the growth rate without taking into consideration the equitable distribution of resources across communities. This shows that utilization of international aid on this count is going into drain without having any impact on poverty and development.