

THE AID SCENARIO AND ITS IMPACT ON PAKISTAN'S ECONOMIC DEVELOPMENT : 1950-86

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ABSTRACT

Shifts in the composition of aid over the period under review have been examined. Significant and perceptible fluctuations have been noted. Foreign Policy objectives of the donors necessitated the changes. An increase in the volume of aid has been accompanied by a decrease in grants. Curtailing of unnecessary imports and consumption and mobilization of domestic resources have been suggested in order to reduce reliance on aid.

INTRODUCTION

Like any other developing country Pakistan had limited capacity to meet her requirements of capital goods and industrial raw material to transform the economy. The gap between foreign exchange earnings and import bill could be bridged either through the mobilization of domestic savings or through seeking foreign assistance. Due to low level of income and export of primary commodities—Jute and Cotton—domestic savings and foreign exchange earnings were not sufficient to finance that level of investment which the economy needed for rapid growth of income and employment. Instead of adopting self-reliance course, Pakistan opted for accepting foreign loans disguised as aid.

When the balance of cold war interests shifted from Europe to the Third world in the mid 1950's U.S. foreign policy objectives necessitated the shift of aid to geographically strategic Third world countries. American foreign policy experts were aware of the strategic importance of Pakistan to Central, South West Asia. Against this background aid to Pakistan started in 1950 under the