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## **Idealist, Realist or Neo-Realist Financial Aid Donors to Pakistan**

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**Abstract.** Foreign aid has always been an important source of finance for Pakistan. Flow of foreign aid depends upon the donor's interest and motives that can differ as some may be truly interested in helping the recipient nation (Mumtaz, 2013). Some donors may have national interest while other may want to enhance their economic relations which refer to the idealist, realist and neo-realist theories of motivations respectively (Berthelemy, 2005). Present inquiry is informed by qualitative interpretive approach based on semi-structured interviews regarding financial aid donor's motives. The overall results revealed people perception that America have an inclination for both Pakistan's nation and region for its own benefits whereas United Kingdom is interested in human resource. Saudi Arab and China have dual motives, one is the development of Pakistan and other is security and trade interest respectively. So America is proclaimed as realist donors, United Kingdom as Neo-realist while Saudi Arab and China have mix motivations. Both are Idealist with some realist and neo-realist motivation correspondingly. However other financial aid donors are not prominent amongst Pakistani nation.

**Keywords.** Financial aid, Financial aid donors, Idealist, Realist, Neo-realist

### **Introduction**

Over the last 30 to 40 years foreign aid remained a main source of external financing for developing nations. Foreign aid is given by developed and industrialized nations to developing and underdeveloped nations to elevate their living standards (Hagedoorn and Beets, 2011). Among less developed/ developing countries of South Asia such as Bhutan, Afghanistan, Pakistan, Bangladesh, Sri Lanka and Nepal are most prominent recipients of international aid. Currently the world's largest foreign aid donors are USA, UK, Japan, France, Germany, Netherland, and UAE (Toal, 2013). According to Lengauer (2011) with the shift in economic power across the globe, the pattern of development assistance has been changed due to the emerging donors that includes China, Saudi Arabia, S. Korea, and India. The most prominent donor in the group of emerging donors is People's Republic of China (Lengauer, 2011).

There might be multiple reasons behind allocation of financial aid, such as humanitarian relief or economic uplift of under developed nations. Seemingly, financial aid might be based on the donors' self-interest in the form of political gains (Kilby and Dreher, 2009) or to revert the public opinion of recipient nation. For instance, USA's aid to Pakistan probably be for creating positive public viewpoint towards America (Reinhardt, 2011). Economic development is another significant motivation of donors for development assistance, because it promotes trade and investment and the ultimate benefits of which are shared by donors (Stone, 2010). Other motivational factors may include the social binding or to support the ethnic/minority group. Therefore, the allocation of financial aid may vary with interest of donor countries and donor may have more than one motivation behind giving aid. Different researches have been conducted about financial aid donors in different context, but the public perception regarding the motives of financial aid donors has been overlooked. As public perception is considered a dynamic part of democratic economy and has a power to influence and shape the government decisions and policies in new ways. It is important to know the perception of nation concerning donor countries. So the current study is an effort to explore the perception of Pakistanis regarding the motives of different financial aid donors to this nation.

The significance of the study includes

- Findings of this study may help the policy maker to understand the impact of strong financial aid branding.
- The donor may understand the public perception of financial aid branding in Pakistani market
- For general public, research findings will help to understand the varying perceived reasons behind donations and impact of financial aid branding by donor countries.

## **Literature Review**

### **Financial aid**

Aid is the support that governments, non-government organizations, businesses, or individuals give to the people of another country to reduce poverty and achieve sustainable development. There are two basic types of financial aid on the basis of distribution channel; bilateral aid and multilateral aid. Bilateral aid is assistance given by a government directly to the government of another country whereas multilateral aid is assistance provided by governments to international organizations, such as, the United Nations, World Bank, and International Monetary Fund that seek to reduce poverty in developing nations (Department of Foreign Affairs and Trade Annual Report 2013-14).

Since 1960's the foreign aid has remained major source of foreign funding for many under developed countries. The importance of foreign aid has declined with the end of cold war and skeptical public opinion about its efficacy. Till 1990 the volume of aid had declined but number of donor agencies increased from 7 to 50. Presently, among the prominent international nongovernmental organizations are World Bank and IMF having prominent authority over the economic policies for developing countries (Le and Attaullah, 2001).

Foreign aid, to some extent, has helped to promote developmental and structural transformation in the recipient countries, particularly at the time of post-war reconstruction and natural disasters. It is however, widely argued that the impacts of foreign aid on development are limited because foreign aid is usually directed towards military and political gains instead of human development. Moreover, the conditions imposed by donors may lead to restricted strategic independence. Empirical evidence suggests that foreign aid has not contributed profoundly to the economic growth and development of recipient countries however it has increased inequalities among different groups (Le and Attaullah, 2001).

World's rich countries agreed to give 0.7% of their GNI (Gross National Income) as official international development aid annually but the target has been missed since then (Shah 2014). During 1992 to 2000, Japan was not donor of one aid, in term of dollars amount. Between 2001 and 2004, due to geo-strategic concerns of fighting terrorism, rise in aid was observed. Then 2005 rise was reported generally as a consequence of substantial debt relief. Whereas, in 2009, decline in aid was reported due to global financial crisis and later the aid again demonstrated an expanding pattern by achieving the most elevated amount ever recorded.

Since the mid-2000s, the South Asian region has observed an influx of Chinese financial aid. Such as, China has overtaken traditional donors by highly engaging in post-war infrastructure development activities in Sri Lanka. China has been involved in a number of bridge development projects in Bangladesh, as well as the development of power plants, communications and roads in Pakistan. Such development work has gone far towards improving the production base, supply capacity and local connectivity of non-Indian South Asian countries (Kelegama, 2014).

### **Financial aid to Pakistan**

Since inception Pakistan has been an aid-dependent nation (Zaidi, 1999). Especially during 1960s, 70s and 80s, Pakistan remained as one of the largest aid recipients in Asia. Despite receiving large foreign aid, Pakistan, like other developing countries, remained stagnant and become more aid dependent (Javid and Qayyum, 2011). While terms and conditions, economic and strategic interest of donors continued influencing Pakistan's economic policies (Le and Ataullah, 2001).

### **International donors working in Pakistan**

The Major traditional donors of Pakistan are Asian Development Bank, Australian Aid for International Development, EU, Canadian International Development Agency, Japan International Cooperation Agency, Swiss Development Cooperation, UK's Department for International Development, USAID and World Bank (Pakistan donor profile, 2014), Saudi Arabia and China. As the focus of this study is bilateral aid donors, so EU and ADB are not discussed.

**Table 1:** List of International Donors working in Pakistan and their preferred working areas

Donor	Energy	Urban	Education	Health	Humanitarian	Disaster	Economic	Governance	General development	Poverty	Infrastructure
Australian-Agency for International-Dev.			✓	✓	✓	✓	✓	✓	✓		
Canadian-International Development Agency			✓				✓				

UK-Department for International-Dev									✓		
The Netherlands									✓		
Norway			✓					✓	✓	✓	
Germany	✓		✓	✓				✓			
Japan-International Cooperation Agency							✓		✓		
Swiss-Development Cooperation					✓				✓		
USAID	✓		✓	✓			✓		✓		

Source: Pakistan Donor profile-2014

The table above showed different sectors which the donors preferred to finance. Aus Aid and USAID are the donors which are focusing on more sectors.

### **Motives of financial aid donors**

Granting financial assistance to under developed/ developing countries started after World War II. Since then developed countries have contributed considerable funds to help under developed/ developing countries to achieve better standard of life. Some researchers argue that donors are committed to relieve worldwide poverty, health problems and other environmental issues, such donors concerns are referred to the humanitarian consideration of financial aid donors (Forsudd, 2009). Conversely other scholars posit that foreign aid policies of major donors have always been determined by their core self interests (Anwar, 2006) and not by recipients' need (Javaid, Qayyum, 2011). These interests may comprise donor's national, economic and geopolitical concerns. Some provide assistance to only like minded, or to influence the mind set among recipients' population. The national interest of donors could be security, supremacy or maintenance of international status, such as, by Denmark or USA (Forsudd, 2009). Furthermore, donors may want to build strong commercial relations through aid, which refers to the trade interest of the donor (Berthelemy, 2004) as Norway and Sweden are interested in economic issues (Forsudd, 2009). The donor's geopolitical objective refers to international relations based on bilateral or regional politics influenced by geographical factors. Furthermore, interest group, such as, business lobbies, ethnic lobbies, non- governmental organizations, and the bureaucrats may also influence aid provision by donor countries. Significant interest of business lobbies is either to get exports surge or to increase the foreign direct investment. In like manner social bounds to the nation of origin, family relations, and monetary intrigues, ethnic lobbies have an effect on aid related decisions in donor countries (Mumtaz, 2013), such as, much French aid has gone to its former colonies (Bandyopadhyay and Vermann, 2013). Berthelemy (2004) contends that the sufficient aid given to India, Israel, turkey and Cameroon by United Kingdom, USA, Germany and France respectively is due to colonial powers social bondage towards respective former colonies.

The motives of financial aid donors have evolved over time because of geopolitical dynamics. For instance financial aid sponsored by USA till World War II was almost non-existent. When it began to provide financial aid to other nations, they focused on "creating markets for the USA

by swelling production and reducing poverty in developing countries,” and also concentrated on “diminishing the threat of communism by assisting states prosper under capitalism”. Such a twofold purpose of humanitarian and strategic gain still exist in America’s foreign aid policy to boast the investment in private sector to open more and better markets for American goods. Similarly, other countries are following different aid policies according to their need and evolving environment. Japanese aid has been directed towards nations that are being supportive for them internationally (Bandyopadhyay and Vermann, 2013).

### **Motivational Theories of Financial Aid**

There are number of theoretical models of donor nations’ motives on foreign aid. Chief among these theoretical models is that of Leonard M. Dudley and Claude Montmarquette (“A model of the supply of bilateral foreign aid,” American Economic Review, March 1976), which, apparently, serves as an archetype upon which the other models expand. According to that model, three donor motives play the leading role in decisions involving foreign aid: altruistic motives, the desire to raise the standard of living in recipient countries, expectations of gratitude, in the form of support for the donor’s interests; furtherance of the donor’s economic interests, via the vehicle of more trade (Baker, 2014). These three general theories are later empirically tested by Fuller named idealist, realist and neo-realist theories. These all explain why donor countries choose certain nations for providing aid (Fuller, 2002).

#### *Idealist theory*

The idealist theorists posit that donors grant aid to support humanitarian concerns (Fuller, 2002). The donors want to improve the living conditions of poor nations so that sufferings of the people should be reduced (Fuller, 2002).

#### *Realist Theory*

In contrast to the idealists theory the realists believe that foreign aid is granted on the basis of donor’s national or hidden interest rather than the needs of recipient country (Fuller, 2002). Foreign aid is sometimes granted with strategic concerns such as national security, self-preservation and where the recipient country can provide significant alliances and military aid. Many scholars suggest that America and France grant aid on the basis of national interest (Fuller, 2002).

#### *Neo-realist Theory*

The neo-realist theory is progressive form of realist theory. The researchers argue that financial aid is granted to promote the economic interest (where the donor can create export and investment opportunities, particularly countries with large markets ) of donor country in additional to their national interest (Fuller, 2002).

Therefore the motives of financial aid donors may vary from donor to donor. (Bandyopadhyay and Vermann, 2013). Current study is in effort to investigate the people’s perception towards the motives of financial aid donors in Pakistan?

### Research Methodology

Tradition of exploratory research with inductive approach is followed for this study to construct the knowledge by including the voice of subjects. This across sectional qualitative study emphasizes the quality of meaning in individuals perceptions and behaviour from their own frame of reference (Collis and Hussey, 2003)

The convenience sampling was used to select the sample as exact number of population is unknown. Target population covers employed personnel, students, households and businessmen living in Quetta city of Pakistan. Our this research assumes such groups as an important representative segments of the society and may sufficiently provide alternative viewpoints. From first two categories (i.e. employees and students) interviews were conducted from both males and females subjects, whereas for the third category (households) females and for the last category (businessmen) only males were interviewed.

Face-to-face, Semi-structured interviews were conducted from total 24 subjects by approaching at different places as per subjects' convenience. For ethical consideration, a consent form was used to seek the consent and willingness of the respondents to participate in the study. All interviews were conducted in Urdu (Pakistani National language) which lasted for approximately 30 minutes. Interviews were also recorded with permission of respondents and later translated in English. Subjects' statements were analysed by key words and phrases identifying the perceptions and feelings of participants regarding research questions.

After twenty four interviews the researchers reached at the point of saturation and stopped additional interviews (Glaser and Strauss, 1967; Strauss and Corbin, 1998; Goulding, 2005).

### Data Analysis and Discussion

The interview was formally started by asking participants that who are the major financial aid donors to Pakistan? About 92% (22 out of 24) respondents' first answer was USA. Other donors known to Pakistani nation includes China, Saudi Arabia, UK, Japan and Germany and the least known financial aid donors includes Canada, Netherlands and Switzerland whereas no one is aware of Norway (even though it is also one of the major donor as per Pakistan donors profile) as financial aid donor to Pakistan.

**Table 2:** Ratio of Respondents knowing the major donors to Pakistan

Donors	USA	China	Saudi Arabia	UK	Japan	Germany	Australia	Canada	Netherlan	Switzerla	Norway	Turkey	UAE	Iran	Korea
Resp onse	23/ 24	17/ 24	13/ 24	9/ 24	6/ 2 4	4/ 24	3/ 24	2/ 24	1/ 24	1/ 24	0/ 24	5/ 24	2/ 24	1/ 24	1/ 24

The subject of the study contributed with assorted opinion about relation of these countries with Pakistan. As these countries share different history of development cooperation with aid programs. Most of the countries have bilateral relationship with Pakistan to pursue broad range of mutual interest, while few have strategic relations.

- *"They all are in strong bilateral relations with Pakistan"*(Respondent 7)

People perception regarding USA-Pakistan relations were somewhat allied. As some considered USA as strategic partner of Pakistan while others think USA has diplomatic

relations with Pakistan. In point of fact participants showed negative attitude for USA that they are not concern with the development of Pakistan rather they have their own interest.

- *“Both Pakistan and United States are known as strategic partners. Providing funds for construction of schools, colleges etc and providing funds for scholarships. Pakistan also helped US by providing the route to Afghanistan or NATO supply to Afghanistan.”(Respondent 3)*
- *“They have their own interest in Pakistan, they just pretend that they are nice but they have their motives and always remain opposite party.”(Respondent 15)*
- *“They do not care whether Pakistan is progressing or not, all they care about is their own interests(Respondent 5)”*
- *“With America, Pakistan is having diplomatic relation(Respondent 11)”*
- *“Controversial relations. When they need any thing from us they become good and vice versa”. (Respondent 17)*

Almost all of the respondents are of the view that they are not interested in development of Pakistan they have some interest behind giving aid. USA is financing large number of projects. Such as, promoting education by providing scholarships they are attracting youth and trying to create positive attitude in their minds. As a result they can hold sway over human resource of Pakistan. Furthermore, while working in other areas they want to take advantage of other resources of Pakistan (natural resources), to rule over Pakistan, to promote their ideology, or may have another motive behind granting aid such as clearing their route to Afghanistan.

Some respondents stated that USA by providing financial aid is in fact creating hindrances in development of Pakistan. They do not want to see a Muslim country to become strong or self-sufficient. As we know that Pakistan is one of the richest countries in terms of resources. And if the resources are put into efficient use then there will be no need of financial aid. So some donors do not want Pakistan to emerge as prominent, developed and independent country on world map and become their competitor.

- *“They are working for education but in real they are attracting brilliant students of Pakistan by offering scholarships and their aim is to make use of these brilliant minds.” (Respondent 17)*
- *“They want our natural resources. The ultimate beneficiaries of growing sectors will be the donors “(Respondent 16)*
- *“So it may be a bilateral development or development of resources which are beneficial for donors like sound market, Human resource and peaceful coexistence.”(Respondent 1)*
- *“They just want to make Pakistan more dependants and to paralyse the nation. And to clear the way to Afghanistan”(Respondent 15)*
- *“Actually they are controlling the development of Pakistan. They do not allow Pakistan to come as a atomic power.....they do not want that Muslim countries get stable because if it happens they will be in danger.” (Respondent 13)*

Further comebacks revealed that USA is funding large number of projects in Pakistan, such as, education, women empowerment, technology, water and power, mass communication, defence, infrastructure, agriculture and rural development, economic and general development, disaster management and trade to influence the overall economy.

- *“Education and health, Humanitarian, Power and energy, Economic and general development. Disaster preparedness and response, Governance and transparency, Counter terrorism and human security, rural development” (Respondent 1)*
- *“Education, Women empowerment and health” (Respondent 2)*
- *“Education. Health, technology, energy, mass communication, defence” (Respondent 5)*
- *“USA started different projects in health, education, infrastructure, defence and child labour etc.” (Respondent 10)*

People perception about China was positive as compare to other financial aid donors. Most of the respondents think China, as a donor, a true friend of Pakistan while few consider it as trade partner.

- *“They all are in strong bilateral relations with Pakistan” (Respondent 7)*
- *“Friendly” (Respondent 15)*
- *“Trading relations” (Respondent 17)*
- *“Friendly” (Respondent 18)*
- *“Very close and friendly” (Respondent 19)*
- *“Friendly” (Respondent 21)*
- *“With China friendly” (Respondent 22)*

People perceive that China is interested in development of Pakistan because of being good friend while few think they have some hidden motive like investment in Pakistan through their own companies means major profit go back to their country or may have any trade interest behind granting aid to Pakistan. Such as through CPEC project they in fact smoothing their way to Arabian sea, but still china is not considered as threat for Pakistan.

- *“China is investing in Pakistan but through their own companies which means that the majority profits are going to their own country” (Respondent 3)*
- *“because of neighbour and trade relations” (Respondent 8)*
- *“China had started new project CPEC (China Pakistan Economic Corridor) to reach Arabian sea through Gawader Port” (Respondent 11)*
- *“if Pakistan develops China will also get benefit of this, in terms of trade” (Respondent 12)*
- *“China is less harmful for Pakistan” (Respondent 14)*
- *“Somehow they are sincere” (Respondent 17)*
- *“is interested because of friendship” (Respondent 18)*

The next prominent donor amongst Pakistani nation is Saudi Arabia. Pakistani nation perceive that Pakistan and Saudi Arabia are in good relations because of same religion (Islam), besides they are in need of Pakistan’s armed forces for their defence.

- *“Overall good relations or we can say that they are partners in development” (Respondent 1)*
- *“Saudi Arab especially in defence perspective” (Respondent 10)*
- *“having good relations” (Respondent 13)*
- *“just fine relations” (Respondent 14)*
- *“good relations because they are in need of Pakistani Army and because of same religion” (Respondent 15)*
- *“with Saudi Arab relations are very close and friendly” (Respondent 19)*

- *“With Saudi Arab Islamic friend” (Respondent 22)*
- *“Whose relationships are not well, they don’t give donations” (Respondent 23)*

People perception regarding their interest in development of Pakistan exposed that Saudi Arabia is taking keen interest in development of Pakistan and started various projects because of Islamic country and more noticeable that they are in need of Pakistani army.

- *“Similarly Saudi Arab is interested in Pakistani Army” (Respondent 1)*
- *“because of Air force and army” (Respondent 8)*
- *“because of Islamic country”(Respondent 9)*
- *“Saudi Arab and turkey taking keen interest in development of Pakistan”(Respondent 10)*
- *“Because of Muslim country and they are also in need of Pakistani army”(Respondent 12)*
- *“is really interested in development of Pak” (Respondent 13)*
- *“they are in need of Pakistani army”, (Respondent 14)*
- *“honest, very much dependant on Pak army” (Respondent 15)*
- *“Pakistan is only Islamic country having nuclear power hence they support Pakistan at every forum” (Respondent 19)*

According to the comebacks about United Kingdom- Pakistan relations, most of the respondents consider them self-centred.

- *“UK and Pakistan also has bilateral relationship” (Respondent 3)*
- *“there is a give and take relationship” (Respondent 4)*
- *“They all are self-cantered” (Respondent 8)*
- *“Our friends on their desire” (Respondent 9)*

The responses revealed that they are interested in fulfilling their own interest. They are attracting Pakistani brilliant mind/ talented youth who can serve them well. This finding is also supported by the literature.

- *“As in UK Pakistanis are their service industries specially education sector” (Respondent 1)*
- *“Whereas UK is attracting talented people of Pakistan to serve their education industry”( Respondent 3)*
- *“No. They are only interested in fulfilling their own interests in Pakistan” (Respondent 4)*
- *“more interest in their own development”. (Respondent 23)*

Other donors like Turkey, UAE, Canada, Japan, Norway and Australia are working in different development areas about which the people have limited knowledge.

- *“UAE has invested in different sector’s including petroleum and oil sector, banking, and telecommunications” (Respondent 3)*
- *“China and Germany are working for power sector” (Respondent 12)*

On the basis of findings of the study policy makers can formulate their policies regarding accepting financial aid if it could lead to better relations with donor countries or have positive impact on development of country or otherwise. For general public the

government can take steps to change public perception about donors positively by providing briefing on financial aid donor's interest.

### **Conclusion**

This research focused on people's perception about the motives of financial aid donors in Pakistan. The findings revealed that citizens of Pakistan are aware of only few major financial aid donors that include USA, UK, China and Saudi Arabia. While other financial aid donors are not prominent amongst Pakistani nation. They perceive that these countries are granting financial aid because of personal interest. Such as, America is granting aid to Pakistan to influence the opinion of Pakistani nation; want to get benefits from both human and natural resources; to clear a route to Afghanistan and to create hurdles in the development of Pakistan (being a Muslim country). If Pakistan appears as a developed and independent country the Muslim world will become strong. Furthermore, UK is interested in human resource of Pakistan, being the reason of its support. Similarly Saudi Arabia grants financial aid to Pakistan because of social binding in addition to some military favours. China is granting financial assistance to Pakistan on humanitarian grounds and also has some trade interest.

Emerging themes from the content analysis of the subjects' statements in relation to the general theory of motivation lead us to infer that USA is a realist, UK as neo-realist while Kingdom of Saudi Arab and People's republic of China are idealist as well as realist and neo-realist donors respectively as donor countries can have more than one motivational factors in different proportions (Kostadinova, 2009). So the overall results revealed people perception that each financial aid donor has some interest in Pakistan beside its development.

### **Limitations and Recommendations**

As perception regarding motives of financial aid donors is measured by using a sample only from Quetta city of Pakistan therefore results might differ from other regions of the country, therefore might lack generalizability. So it is recommended that future study should take into account other regions of Pakistan.

Furthermore, due to lack of time and financial resources it was difficult to conduct the study at large scale. This being a qualitative study might be replicated in quantitative way with large sample size.

Moreover the data was collected from urban population only other study might take into account the rural population which is relatively low in literacy rate. As the perception of literate and illiterate people may hold a different views.

The data is analyzed by single researcher so the analysis may be influenced by researcher and therefore somewhat biased. So it is recommended to conduct a quantitative study on a broader scale because quantitative study is relatively unbiased from researcher point of view.

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