

Foreign aid - a blessing or a curse?

It is quite illogical to prove or claim that foreign aid is either a blessing or a curse. It is actually a double-edged sword. It depends upon the debtor nation how it utilizes its foreign aid. However, the poor countries need foreign aid to fund their developmental projects. For they are unable to pay for these projects on their own. Thus, poor countries need foreign aid anyway. In order to increase their economic growth, development projects are necessary. Increased growth raises per capita income which eventually helps people to improve their living standards. Hence, for poor countries foreign aid is essential to sustain their economic growth and improve their living standards.

Foreign aid is a blessing if one sees its importance for development projects. Additionally, the projects it funds are usually self-liquidating. Poor countries initiate development schemes with the help of foreign aid. These schemes not only help in sustained economic growth, but also bring employment opportunities for the people. Similarly, various projects, such as dam construction, require huge amount of funding. Such projects would remain elusive if there was no foreign aid. However, these projects are quite necessary for even survi

val of ^{the} people. Dams not only help conserve surplus water, but also help generate electricity. This is how foreign aid is a blessing.

Nevertheless, foreign aid can become a curse if a country becomes totally dependent on it. Poor countries secure loans from other countries or multilateral institutions, such as IMF and World Bank. Of course, be it a bilateral lender or multilateral one, they charge interest rate on loans. Unfortunately, some countries get trapped in continuous borrowings, such as Pakistan and Argentina. These countries even seek loan to pay back their debt. Hence, foreign aid becomes a curse for such countries because they cannot even do debt-servicing without foreign aid. Additionally, the lender's loans are usually accompanied by conditionalities which even put in question the sovereignty of recipient nations.

To sum up, foreign aid can be a blessing or a curse; it depends upon a recipient nation how it uses it. For poor countries, foreign aid plays pivotal role in keeping their economies afloat. Foreign aid can become self-liquidating if its resources are wisely used. Some countries get trapped in debt circle, hence they borrow to pay back their debt. In such scenarios, foreign aid becomes a curse.