

Outline:

Topic: Does foreign aid help to achieve economic stability?

1- Introduction:

Thesis Statement: Foreign aid does not help to achieve economic stability because it fosters economic dependency, encourages corruption, distort local market and currency measures.

These factors hinder aid from contributing to sustainable development and long-term economic stability in the region.

2- A brief insight into the importance of foreign aid

3- Foreign aid does not help to achieve economic stability.

3.1. Foreign aid leads towards dependency (Reliance on US aid, report by Zaidi, 2005).

3.2. Inefficient delivery to public due to mismanagement of resources. (High level of corruption, Transparency International Pakistan).

3.3. Erosion of public trust because of pervasive corruption. (2005 Earthquake aid mismanagement in Pakistan)

3.4. Accumulation of unsustainable debt

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Dependency is the result of excessive Foreign aid

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because of excessive foreign aid.

(John Perkins, "Confession of an Economic Hit Man").

3.5 Foreign aid does not help due to political instability and inconsistent economic policies.

(Incomplete projects of CPEC).

4- Does foreign aid really help to achieve economic stability.

4.1 Foreign aid reduces dependency by fostering economic growth.

(Rwanda's Post-Genocide Reconstruction)

4.2 Effective management of foreign aid empowers nations.

(Bangladesh's Microfinance Initiative)

4.3 Transparency in the use of foreign aid strengthens public trust.

(The International Aid Transparency Initiative)

(Norway's Aid Transparency Measures)

4.4 Debt management measures can curb unsustainable debt accumulation.

(Pakistan's Structural Adjustment Program (SAPs)).

4.5 Foreign aid enhances political stability.

(Paul Collier, "The Bottom Billion: Why the Poorest Countries are Failing and What can be done about it").

Why the Poorest Countries are Failing and What can be done about it").

5. Surely, Economic growth does not

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achieve with the help of foreign aid.

5.1. Strengthening domestic capacity building can promote economic autonomy and reduce dependency.

5.2. Bureaucratic efficiency regarding foreign aid can empower the public service delivery.

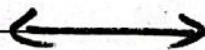
5.3. Implementing anti-corruption policies in aid management can rebuild public trust.

5.4. Tax reforms can cater the issue of debt accumulation.

5.5. Collaborative efforts to address governance issues are crucial.

6. Conclusion

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"Give a man a fish, and you feed him for a day. Teach a man to fish, and you feed him for a lifetime."

In the light of this quotation, we can say that foreign aid ~~can~~ only contributes in short-term relief and it may not contribute effectively to long-term economic stability. In addition, it fosters economic dependency, encourages corruption, distort local markets and lack transparency measures. This combination of factors hinders aid from contributing to sustainable development and long-term economic stability in the region. Thus, it does not help to ~~reduce~~ achieve economic harmony. Ironically, in many developing countries, foreign aid is not utilized in a fruitful way due to mismanagement of resources and poor public service delivery. As a result, this creates disparities among masses. Furthermore, political instability and corruption are the leading factors towards the erosion of public trust regarding the institutions' deliverance capabilities. However, there is a belief among masses that foreign aid helps in achieving economic stability. Many

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believe that foreign aid helps to reduce dependency by fostering self sufficiency. In their view, aid not only empowers nation but also enhances political stability by supporting governance reforms. Notwithstanding, this effectiveness of foreign aid, it is wise to say that economic stability had better achieve through strengthening domestic capacity building instead of reliance on aid. By implementing anti-corruption policies, strict economic reforms and collaborative efforts to address governance issues can be categorized as a positive tool to achieve economic stability instead of reliance on foreign aid.

~~Foreign aid is a helping package that is granted that is~~

that is granted to all those countries which are railing on the doldrums of economic disparities. **Recipient countries** of foreign aid lies in the fact that when ~~recipient countries~~ are not able to manage the economic affairs of the country then different developed countries and foreign aid organizations lend their support in the form of

aid with some conditions and adjustment programs. The purpose is to lift the country back to their smooth functioning of the economic affairs in order to save these countries from default.

Generally, it is given in the form of trenches or sometimes in the form of food, medicine and different goods.

In any form, the underlying purpose is to ensure the economic stability of the recipient country. At the same time, it is important to note that foreign aid is not always the recipe of economic stability.

As a matter of fact, it leads towards the dependency. It undermines the country's efficiency in order to rely on its own natural resources and to utilize them effectively for the prosperity of its citizens. It develops a sense among leaders that relying on foreign aid is the ultimate relief ~~from~~ from all problems. As an illustration, "Zaidi's 2005 report on reliance on US aid" highlights that Pakistan reliance on United States aid undermined its ability to sustain its economic efficiency. He highlighted that albeit it created a temporary relief, but in the

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long run, it produced devastating aftershocks. He argued that it subverted the country's ability to sustain economic growth independently. All things considered, foreign aid is a catalyst of creating dependency.

Correspondingly, foreign aid is not a prescription of economic stability because it causes inefficient delivery to public due to mismanagement of resources. He ~~also~~ make an analogy

that ~~with more~~ **There is an analogy** foreign aid comes more corruption. Mismanagement of resources in the form of foreign aid lead towards the corrupt practices that are eventually visible in the form of inefficient delivery to public.

To demonstrate, according to Transparency International Pakistan, high level of corruption in the country leads towards inefficient allocation of aid.

It further emphasizes that these practices of misadministration not only exacerbates economic instability but also deprives public of essential services. Consequently, it ~~eroded~~ erodes public trust on institutions of state due to ineffective aid delivery to its right stakeholders.

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In the same fashion, ~~persa~~ pervasive corruption of state's institutions result in the erosion of public trust. By all means, citizens of any state are the true beneficiary and stakeholders of foreign aid. Maladministrative practices of institutions deprive them from these essential services and as a result, a vacuum is created between public trust and performance of state's institutions. This was clearly observed in the aftermath of the 2005 Earthquake in Pakistan where mismanagement of resources resulted in the poor and ineffective delivery of aid to those in need. At that time, a vivid lack of confidence in government institutions was instilled in the public. Henceforth, this lack of public trust on state's machinery is getting wider and wider with each passing event.

By the same token, due to ineffective allocation of aid, the government is still dependent on foreign aid packages in order to cater the grievances of its citizens. As a result, there is an accumulation of unsustainable debt because of excessive foreign aid. In order

to elucidate, As John Perkins explains in his book "Confession of an Economic Hit Man." that foreign aid is a tool used by donor countries to cage recipient countries in a vicious cycle of debt. He further explains that the sole purpose of doing this to undermine the economic and fiscal growth of the country, further compromising their economic stability. As a result, the economic stability hampers with unsustainable debt. **Good very good** by increasing country's reliance on foreign aid. In this regard, different internal factors such as political instability add fuel to the fire.

In like manner, foreign aid is not helpful because of political instability. The musical chair of politics ~~is one of the ingredients of the economic instability.~~ **Start with proper subject** ~~Due to unsustain~~ government, ~~foreign aid is not~~ effectively utilized. To demonstrate, in case of Pakistan; the incomplete projects of China Pakistan Economic Corridor (CPEC) illustrates that the political instability and unsustain government prevent foreign aid from

translating into economic growth and stability. As different political party come up with ~~no~~ different political agenda and they ~~utilized~~ **Unword choice is perfect** in non-development projects instead of developmental ~~to~~ projects. Hence, foreign aid becomes ineffective because of political instability which ultimately results in unsustainable economic growth.

The above mentioned points elucidate that foreign aid is not a positive catalyst for economic growth. However, as we know that, every coin has ~~ex~~ always two sides, therefore, many argue that for the economic stability of a country, foreign aid is a must. They are on the view that it reduces the dependency by fostering economic growth and self-sufficiency. A notable example is Rwanda's post genocide reconstruction, where foreign aid was effectively utilized after 1994 genocide. The aid was utilized on infrastructure development, education and on health sector. This effective utilization of foreign aid helped Rwanda to make a transition from a devastating state to a state of economic growth and stability. Consequently,

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Foreign aid reduced the dependency of Rwanda on other countries and made it a self-sufficient nation. Moreover, there are views that effective management of foreign aid can empower nations. Many argue that if aid is utilized effectively on infrastructure, education and health and development projects, it will not only foster economic stability but also guarantee economic prosperity. With attention to, in Bangladesh, foreign aid facilitated Microfinance initiative which provided small loans to poor especially women. These small loans helped individuals to start their own businesses. This initiative which was aided by foreign aid, helped to reduce poverty and to ensure financial inclusion. Given these points, the success of foreign aid depends heavily on effective management.

~~At~~ In addition, a lot of people emphasize that ~~of~~ ~~for~~ effective management of foreign aid ensures transparency of the state's machinery which can strengthen the public trust. ~~It is vital to note that~~ if services are provided to rightful

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ownership and to those who are in need; this will not only alleviate their grievances but also strengthen their confidence in institutions. It is important to realize that initiatives such as The International Aid Transparency Initiative and Norway's Aid Transparency Measures promote open access to information about how aid is spent, thereby increasing accountability. These initiatives help the citizens and donor countries to feel confident that aid is not being wasted and mismanaged which is vital for the long term success of the foreign aid which ultimately ensures the economic stability of the country.

Likewise, according to different schools of thoughts, foreign aid, when coupled with sound fiscal policies can curb unsustainable debt accumulation. When foreign aid is effectively utilized on development projects, it will enhance the economic growth of a country to utilize its resources to improve local market which ultimately helpful in reducing debt accumulation. For instance, in case of Pakistan's

Structural Adjustment Programs (SAPs), foreign aid helps in supporting economic reforms by devising structural changes and policies for the recipient countries.

The Structural Adjustment Programs consist of certain conditions which are directed towards reducing government expenditures, ensuring free trade, liberalisation of economy and increasing revenue.

These policies aim to reduce further debt accumulation in order to ensure the economic stability of a country. Thus, debt management measures can effectively curtail debt accumulation.

On the positive side, many claim that foreign aid enhances political stability by supporting governance reforms. As an illustration, in Paul Collier's book "The Bottom Billion: Why the Poorest Countries are Failing and What can be done about it," he argues that the targeted aid helps countries to achieve political stability. He further explains that foreign aid is essential for improving

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the governance in poorest countries. Collier suggests that targeted aid programs can ensure policy consistency, stabilize government and reduce political instability. Hence, it creates an environment for countries which is conducive for economic growth. From the suggestions of Paul Collier, we conclude that foreign aid is essential for fostering economic stability.

While it is true that foreign aid promotes the prolonged dependence on donor countries and curtail the capacity of countries to be self-sufficient, it is equally important to realize that it also fosters economic growth as we have seen in the ~~example~~ of reconstruction efforts in Rwanda after genocide. As both perspectives highlight their respected concerns. Therefore, by strengthening the domestic capacity and institutions building ^{in order} to utilize aid ~~in down time~~ effectively for the developments projects. This

will not only ensure economic growth but also cater the nuance of dependency of recipient countries on donor countries. Hence, these efforts will promote economic autonomy and reduce dependency.

Furthermore, it is true that mismanagement of aid leads towards inefficient delivery of services to those in need. ~~However~~, as one can take notes from aid distribution in Pakistan in 2005's earthquake.

However, microfinance initiative of Bangladesh shows that effective management of aid can empower nations. Taken together, these perspectives suggest that bureaucratic efficiency regarding foreign aid can fill up this gap. Bureaucracy is the functional chamber of a government and responsible for the distribution of aid. By ensuring transparency in the delivery of aid ~~can~~ is crucial for catering the issue of mismanagement and ensuring economic growth.

Although, pervasive corruption declines/erodes public trust due to non-deliverence of aid but at the same time, transparency

measures in the use of foreign aid can strengthen the public trust. Therefore, it is essential to establish a medium which is accessible to both government as well as public to inform regarding the deliverance process of foreign aid. Strict measures are devised for ensuring the effectiveness of aid delivery. This will not only cater the problem of corruption by establishing strict accountability mechanism but also build public trust on the institutions of state. A stringent oversight on the state machinery and survey of those areas where aid is distributed for ensuring the accountability can be pivotal for ensuring the economic stability. Albeit, excessive foreign aid contributes in accumulation of debt but debt management measures like Structural Adjustment Programs can cater this issue. The interplay between both perspectives highlight that tax reforms are very crucial to address this issue of debt accumulation. On this regard, tax circle must be broadened to

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include agriculture and textile sector as well. This will eventually increase the tax base. When governments implement tax reforms, they can increase domestic revenue by broadening the tax base and reducing tax evasion. This ultimately decreases the reliance on foreign aid. Consequently, through fair and effective tax reforms, government can reduce debt accumulation and fosters economic growth.

Though, it is important to note that political instability affects the essence of foreign aid but on other side, foreign aid can smoothen political stability. In light of these perspectives, we can synthesize that collaborative efforts between political parties are essential to cater the issues of political instability that will eventually smoothen the performativity of foreign aid. In this regard, effective policies formulation regarding distribution and utilization of foreign aid are addressed in legislative

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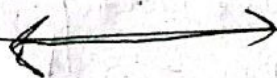
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chambers with the inclusion of members from government as well as from the opposition. This collaborative efforts between government and opposition lead towards ensuring democratic practices. These efforts are helpful in reducing rift between machinery of state and government as well. Consequently, a more inclusive policy ^{regarding foreign aid} by addressing concerns of every stakeholder not only decline political instability but also ensures economic growth.

In a nutshell, ~~foreign~~ ^{while} foreign aid, while pretended as a tool for economic stability, often perpetuates cycles of dependency, mismanagement and corruption. It traps weaker economies in a vicious web of unsustainable debt. However, this does not mean that foreign aid is entirely ineffective. By focusing on transparency, efficient allocation of resources and tax reforms, many countries has achieved economic stability with the help of foreign aid. From the development of Rwanda after devastating ~~gend~~ genocide, we can emphasize that foreign

aid is not just about immediate relief but about empowering nations to stand on their own feet, moving from a state of reliance to one of self-sufficiency. While proponents of foreign aid argue that it plays a vital role in fostering economic development but it still undermines long-term growth. As noted in "Confessions of an Economic Hitman" by John Perkins, foreign aid is wielded as a tool of political and economic manipulation, trapping recipient countries in cycles of debt. Thus; despite its intentions, foreign aid does not help to achieve genuine economic stability and deepens fiscal challenges in the long run. As Milton Friedman once remarked,

"Nothing is so permanent as a temporary government program, and foreign aid is no exception."



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