Does foreign aid help to achieve Economic stability?

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Foreign aid is a double edge-swords. On one hand, it provides state much needed help to avert economic crisis. However, on the other hand, it begins a perpetuated cycle of dependency. This uncertain nature of its impacts sparks a debate on its role in host state economic stability. A closer looks reveals that foreign aid in most cases plays the role of neo-imperialism. It is like a pain-killer pill, which give short term relief but distort wound in long term. It increases debt burden, compromises financial autonomy through conditions, destablize domestic market and always serves doner interest more than recipient one. Furthermore, over long term it also breeds dependency instead of self-reliance, encourages political clientalism and promotes consumption over production. Given its visible negative impacts, some people argue that external assistance stabilise recipient states economies. For them, it bridges the saving investment gap, helps in keeping foreign reserves maintain and also helps in stablizing econo my in times of economic debacle and crisis. Neverthless, these are exceptions. In most of the cases, it does not help at all, rendering economic sustainable growth.

Foreign aid refers to any kind of financial, logistical and technical help by a foreign state, organization, or a peron for various purposes. Aids can be of various forms, it includes Aid, loan and grants. Unlike, grants - which are mostly given for development projects without a need to repay - loans are always backed by both stringent conditions and interests. State becomes bond to repay loans without interest, compromising state's financial sovereignty. The history of foreign aid is long and complex. In modern time, it started with the U.S.A grant and loan for europe after second world war i.e. for post war reconstruction. In Pakistan's case, it formally sought loan for the first time in 1990s, even though foreign grants and assistance has remained a constant characteristic of its economy since its inception. It has received loans from IMF more than twenty-five times so far and it is still continue with the same face. loans, whether in the form of grants or debt, does not stablise economy. Inspite of stablizing economy, it impacts country's economy negatively.

foreign aids, when it comes to in the form of loans, it increases foreign debt-burden. It is always follows by high-interest rates and stringent conditions. High interest rate always increases the net amount of loan with the passage of time. While on the other hand, stringent conditions in most of the cases leads to compromised over financial autonomy. Doners in case of loans, starts dictating country's financial policies. These policies in most of the cases diverges with the country's domestic market, making it more vulnerable. Moreover, when the debt-increases, it leave no choice with the country to invest on development projects. Pakistan's example is case on the point, more than 48% of its budget goes in repaying foreign loans. Hence, foreign loans increases debt burden to states

In addition to this, foreign assistance leads to compromising over financial autonomy. Both the loans and foreign grants are condition-bearing. These conditions do not always converge with the countrys domestic market, but in most of the cases it diverges with the domestic market, making its natural flow destroyed. These conditions do not only remain to financial dictation but they also engulf other spheres of the states, acting like a political tool more than financial help. USA's Energy grants to pakistan to counter IRAN is a case on the point, reflecting the fact that how foreign aids are used as a political tool rather than financial help. Therefore, condition-bearing loans and grant do not stablise economy.

Apart from this, foreign assistance destablises countrys domestic market. Not all the loans and grants come in form of payment. Some come in form of military assistance, some in form of food and some in form of technical assistance. When grants or aid comes in the forms of such thing that is also produce domestically, making domestic production of that commodity more unstable and less competitive. History is full of such examples. Tanzania 'Dutch disease' crisis best elustrating this fact. In 1990s when Tanzania was given a massive aid in the form of food by the U.S.A, it crippled the whole agriculture sector of it and that crisis later named 'Dutch disease'. Therefore, foreign aid despite making economy stablise, it destablise domestic market.

In addition, out-side help does not serve host state interest but lender interest. most of the loands are given to achieve specific political goals. Their intents are not country's well - being or financial stablity but political interests, using it as soft tool to exercise power. In recent era, Every state has geo-political and geo-stratigical interests to achieve. These interest includes countering enemy state, making alliances or tieing defense relations. To achieve these, it becomes more peasible option for state to use soft-power rather than hand power. Kingdom of Sudia-Arabia was helping Pakistan not because it was concern with pakistan's well-being but rather own defense. Thus, foreign help in most of the cases serves not countrys interest rather than lenders interest.

Besides, foreign aid promotes consumption over production. most of the foreign aid, whether in form of loans or grant, bear stringent conditions. These conditions, along with other kinds of conditions also include the investment of that loan and grant. State always gives loans and grants with the condition that these loans must back invest in lenders markets meaning recipient states need to buy what ever they need from lenders states, leaving no option with the state to invest that money in development of countryss production sector. Furthermore, loans and grants are also provided in the form of transfering final products, increasing consumption rather than production. U.S.A's loans and grants to Egypt and palestan are cases on the point. most of the loans and foreign aids comes in the form of final product, which also increases dependency on lenders for maintainance of that products. Henceforth, external assistance despite making economy stabilise. It increases consumption ~~the~~ rather than production.

moreover, foreign assistance enhances

corruption and misgovernance in recipient state. In a very few cases, foreign aid and grants are strictly monitored. They often lacks robust monitoring system, making it more easy for mismanagment. That mismanagment often result of corruption and misgovernance. In such cases, foreign aid becomes a swords of damocles. On one hand, it increases country's debt-burden, and on the other hand, it compromises the effective use of that aid, compelling country's to pay price on two fronts. According to a report published by World Bank that more than 40 % of the foreign aid in sub-saharan africa are misused, reflecting the severity of lacking monitoring system. Besides, it also sow seeds of misgovernance and corruption in host state. Consequently, leading not to stabline economy.

Furthermore, economic stability comes from structural reforms not from foreign aid or loans. Structural reform includes good governance, effective use of foreign assisstance and prioritizing country's production rather than consumption. Unless and untill, state takes structural reforms, +

foreign aid, no matter of what quality and quantity, cannot stablise economic stability. Neverthless, reforms does not only ensures the effective uses of external aid but it also helps in getting rid of that menace. Consequently, Aid without structural reform only deepens country's vulnerability to foreign forces.

The above all paragraphs elustrated the fact that foreign aid does not stablise economies rather, it in most of the cases curb economic development in a systematic ways. However, some people argue that foreign aid can stablise economies. The precedent paragraphs shed-light on their stance.

External assistance bridges the gap between saving and investment. Every state, in some phases of its economic trajectory, faces budget-deficit. That deficit reduces capacity investment on development projects. In such circumstances, foreign Aid, whether in the form of loan and grant, fulfill that gap, allowing state to overcome saving and investment gaps. Once that gap fulfilled, a country then with good governance NT and structural reforms makes its economy more stabilize and develope. With that development it also easily get rid of future dependency on foreign loans. In such cases, foreign aid serves as a helping-hand, helping country to prosperous. The case study of four Asian-tigers truly support this argument. They all in 1960s went to for loans but the effective use of that loans earn them a ~~b~~ label of "Asian-tiger." Hence, without foreign aid, struggling economies cannot overcome economic instability.

Also, foreign assistance helps in sustaining foreign reserve maintain. foreign reserve refers to saving of the country. It plays due role in attracting foreign direct investment and in keeping local currency values in positive terms. When state faces the issue of dwindling foreign reserve, it becomes entirely vulnerable to foreign influences. In such circumstance, foreign interest-free loan helps in keeping foreign reserve sustain. The case study of Pakistan and kingdom of Saudia-Arabia is serving best. Most of the time, when IMF conditions some specific amount u's of foreign direct investment as a condition for loans, ISSH step ahead and lends assistance, helping Palestany to fulfill that conditions. Henceforth, without foreign assistance countrys cannot keep maintain its foreign reserve afloat.

Furthermore, foreign assistance also helps in keeping economy normal at time of crisis. These crises come in various forms, including natural disasters, internal upheavel or from terrorist groups. In such circumstance countrys economy always run ineffective to tackle these challenges and threats. Foreign assistance appears as a blessing, helping country to fight with the disaster more effectively. Syria: case study is case on the point. It was foreign assistance that helps it preventing from total economic callapse when it hit by 7.9m-g earth-quake in 2024. Although, it was under U.S.A and UN sanction regimes, it overcome the crisis even with limited foreign aid. Hence, foreign aid helps in during crises.

To conclude the debate, foreign aid is like poison if taken without cure. In recent time, in most of the cases, it is serving as a new way of colonialism. That is known as new imperialism, in which powerful country, thro-ough foreign international organization, insert influence through loans and grants. Its history is centuries back, but modern history is being traced from U.S.A's marshall-plan for europe in 1950s. When it comes to the much debated ques-tion that does foreign aid help to achieve economic stability? Although some exception existing, most of the cases shows negative co-relation between for-eign aid and economic stablity. It is because despite making economy stablize, it increases foreign debt-burden, compromise country's financial autonomy, destablise country's domestic market and in most of the cases it is uses as political tools, serving donor interest rather than recipient state interest. However, there cases that show strong positive co-relat-ion between foreign aid and economic stability. A close look reveals that those states that developed were not because of foreign loans but because of structural reforms. Thus, foreign aid that utilizes through structural reforms and good governance can yields positive result. but in long term, it is state's prioritizes that decide state's economic fate rather than foreign loan, aid and grants.

"The End"