THE FAILURE OF ECONOMIC AID TO STIMULATE SUSTAINABLE ECONOMIC GROWTH

Baratov Jasur Khusnidin Ugli
Republic of Uzbekistan
Engineer of Supply chain department
BYD UZBEKISTAN FACTORY

НЕСПОСОБНОСТЬ ЭКОНОМИЧЕСКОЙ ПОМОЩИ СТИМУЛИРОВАТЬ УСТОЙЧИВЫЙ ЭКОНОМИЧЕСКИЙ РОСТ

Баратов Жасур Хуснидин угли
Республика Узбекистан
Инженер отдела поставок
BYD UZBEKISTAN FACTORY

Annotatsiya: Iqtisodiy yordam xalqaro rivojlanishning muhim vositasi bo‘lib kelgan, ammo ko‘plab oluvchi mamlakatlar yordamning o‘nlab yillariga qaramay, hanuzgacha qashshoqlik bilan kurashmoqda. Ushbu maqolada iqtisodiy yordamning barqaror iqtisodiy o‘sishga turtki bera olmasligining asosiy sabablariga e’tibor qaratiladi. Korrupsiya, yordamga qaramlik, noto‘g‘ri iqtisodiy siyosat, infratuzilmaning yetishmovchiligi, siyosiy beqarorlik, demografik muammolar, savdo to‘siqlari va samarasiz tashqi yordam modellarining ta’siri tahlil qilinadi. Shuningdek, maqolada boshqaruvni yaxshilash, iqtisodiy o‘z-o‘zini ta’minlash, savdo siyosatini isloh qilish, maqsadli yordam dasturlari va to‘g‘ridan-to‘g‘ri xorijiy investitsiyalarni oshirish kabi muqobil yechimlar taklif etiladi. Ushbu muammolarni hal qilish iqtisodiy yordamning uzoq muddatli rivojlanishga aylanishi uchun juda muhimdir.

Kalit so‘zlar: Iqtisodiy yordam, qashshoqlik, korrupsiya, qaramlik, iqtisodiy siyosat, infratuzilma, siyosiy beqarorlik, savdo to‘siqlari, to‘g‘ridan-to‘g‘ri xorijiy investitsiyalar.

Аннотация: Экономическая помощь является важным инструментом международного развития, однако многие страны-реципиенты продолжают бороться с бедностью, несмотря на десятилетия поддержки. В данной статье рассматриваются ключевые причины, по которым экономическая помощь часто не приводит к устойчивому экономическому росту. Анализируются такие факторы, как коррупция, зависимость от помощи, неэффективная экономическая политика, нехватка инфраструктуры, политическая нестабильность, демографические проблемы, торговые барьеры и неэффективные модели внешней помощи. Кроме того, обсуждаются возможные решения, включая улучшение управления, экономическую самодостаточность, реформу торговой политики, целевые программы помощи и увеличение прямых иностранных инвестиций. Решение этих проблем является необходимым условием для того, чтобы экономическая помощь способствовала долгосрочному развитию.

Ключевые слова: Экономическая помощь, бедность, коррупция, зависимость, экономическая политика, инфраструктура, политическая нестабильность, торговые барьеры, прямые иностранные инвестиции.

Abstract: Economic aid has been a significant tool in international development, yet many recipient countries continue to struggle with poverty despite decades of assistance. This paper explores the key reasons why economic aid often fails to drive sustainable economic growth. Issues such as corruption, dependency on aid, poor economic policies, lack of infrastructure, political instability, demographic challenges, trade barriers, and ineffective foreign aid models are examined. Furthermore, the paper discusses potential solutions, including governance improvements, economic self-sufficiency, trade policy reforms, targeted aid programs, and increased foreign direct investment. Addressing these challenges is essential for ensuring that economic aid translates into long-term development.

Keywords: Economic aid, poverty, corruption, dependency, economic policies, infrastructure, political instability, trade barriers, foreign direct investment.

Introduction

With wealthier countries and organizations lending struggling economies material and financial support, economic aid has long been a crucial instrument in international development. However, poverty persists in many nations even after decades of aid. This paradox raises critical questions: Why does economic aid often fail to lift nations out of poverty? What structural, political, and social factors contribute to the persistent underdevelopment in many parts of the world? This article explores the reasons behind the failure of economic aid to bring sustainable prosperity to recipient nations. Corruption and poor management are two of the main reasons economic help doesn't have the desired effect. Financial resources are misallocated, siphoned off by dishonest officials, or spent inefficiently in many poor countries due to inadequate institutions. According to a research by Moyo (2009) in Dead help, because foreign help frequently goes into the wallets of political elites rather than being used for the general good, it encourages reliance and facilitates corruption. In a similar vein, a 2020 World Bank research estimated that corruption costs developing nations $1.26 trillion a year, a substantial sum that might be used for infrastructure and economic expansion. The development of a culture reliant on help is another important problem. Instead of utilizing help as a short-term boost to achieve self-sufficiency, many recipient countries end up being dependent on ongoing support. This dependence deters investment, local economic endeavors, and the production of domestic income. In The White Man's Burden, William Easterly (2006) emphasizes how governments frequently put obtaining foreign aid ahead of promoting domestic economic growth, undermining incentives for innovation and entrepreneurship. This dependence circle makes it difficult for governments to move from aid-reliant economies to self-sustaining ones. Economic policies have a vital influence in deciding how successfully help is employed. In many situations, nations that receive help lack solid economic policies, which leads to wasteful use of cash and inadequate economic performance. The International Monetary Fund (IMF) and World Bank, for example, mandated austerity measures and economic liberalization in developing nations during the 1980s and 1990s through their structural adjustment programs (SAPs). These policies, which were meant to spur growth, frequently led to economic stagnation, a worsening of social inequality, and a decrease in public investment on basic services (Stiglitz, 2002). Strong infrastructure, such as communication networks, water supplies, energy, and roadways, is necessary for economic growth. However, the absence of these necessary infrastructure in many developing nations makes it challenging to draw in investment and expand enterprises. According to an African Development Bank assessment from 2021, African nations' productivity might drop by as much as 40% due to poor infrastructure. Even when help is provided for the building of infrastructure, corruption, inefficiency, and inadequate upkeep can make these initiatives ineffectual. Economic advancement is significantly hampered by political unrest and instability. Large-scale population relocation, investment deterrence, and economic disruption are all consequences of war, civil unrest, and unstable administrations. For instance, during the previous 20 years, billions of dollars have been sent to Afghanistan. However, sustained economic progress has been thwarted by enduring violence and inadequate governance. According to Collier (2007), political instability and ethnic conflicts frequently impede assistance operations in many sub-Saharan African countries. Prolonged poverty is also influenced by demographic variables, such as poor literacy and rapid population expansion. Rapid population expansion puts a burden on already scarce resources and slows the increase of per capita GDP in many developing countries. Economic production is also hampered by insufficient labor skills and educational attainment. According to UNESCO (2022), educational disparities in developing nations impede economic diversification and technical breakthroughs, making it challenging for those countries to make the shift to higher-income economies. Trade restrictions put in place by wealthy countries are a problem for many developing countries. Poor countries' capacity to export goods is restricted by industrialized countries' subsidies and tariffs, which also limit their economic progress. African and Asian farmers, for instance, find it challenging to compete in the global market due to the significant subsidies that the United States and the European Union give its farmers (Oxfam, 2020). Poor nations continue to face economic disadvantages as a result of this trade policy mismatch. Short-term assistance is sometimes given precedence over long-term development in traditional foreign aid schemes. In times of crisis, humanitarian help is crucial, but it can backfire if it takes the place of sustainable economic practices. Due to poor administration, a lack of local participation, and an excessive focus on short-term assistance rather than restoring economic underpinnings, billions of dollars in aid following the 2010 earthquake in Haiti did not result in long-term economic progress (Schwartz, 2017). Economic progress requires private investment just as much as foreign help. However, weak legal systems, insufficient security, and unpredictable economic environments prevent many developing nations from attracting foreign direct investment.

Conclusion

Although the goal of economic help is to reduce poverty, corruption, reliance, bad policies, inadequate infrastructure, and imbalances in international commerce frequently cause it to fail. Traditional assistance techniques must give way to tactics that encourage economic competitiveness, self-reliance, and better governance in order to end the cycle of poverty.

References

1- Collier, P. (2007). The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It. Oxford University Press.

2- Easterly, W. (2006). The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good. Penguin Press.

3- Moyo, D. (2009). Dead Aid: Why Aid Is Not Working and How There is a Better Way for Africa. Farrar, Straus and Giroux.

4- Oxfam. (2020). Unfair Trade: How Trade Rules Trap People in Poverty.

5- Schwartz, T. (2017). The Great Haiti Humanitarian Aid Swindle. University Press of Florida.

6- Stiglitz, J. (2002). Globalization and Its Discontents. W.W. Norton & Company.

7- UNESCO. (2022). Education for Sustainable Development Report.

8- UNCTAD. (2021). World Investment Report.

9- World Bank. (2020). Corruption and Economic Development.