

Overseas aid and development

Overseas aid is the transfer of resources at non-commercial rates by one country (the donor), or an organisation, to another country (the recipient). The resource may be in the form of:

- 1 money, as grants or loans, which has to be repaid, even at low interest rates
 - 2 goods, food, machinery and technology
 - 3 know-how and people (teachers, nurses).
- The basic aim in giving aid is to help poorer

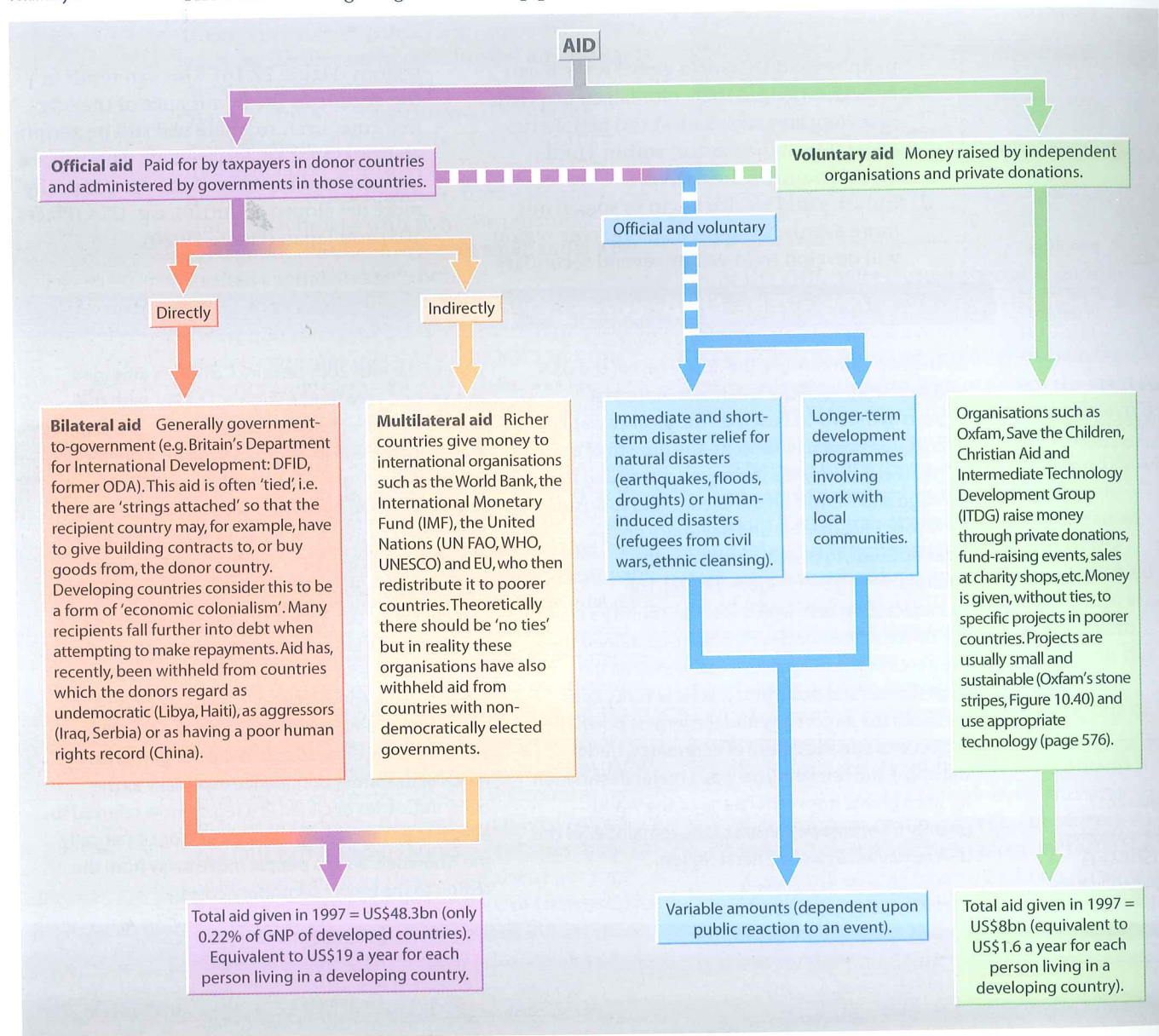
countries develop their economies and to improve services in order to raise their standard of living and quality of life. In reality, the giving of aid is far more complex and controversial as it does not always benefit the recipient.

Types of aid

Basically, there are two main types of aid: **official** and **voluntary**. The differences in their purposes and aims are summarised in Figure 22.18.

Figure 22.18

Official and voluntary aid



Main donors and recipients

Although Japan and the USA are (1997) the world's largest donors, the amount that each

gives as a proportion of their own GNP is small (Figure 22.19) and well below the UN recommended figure of 0.7 per cent.

Figure 22.19

The major aid donor countries (1997)

Rank 1997	Rank (1992)	Country	% GNP	US\$bn	% change 1992-97
1	(3)	Denmark	0.97	1637	+3.7
2	(1)	Norway	0.86	1306	+0.5
3	(4)	Netherlands	0.81	2947	+1.4
4	(2)	Sweden	0.79	1731	-2.5
5	(6)	France	0.45	6107	-4.2
=6	(7)	Canada	0.34	2045	-4.0
=6	(8)	Switzerland	0.34	911	-3.1
8	(5)	Finland	0.33	379	-11.9
11	(10)	Germany	0.28	5857	-3.9
13	(14)	UK	0.26	3433	-0.3
18	(16)	Japan	0.22	9358	-5.8
20	(19)	USA	0.09	6878	-8.9

Figure 22.20

The major aid recipients (1997)

Rank 1997	Rank (1990)	Country	% GNP	% change 1990-97
1	(38)	Rwanda	32.0	+18.4
2	(1)	Mozambique	29.6	-16.0
3	(15)	Mongolia	28.7	+11.6
4	(23)	Madagascar	24.3	+10.6
5	(5)	Mauritania	23.9	-1.9
6	(2)	Nicaragua	22.7	-16.3
7	(8)	Laos	19.5	-1.1
8	(9)	Mali	18.7	-2.3
9	(12)	Niger	18.6	+2.1
10	(17)	Zambia	16.7	-0.7
11	(57)	Burkina Faso	16.0	+6.9
12	(28)	Sierra Leone	15.9	+3.3

As for the recipients, while the two-thirds of the world's poorest countries (low-income economies) located in sub-Saharan Africa did receive 60 per cent of all overseas aid, there is no simple correlation between the level of poverty and the amount of aid received (Figure 22.20). Often aid is not given to countries with the greatest poverty and need, but to those with a strong political voice (Israel with its strong Jewish lobby in the USA), which have supported donor countries at times of war (Egypt and Turkey during the Gulf War), have a valuable natural resource (Kuwait's oil), have strong historic ties (Jamaica with Britain), or have strategic military locations (the Philippines).

The International Monetary Fund's (IMF) Structural Adjustment Programmes aim to help the poorest countries, many of which are in Africa, as well as the emerging economies, as with various South-east Asian countries in the wake of the late-1990s financial crisis. In contrast, the World Bank lends capital for specific projects.

Both agencies, however, have recently been through a period of self-examination about their priorities and support programmes. Meanwhile there was, in 1999, a high-profile campaign to cancel Third World debt for the year 2000.

While few people argue against emergency aid, except to say that it is often 'too little, too late', other forms of aid are more controversial. Some consider that no non-emergency aid should be granted, especially as it is usually given in the political, industrial and commercial interests of the donor country, without concern for the environment, and does little to improve the long-term quality of life in the recipient country. Aid tends to address the symptoms of poverty rather than the causes. Others feel that aid does make an important contribution to the economy of many poor countries and to the welfare of some of their poorest communities. Some of the arguments of the pro-aid and anti-aid groups are listed in Figure 22.21.

Figure 22.21

Arguments for and against the giving of aid

For

- Response to emergencies, both natural and human-induced.
- Helps in the development of raw materials and energy supplies.
- Encourages, and helps to implement, appropriate technology schemes.
- Provides work in new factories and reduces the need to import certain goods.
- Helps to increase yields of local crops (green revolution) to feed rapidly growing local populations.
- Provides primary health care, e.g. vaccines, immunisation schemes, nurses.
- Helps to educate people about, and to implement, family planning schemes.
- Grants to students to study in overseas countries.
- Can improve human rights.

Against

- Aid is a conscience-salver for the rich and former colonial powers.
- Better to use money on the poor living in the donor countries.
- An exploitation of physical and human resources.
- Used to exert political and economic pressure on poorer countries.
- Increases the recipient country's external debt.
- Often only goes to the rich and the urban dwellers in recipient countries, rather than to the real poor.
- Encourages corruption amongst officials in donor and recipient countries.
- Undermines local activities, e.g. farming.
- Does not encourage self-reliance of recipient countries.
- Often not given appropriate technology.