

DEVELOPMENT

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Again in some success cases the amount of foreign aid provided has been much larger than in many of the non-success cases. It is certainly possible that Greece, Israel, South Korea and Taiwan which are now virtually independent of aid would have reached their current satisfactory levels of growth and income levels without aid but their growth would not have been so spectacularly rapid without massive foreign aid. On the other hand the examples of Burma and Indonesia who have rejected foreign aid programmes and also stagnated serve as warnings that national efforts alone may not be a complete and perfect substitute for aid resources.

MAJOR ISSUES

Major issues in aid policy may be identified as follows:—
(a) Multilateralism versus bilateralism in aid. (b) Spread of practices such as source tying and projecting of aid which reduces the efficiency of aid. (c) Economic efficiency of food aid under PL480 programmes. (d) Use of economic criteria for measuring economic performance and for allocating aid among recipients. (e) To find a suitable criteria for allocating the aid burden among different donors.

The existing predominantly bilateral aid flows suit the interest of the donor countries and are forced on the developing countries without having any choice or voice in the matter. Whereas multilateral aid programmes would be really in the interest of the developing countries. So far multilateral institutions and arrangements in this area have been inadequate. The best possible aid arrangement for the developing countries should be multilateralisation of bilateral aid flows through consortium technique a practice which is being increasingly adopted by the World Bank and OECD.

The spread of the practice of tying aid by source now practically universal needs careful revision for mitigating its adverse effects on the developing countries. Another doubtful issue is the surplus commodity disposal programme under PL 480 which has adverse impact on the agricultural development of the recipient developing countries.

There do not appear to be a satisfactory criteria to rank performance of the recipient countries evaluate their policies and reward them according to their economic efficiency.

cy and allocate aid to them accordingly. Ultimately certain value judgements and preconceptions are bound to affect the evaluation of programmes in the developing countries to utilise foreign aid and assistance.

Finally the thorny problem of distribution of aid burden among the donor countries according to a suitable and acceptable criteria still remains undecided. One of the most difficult question is at what prices the contributions of the donors are to be valued? There is difficulty even in enforcing a target like one percent of national income and although the targets should be much higher the situation is not likely to improve unless the donor countries reduce their enormous expenditure on armaments and invest the same to development programmes of aid to developing countries. All developed countries with income per head of above \$ 600 should contribute at least 1% of their GNP for the total requirement of 4.5 billion dollars of aid for the developing countries per annum.

As a matter of moral obligation and promotion of economic advancement and international solidarity of all peoples and to do away with the inequality and widespread deprivation within the international community the rich countries must have a responsibility to help the poor nations who have a moral right to foreign aid and assistance from the rich nations.

So the moral and humanitarian objectives of foreign aid and assistance are fully justified on the grounds of equity and human solidarity and as such aid should not be tied to procurements in the donor countries nor inspired by hopes of any returns or selfish gains whether in the form of political or economic advantages to donors.

It implies that aid should be without any strings although the reality is different. Even if no strings are expressly attached to foreign aid and assistance the recipient government is always under pressure to conform to the wishes of the donor if it wants to qualify for further aid in future.

It is also natural for the donor countries to make decisions regarding foreign aid in a political context in which considerations of their own national interests must come to the fore and cannot be excluded or ignored.

The objectives of foreign aid are commendable but the means are inappropriate for the achievements of the objectives. It is generally simply taken for granted that foreign aid is an appropriate means to achieve these objectives. This conclusion is fundamentally wrong.

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Foreign aid

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long run foreign aid will almost surely retard economic development by spreading up communism of the underdeveloped world and promoting triumph of Communism. Western Democracies may render much better services and benefits to the developing countries by strengthening of free market domestic economies in the less developed countries and by removing the obstacles to private international trade and investment.

The purpose of foreign aid to underdeveloped countries is to accelerate their economic development upto a point where a satisfactory rate of growth can be achieved on a selfsustaining basis. The principal element in this transition must be the self-reliant efforts of the citizens themselves of the recipient countries. Without these efforts outside capital and resources will be wasted and will not be properly utilised. The general aim of aid including loans grants and technical assistance is to provide in each recipient developing country a positive incentive for maximum national efforts to increase its rate of growth and attain selfsufficiency by increasing its absorptive capacity and capacity to repay. Effective utilization of aid will shorten the time it takes to achieve selfsustaining growth.

High growth developing countries have an increase in income per head of 2% per annum or more. Low growth developing countries may have an increase in income per head per annum of 0.0 to 1%. Stationary developing countries have either no increase in income per head or a very low increase of under 0.5% per head per annum.

Economic factors are a necessary but not sufficient condition of sustained economic growth. Selfsustaining growth marks a stage for a developing country where aid is not required any more while normal capital imports and private foreign investment may continue.

In Latin America Columbia Argentina and Mexico in Asia India Philippines and Iraq and in Europe Greece and Yugoslavia have already reached such stage. Let us hope that Bangladesh and other developing countries will soon reach such a stage and do away with the need for foreign aid altogether.

(The author is a former Ambassador of Bangladesh).

FOREIGN AID AND

M.N.I. CHOUDHURY

The nominal amounts of aid provided by the developed countries to the developing countries and the real value of such foreign economic assistance have been falling since 1965. This is partly due to the fact that the major donor countries have been rather compelled by certain international political and economic developments and pressures to divert their attention to other pressing foreign policy issues.

There has been also a growing disillusionment with the capacity and potentials for development of the developing countries through proper absorption and utilization of foreign aid and assistance and also with the very fundamental and crucial question of the actual role which foreign aid plays in the development efforts and programmes in the developing countries.

Expectations of rapid and sustained economic growth in the developing countries have been belied. Evaluations have been skeptical and pessimistic regarding the actually poor, inefficient, inadequate and disappointing performances of the ruling elite of the poor developing countries in matters of proper absorption and utilization of foreign aid and assistance. As a result the contribution of foreign aid to development in poor developing countries is being seriously questioned and doubted. There is a growing realisation in both the developed donor countries and the recipient developing countries that instead of accelerating sustained economic growth in many cases, foreign aid has been responsible for perpetuation of the dependence of poor developing countries on external aid.

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Apart from poor performance of other natural factors and calamities like droughts, famines, cyclones, floods, and balance of payments and recurring inflation in many poor developing countries. The major pre-requisites of peace and development required for foreign aid have also been

honest and hard work and dependence on others' charity. No wonder that some of the poorest developing countries have often been described as "bottomless baskets" or "nations of beggars". To vindicate its honour and selfrespect, every developing country must build up a selfsustaining and selfsufficient economy honest and hard work to end its dependence on foreign aid and assistance as early as possible.

Private capital movements may yield substantial benefits to less developed countries but they can hardly be considered as foreign assistance. There are many other ways in which foreign aid can be provided e.g. military aid and support, special import quotas and tariff abolition or reduction allowed to less developed countries usually called preferential treatment but these indirect means of providing resources do not come under the foreign aid categories.

It is widely thought that the growth performance of the foreign aid programmes of less developed countries has been generally poor. It is therefore often believed that foreign aid flows have been as considerable as the major aid programmes suggest, then it cannot be regarded as a useful agent of economic development. However such a generalization would be misleading and it would be better to pass judgements without judging the merits of each case.

There are many examples of successful aid absorption, utilization and repayment by recipient countries, as there are many cases of failures, inefficiency, wastage, misuse and misappropriation of huge foreign aid funds and resources in many developing countries.

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supervision of advisers and experts from the donor developed countries and international organisations. However, the developing countries should learn from experience and take necessary steps for their economic development accordingly. They should not also blindly abandon any economic policy in aid programmes just because it has once failed.

The growth achievement data for the developing countries for 1955-65 are remarkable. The average growth rate per capita of 1.9 per cent for the developing countries during this period is certainly higher than the average growth rate in Western Europe or the United States during the nineteenth century. But since 1965 this growth rate has been falling and has not been so spectacular as the quantum of aid has also been falling.

RELATIONSHIP

The official aid figures and magnitudes of the developing countries conceal the fact that the quantum of foreign aid and assistance is not quite so large as the numbers quoted imply. Further the nominal aid flows are composed of grants and loans given in different forms and with various conditions for the use of the funds and resources and for repayment.

These conditions create differences between the nominal values of the aid flows and their real values to the recipient countries. Grants for example, are resource transfer without any requirement of repayment. Loans must be repaid with interest charged. Grants may be restricted in their use for purchases whose prices for such purchases may be higher than the world market prices. In this case the aid for the donor countries will be taken into account this price differential.

Taking all the real values of aid flows to the recipient countries may be as low as half of the nominal value in terms of their burden on the donors and their real worth to the recipient are thus significantly lower than the large magnitudes usually cited in public discussions.

It must, therefore, be admitted that the aid flows have not been large enough to produce the dramatic results hoped for. Nonetheless, the flows which are fairly substantial in the case of some less developed countries have amounted to as much as

times their net investment and import bill. If we consider the negative and disincentive effects of gifts on national

psychology, savings patterns and inadmissible efforts for development even in the success cases, we cannot draw the obvious conclusion that foreign aid has been a necessary condition for successful development.

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