

Socio-political Implications of Development Assistance

by M. Syeduzzaman

Development path is influenced to a significant extent, among others, by the basic features of a country's economy — its political framework, the process of political decision making, and its human and natural resource endowment. It is also influenced by the strategies adopted by the country for long-term economic growth, allocation of resources and efficiency in use of resources. In today's world external assistance or foreign aid has come to assume an important role in practically all developing countries, more so in the low income countries. The impact of external assistance will depend, apart from the macro-economic framework in which investment activities are undertaken, also on the degree of dependence on aid (aid inflow as a percentage of GNP). A large number of successful developing countries have been recipients of large quantities of foreign aid. If not decisive, aid has been a major catalytic force in many such countries. In the case of most low income countries, without aid the level of domestic investment, growth, and social benefits would have been much lower compared to middle income countries with access to international capital markets. OECD documents are full of statistics in support of this growth of per capita income, increase in life expectancy, increase in the rate of literacy and so on.

Though there has been "success stories" of aid users, no generalization about the role of aid is possible ignoring the indigenous socio-economic process. One must be clear as to what is meant by development. It is not without moral value judgment and critics of aid have not been always able to shed their ideological baggage. Here the spectrum of opinion can be said to be circular — the extreme right coming close to the views of the extreme left. Jagadish Bhagwati has rightly said that "Often, in fact, always, what people mean when they say that aid does not promote development is that it does not promote the kind of development of which they approve". But there is an underlying consensus about what development is not delivering in many developing countries — there is no visible reduction of the worst forms of poverty in many low income countries. The concern has been expressed even louder where such development has been with external assistance.

Embarking on development always entails risks. There are limits of resources, limits of institutional arrangements, and risks of failures in implementation. Therefore embarking on development with foreign assistance is also fraught with risks, risks of failure, risk of distortion. Such failures are not difficult to come by. The crucial test is whether the government is conscious of the risks and takes precautions to minimize them.

If a country is significantly dependent on foreign assistance, economic policy making may be unduly geared to mobilization of foreign aid alone. The compulsion for taking hard domestic decisions may be diluted by easy access to foreign aid, and convictions about economic policy making may be weakened. Sense of economic realism grows slowly. Problems begin to accumulate and governments find themselves in positions of undertaking reactive policies. Gradually many policy reforms become exclusively associated with donor conditionalities — and decisions are taken at times only on the considerations of a particular credit line or a particular project. This may also lead to bitterness towards donors and the entire aid relationship may be distorted and vitiated. Many public officials in Bangladesh would be familiar with this type of situation.

In a weak economy foreign aid can distort and influence domestic policies and political values. This occurs when a political party in power strongly justifies foreign aid and uses the commitment level as an index of its political and diplomatic success; and at the same time the political opponents of the government wish to use foreign aid as a lever to change the domestic power balance by lobbying with the donors. These are wrong perceptions. It is necessary to appreciate that aid is given by donors not to the government, but for the people of the country. That is why it is important to have domestic political consensus about the role and importance or foreign assistance in the economy. If foreign aid is crucial for a country's development and growth, such a consensus would appear to be dictated by common discretion.

Foreign assistance comes from government, and foreign governments can look for political support from (and at times military presence in) the recipient country as has happened in past decades. This has not been necessarily true of big powers only (though military presence has been). The risk for this type of a situation increases if a country is overwhelmingly dependent on foreign assistance or dependent on only one or two foreign donors. Aid sources have, therefore, to be diversified. Multilateralism in aid relationship helps to balance domestic and foreign choice in decision making and to avoid crude political pressure. That is why aid from multilateral institutions is

the recipient government deviates from a choice of project and programmes based on economic rationale under donor pressure or allurements of projects. It will not be an exaggeration to say that historically many bilateral donors have not always operated their aid programmes in the context of the optimal choice dictated by the concrete circumstances of a country at a given time. Bilateral donors naturally wish to provide whatever a particular donor can give best. But commercial interests do creep in. Even the most enlightened donors have many skeletons in their cupboard.

Foreign aid in most areas involves large scale import of capital goods, intermediate products and commodities.

their own personal agenda. Some regimes also faulted by being too ambitious about growth possibilities. The lesson of the experience of growth based on high levels of commercial borrowing seems to be that in an urge for higher investment and quicker growth, domestic policy makers must not set aside some fundamental economic principles. Governments/countries must not be overoptimistic — must not make overoptimistic assumptions about future world markets (oil or other commodities), interest rates, exchange rates etc. Countries must not relax the standards of economic viability of projects. Countries should seriously consider the trade off between high growth and lower but

Acceptance of development assistance is a basic choice for a country. In a situation where domestic national savings are not adequate to permit an acceptable level of investment and growth for visibly improving per capita income, foreign assistance and foreign savings have been sought to supplement domestic efforts. In theory there can be no objection to this kind of development strategy. At the same time it needs to be realised that foreign aid generates foreign choice in a country's economic development efforts.

Not infrequently donors seek allies in support of their own socio-political philosophy or their international agenda. Political and public support for economic aid in some of the major industrial countries for the newly independent nations in the post war period was enhanced by the search for obtaining leverage in the context of East-West confrontation. Today it is different. With East-West issue out of the way, the emphasis now is on new issues — on human rights, good governance, curbing non-productive expenditure and promotion social development.

Aid from the OPEC countries reached a significant volume in the 70's and early 80's. A large part of this has been in the form of grants to low income developing countries. OPEC aid has been by and large without any conditionalities and their project aid has financed a large number of infrastructure projects in these countries. Outright grant and balance of payments support have been also without any strings. However, some scholars have expressed views that some OPEC assistance may have had the effect of creating a favourable political and social climate for those donor countries. In a long term context this is not different from the experience with other donors where development aid has been distorted by non-development aid and non-development considerations. One could easily point to the cases of Cuba, Israel and Egypt in this pattern.

Foreign aid may distort production cost and structure in many cases through choice of projects and choice of investments. This happens when

Naturally there is competition for sale, and this lends to the growth of "middlemen" with minimum or no contribution to the growth process. Examples are not rare where a large section of the middle class has thrived on this process with no contribution to the economy. Such avenues of unearned income distorts the choice of profession, development of skills and social values. More often than not, this class works as the conduit for unearned income for decision makers and power brokers. The situation gets complicated and more complex when donor country business interests get involved in the process. While such developments are more likely in the case of bilateral aid, every soon it may start to taint procurement under multilateral financing sources also, through refinement of the tools of operation.

Aid policy in the 70's was very largely influenced by the desire and compulsion to recycle oil dollars which was strongly encouraged by the multilateral development institutions and major industrial countries. Their compulsion was to keep the world economy going, to prevent a world recession (the fear was strong), and to protect the health of the industrial economies. This was also consistent with the Articles of Agreement and Charters of the multilateral development institutions. It is in this environment and not in the context of aid that many developing countries or particular regimes in some countries behaved irresponsibly. Many regimes fell for this new mechanism of borrowing from commercial banks and individual government leaders had

more stable growth rates without sudden reversal. Undoubtedly this calls for high standards of commitment, performance, and judgment by the recipient country governments.

Experience of middle-income countries

The experience of some Asian middle-income countries will be relevant in this context. Korea and Indonesia took recourse to commercial borrowings in the same period as the Philippines. Unlike the Philippines the other two countries achieved significant growth rates — and were able to handle the recessionary situation in the event of second oil shock with much better outcome. This was entirely due to the policy reforms and hard decisions taken by the governments committed to development. US political influence in Korea has not been less than that in the Philippines, and anecdotes about corruption are quite common. But Korea has been able to handle the situation with much greater success and has been able to eradicate poverty. This is not to deny that Korea (and to some extent Indonesia) has faced political tensions in recent years though the magnitude is not as high as in the Philippines. From social point of view both Korea and Indonesia have been able to handle the employment and poverty situation much better than the Philippines. In evaluating the socio-political implication of external assistance, where value-judgments will unwittingly creep in, one must not however ignore the growth aspect. Undoubtedly in the case of Korea, more than average growth rates, in fact

very high growth rates, helped to resolve the poverty situation very effectively resulting mainly from strong political commitment of the government. The impact of external assistance in the South Asian countries has been widely different in the face of different constraints. Domestic savings and resources have been the major constraint practically in all South Asian countries. Between 1960 and 1985 the domestic savings in the case of Pakistan declined from 13% to 5% of GDP and in Bangladesh from 8% to about 3%, whereas in the case of India it increased from 14% to 21%. Bangladesh and Pakistan were able to maintain a reasonable rate of domestic investment (though it declined in Bangladesh in the second half the 1980s) largely due to the inflow of foreign savings. This probably reduced the grip of some of these countries on the development process and the declared social objectives have not been served. The decline in domestic savings has been mainly due to drastic reduction in public savings due to the growth of unproductive public expenditure, and gradual erosion in the efficiency of public enterprises. In the process the governments have lost the leverage in maintaining the desirable direction of public expenditure.

Education and income

Education is the most important channel through which major socio-political influence can be brought in any country. In the early stages of economic development it will mean primarily establishment of a universal primary education system. But as times goes on and the economy is diversified, further investment will be essential to bring up the quality of human resource development. Moniek Ahluwalia, a well known Indian economist, has suggested on the basis of his research findings that investment in primary education and higher enrolment increases the share in national income of the poorest 40% of the people, while investment in secondary education improves the share of the middle 40% in income distribution. There are not many instances where external development assistance in a significant quantum has been channelled to the education sector. One reason is that primary education (as well as secondary and higher education) involves mostly local currency expenditure to which the donors have turned attention only very recently.

For Bangladesh, the decline in public savings and public investments in the recent years — at a time when aid availability has been reasonable, is a matter of considerable concern. If this is taken as a decline in public commitment to improving the social conditions of the poor, donor pressure for taking certain economic policy decisions and to demonstrate that commitment will increase. In recent days there has been clear evidence of this.

Country after country in the developing world is now accepting the importance of giving priority to social expenditure as a tool for reducing

Asian Women in America : Coping is Name of Game

by Wilhelmina Orozco

CELIA is a seamstress in a small factory in Los Angeles, California. Newly migrated from the Philippines, she laments the low wage she gets, but says she cannot complain because of feelings of inferiority to her white employers.

Celia's situation is not very different from that of other Asian migrant workers whose nationalities rank the lowest in American society in terms of social recognition.

Yet the Asian-Pacific population in US continues to grow. In the San Francisco, California area alone, Asians are estimated to number between 1.3 million and 1.5 million. Between 1983 and 1986, the US Immigration and Naturalisation services counted more than 152,000 legal immigrants, mostly Asians and Latin Americans, to the Bay San Francisco area.

The continuing influx of immigrants and the ensuing cultural conflicts have prompted the formation of groups looking after the plight of Asian-Americans. Miriam Louie, a sociologist, belongs to one group called the Asian Immigrant Women Advocates (AIWA) whose end in view is to raise the dignity of Asian-American women.

"My mother is Korean and my father is Chinese, so it was very, very important for me to learn a lot more about my people and what had happened to the generations of people that have come (here)." US-born Miriam explained here interest in fellow Asians.

Ms. Louie was initiated into activism by the non-violence movement in the 1960s which called for the end of American involvement in the Vietnam war. The women's movement, she said, developed from there.

"(As) the civil rights movement ended, women began to poverty, in addition to growth-oriented adjustments. Bilateral and multilateral donors are actively pursuing this in their aid policies. In this context there has been some renewal of the emphasis on public sector intervention in the economy as well as a realization that certain things are done better or best by the public sector. It is now broadly realized that the nature and direction of public investments can have a positive and beneficial impact on the socio-economic condition of the weakest sections of the society whether it is financed from aid or from domestic resources. But since low income countries have to depend on external assistance a role for the donors is easily established. The donors are now most vocal for enduring efficient use of their aid. Governments need to remain

ask, "What about our rights, too?" she says. From that dilemma arose a group called Third World Women's Alliance which "talked about the connections between fighting sexism, fighting racism, fighting class oppression."

Apart from protesting the Vietnam war, the Alliance also

The Asian women's movement in the US reflects the experiences of Third World peoples in First World countries

worked around the issues of what Ms. Louie said was the forced sterilization of women as a means to limit population, infant mortality (for example, why the rate was twice higher in black than in white communities) and employment for racial minorities and women.

All these issues are still being grappled with by Ms. Louie through the AIWA. Based in Oakland, AIWA started as a project to organise support of women workers in the hotel industry. It came as a response to a group of hotel chambermaids, mostly Asians, who wanted more cooperation between labour unions and community organisations. AIWA has branched out to organising women in the garment, electronics and health industries.

"What we've seen is that in our area, 85 per cent of the seamstresses are Asian immigrants who make less than the minimum wage and are paid at piece rates.

"A third of the workers in the hotel industry are Asian immigrants doing very difficult work cleaning. They have to clean 15 rooms each, make

conscious and vigilant on this. Distortion between recurrent expenditure and capital expenditure within recurrent expenditure and capital expenditure need to be constantly reviewed by the government in the context of a medium-term framework of development strategy and programme. If not, donors will want to do this. Until recently there has been reluctance on the part of donors to comment publicly on recurrent expenditure of recipient governments.

They are now willing to discard the fig leaf. This can be effective if flow of different types of assistance are conditioned to be matched by the growing volume domestic resources, a goal where donor conditions and publicly declared policies of the governments coincide.

them spotless, and yet they do not get wonderful wages for rooms that sell for US\$150 a night," says Ms. Louie.

Electronic assemblers, she continues, make a little above the minimum wage, "but they work with really dangerous chemicals."

The workers themselves help identify the issues. For example, garment workers (mostly Korean) need health insurance coverage considering their generally low wages.

Workers in the electronics industry — a motley group of Vietnamese, Chinese, Koreans and Filipinos — see the need for in-depth education on the "problem of working with toxic chemicals and how to improve safety conditions," in addition to getting higher pay.

In nursing homes, where many Filipino nurses are found, AIWA found dignity of labour paramount. "The women have told us that they want basic respect, not to be treated like servants and yelled at by supervisors," says Ms. Louie.

AIWA has the confidence of women workers because of its positive and non-threatening approach, she explains. It offers English language classes to improve their ability to speak out. It also has a six-week leadership training programme featuring a slide show which outlines the history of Asian immigrant women and how their labours have contributed to the wealth of the US economy. After the show, a woman labour lawyer answers job-related question from the audience.

Another AIWA programme, on economic literacy, orients the workers on the structure of the industry they work in, to demystify the economic forces that determine their working conditions. The workers learn what a just wage is, what the value of their work is.

Not the least, AIWA goes on picnics with the women workers. "At certain seasons of the year, we rent a bus and go out. We tell the women to bring their children, the grandma, everybody. It sounds like a little thing but it's not. It's a big deal that women actually have some time to do what they want to do by themselves," Ms. Louie points out.

AIWA staff, to be effective with the workers, have to be bilingual and sensitive to people's cultures and backgrounds. The staff develop "activities based on what people want to do and think. (Then this is linked to) the broader development of the organisation," says Ms. Louie.

In San Francisco, AIWA has linked up with the Asian Women's Shelter on the issue of domestic violence within Asian communities. The Shelter has chapters in New York and Los Angeles.

It also maintains liaison with the Women's Committee of the Chinese Staff and Workers Association working with women in the garment industry. A recent concern of the Staff was the case of a Chinese woman murdered by her Chinese husband in a fit of jealousy. The man received a light sentence, on the defence that "this was part of the Chinese culture saying it's all right for him to kill his wife (because) she was caught cheating on him," Ms. Louie points out.

The Staff is organising forums to generate public opinion on the double standards that exist in their society, she says.

With regard to the North American women's movement, Ms. Louie feels the need to have a forum on the gap between the new and the older generation of women activists. Activists in the 1960s, she explains, were concerned with racism, world peace and women's liberation whereas the present crop of activists are narrowly concerned with just being women.

"In some countries, women cannot afford to have that separation. They have to take up feminist issues and view them against racial and economic backgrounds," Ms. Louie says.

The Asian women's movement in the US reflects the experiences of marginalised groups of Third World peoples in First World countries. In a democratic setting, it can prosper to higher levels of effectiveness once the women overcome their feelings of inferiority and develop pride in their Asian roots. AIWA's efforts are a step in that direction.

Land of Diamonds Tries to Boost Food Output

by Marx Garekwe

AFTER three decades of stagnation in the farming sector the government of Botswana is trying to change the pattern of agricultural production from being merely subsistence-oriented to food security.

The new policy is a direct response to years of poor management, lack of appropriate technology and government subsidies used unproductively.

Botswana has always had trouble feeding its population. Eighty per cent of the country is desert and it is plagued by droughts. Today diamonds are the main foreign exchange money-spinner, but agriculture is still important to the economy. A new programme is being introduced by the government to improve farming output.

In 1991 Botswana lost about \$ 45 million because of poor management.

As a landlocked country, 80 per cent covered by desert and with more drought spells than rainy seasons, Botswana has always had great difficulty feeding itself.

Since independence in 1966 it has had to import almost all its food needs from South Africa, while adopting wrong policies in its agricultural sector.

Botswana is an agricultural society. More than 80 per cent of the 1.3 million population live in rural areas. Most farmers are small-scale, using backward methods and lacking the financial capital and technical knowhow to improve

them. At independence cattle-rearing was the backbone of the economy. In the Seventies the discovery of diamonds at Orapa and Lethakame, in the central district, changed the situation. Today diamonds contribute more than 70 per cent of the country's foreign reserves.

But beef production is still crucial to the economy. Under

Howard Segwele, chief agricultural economist at the Ministry of Agriculture, told the state-owned Daily News recently that the "number of cattle which perished this year due to poor management constitute ten per cent of the three million cattle population."

Poor management practices include overgrazing, where cattle die for lack of grazing pastures, and neglect by farmers who leave their livestock to die of diseases and predators such as lions and leopards.

Shortage of trained agricultural personnel is also a factor, since some farmers are not reached by agricultural extension workers.

The new policy aims to encourage pastoral farmers to form syndicates and fence communal areas in which to graze their livestock. The government promises to help farmers with water reticulation and technical knowhow.

It will provide fencing materials for small-scale farmers who cannot afford to fence their grazing land. Technical experts will be based among communities to help in such matters as artificial insemination and de-horning. It is hoped the communities can eventually take over from the experts.

Small-scale farmers and opposition politicians see the new policy as another land-grabbing trick by the ruling party. They say the rich will take and fence large portions of land while small farmers are left wrestling with red tape. Government help usually



When drought comes to Botswana... vultures eat the cattle carcass, a boy collects bones to sell

takes a long time to reach people because of bureaucratic inefficiency. Application forms for assistance are made unnecessarily difficult for farmers. Delay often happens because everything has to be approved in the capital, Gaborone.

Some people see the new policy as the Tribal Grazing Land Policy (TGLP) of 1975 dressed in a new garb. TGLP was another programme demarcating land into large commercial farms allocated to those farmers who had the money. Small-scale farmers were left in the cold.

TGLP proved a fiasco. In some cases poor management was exacerbated by the prolonged drought that ravaged

the country through most of the Eighties. The programme failed because of lack of proper planning. Studies were not carried out before implementation to determine what areas were suitable for what. In the end only the rich benefited.

People say the same thing will happen again because no proper studies have been made to determine the suitability of the land for different breeds of animals and crops.

The emphasis was on upgrading small-scale arable farmers by providing subsidies for implements, water catchment tanks, fencing materials and so forth. Government provided grants of up to 85 per cent while the farmer was

supposed to come up with 15 per cent down payment as soon as his application was approved.

By contrast the cattle industry has done relatively well, rising from 1.4 million cattle in 1965 to slightly over three million today.

Nevertheless, Botswana is still losing large numbers of cattle. In 1990 about 291,000 cattle were lost through poor management.

The new policy is to introduce a land use plan that will guide farmers in their farming activities. Surveys by the Ministry of Agriculture will determine land suitability for crop production or cattle rearing.

Orlam picture by Peter Keen