

***Syllabus Objectives: understand AID*****Foreign Aid*****Classifications and types of aid***

- Explain that aid is extended to economically less developed countries either by governments of donor countries, in which case it is called official development assistance (ODA), or by nongovernmental organizations (NGOs).
- Explain that humanitarian aid consists of food aid, medical aid and emergency relief aid.
- Explain that development aid consists of grants, concessional long-term loans, project aid that includes support for schools and hospitals, and programme aid that includes support for sectors such as the education sector and the financial sector.
- Explain that, for the most part, the priority of NGOs is to provide aid on a small scale to achieve development objectives.
- Explain that aid might also come in the form of tied aid.
- Examine the motivations of economically more developed countries giving aid.
- Compare and contrast the extent, nature and sources of ODA to two economically less developed countries.

***Evaluation of foreign aid***

- Evaluate the effectiveness of foreign aid in contributing to economic development.
- Compare and contrast the roles of aid and trade in economic development.

**Multilateral development assistance*****The roles of the International Monetary Fund (IMF) and the World Bank***

- Examine the current roles of the IMF and the World Bank in promoting economic development.

**Summary notes*****Definitions***

Aid: any assistance that is given to a country that would not have been provided through market forces.

Official development assistance (ODA) - organised by government or official agency

- Bilateral aid: aid given directly from one country to another

- Multilateral aid: aid given by rich countries to international aid agencies (e.g UN childrens fund, IMF). These agencies then decide the best use for the aid.

NGO assistance - unofficial assistance. Focusing on education, health, micro-credit, AIDS, immunization ...

Examples: Oxfam, CARE, Mercy Corps, Greenpeace, Amnesty International, Doctors without borders.

**How can aid support economic development?**

- support in natural disaster or war
- strengthen political alliances
- improve the quality of human resources in a country
- improve levels of technology
- fund development projects
- close savings gap

Role of Foreign Aid and Multilateral Development

Types of Aid	Description	Examples
<b>Humanitarian Aid</b>	Aid given to alleviate short-term suffering (wars, disasters). Grant aid and does not have to be repaid.	<b>Food aid</b> - also transport, storage and distribution of aid. <b>Medical aid</b> - provision of medical services <b>Emergency aid</b> - provision of emergency supplies; tents, clothing, fuel, heating and lighting.
<b>Development Aid</b>	Aimed at alleviating poverty in the long run and improving welfare. Usually aid provided by ODA's. Concessional with a grant element of at least 25%. Supporting hospitals, education and infrastructure often the main focus.	<b>Long-term loans</b> - low rates of interest (soft loans). Repayable over 10-20 years. <b>Tied aid</b> - grants or loans given with the provision that funds are used to buy goods from the donor country. <b>Project aid</b> - given for a specific project (often infrastructure) and requiring no repayment. World bank major supplier. <b>Technical assistance aid</b> - aid aiming to bring in foreign technology and human capital to provide training to use the capital. <b>Commodity aid</b> - provides funds to purchase commodities including consumer items, intermediate inputs and raw materials.

*Evaluating aid*

Arguments for	Arguments against
If targeted correctly then aid can lead to economic growth and development	Research suggests no direct correlation between the aid given in a developing country and growth in GDP
Humanitarian aid reduces short-term suffering	Aid is often not distributed equitably (fairly), with a few city dwellers being the recipients
Creates stronger international relations	Aid often given for political reasons instead of where the need is the greatest
Opportunities for shared technology and education and training (technical assistance aid)	Tied aid not as effective as untied aid. Countries are forced to purchase imports which harms domestic industries.
Helps to construct crucial infrastructure. NGO's often are more effective as they know the local situation than donor countries.	Reduces incentive to innovate and creates welfare dependency.
In countries with highly volatile political situations directly targeted aid is the citizens only hope	Aid is sometimes only given to countries with sound (or those who adopt new) economic policies (like deregulation, privatisation and trade liberalisation)