

Restructuring of Foreign Aid Deliverance for LDCs!

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LDCs are mired with large number of socio-economic and political problems that largely deter them to achieve the fruits of developmental efforts. Few such are; mass inertia, ethnic disturbances, orthodox approach to life and living, corruption at all levels and various in-built legal and political contradictions. Consequent upon which the benefits of the foreign aid trickle down to the marginalized people at a negligible ratio. One of the major characteristics of the LDCs is that the countries are always more prone to follow black budget or spending maximum part of their revenues on non-developmental activities than otherwise. Under the circumstances, it becomes almost irrelevant to avail regular foreign aid, year on year. India is no exception to it. The corrupt delivery system, directly or indirectly, patronize the predatory instincts of the rich class. Hence, the delivery system should be made free from clutches of the government-corporate-bureaucrats and mafia nexus and the alternative delivery system should be directly monitored by the donor countries and agencies as such. This will not only protect the interest of the poor and marginalized people, but also reap better harvest and goodwill for the donor countries as well.

INTRODUCTION

The question of effectiveness of foreign aid is full of complexities. The in depth studies by various research scholars and financial authorities have clearly demonstrated that, although, LDC countries like India have been receiving a large amount of foreign aid, the reach of foreign aid to the target group of people has remained largely dismal. The issue of foreign aid, since the end of cold war period, seems to be more an intense political issue than socio economic ones.

The characteristics of LDCs are universally known. They suffer from very low per capita income, illiteracy, poverty and destitution, lack of social security and political awareness and above all mired with ethnic and regional sensitivity. Having such socio economic complexities, the political system of these countries is either having authoritarian bend or pseudo democracy. It is generally found that political systems of these countries are by-product of all pervading socio

economic corruption and in turn the politician and the final approvers of the economic policies are the by-product of the corrupt system. Most of the politicians are involved in politics either for their monetary gains or to protect their vested interest or both. At least, in case of India, what the constitutional provisions restrict the people serving in public and private sector organizations from being part of active politics, mostly the people from the illiterate and which criminal background suddenly appear in the political horizon and ultimately hold constitutional authority. This phenomenon inspires more of vagabonds to opt politics as a business of "No investment and high returns". India represents the model of typical LDCs Even after 67 years of political independence in 1947, acceptance of economic reforms since 1990, propagandizing for having socialistic pattern of socio economic structure, India remains mired with chronic adversities there by holding 42 crores of people reeling under abject poverty. The large segment of poverty-stricken population in India does not afford to have even a single morsel in a day. Under the circumstance, they cannot even

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dream of a moderate living conditions, health and hygiene, minimum schooling and recreation as such.

OBJECTIVES OF THE STUDY

Most of the donor countries are rich ones and they have remained interested in strengthening democratic political set up because directly or indirectly, they are going to be benefited. The benefit comes to them through two streams. One is political and the other is financial. The political stabilities in these countries could support market economics and the growth of market would facilitate the rich countries to expand their markets sooner or later. Though, India is regarded as largest democratic country in the world, the political rights of the people are pathetically limited and due to labyrinth of bureaucratic setup, the delivery system or distributive justice is largely restrained.

India has been recipient of maximum foreign aid among the LDCs which amounts to \$55 billion since the beginning of its First Five Year Plan (1951). India intentionally preferred the five year plan model to get rid of the chronic problems of social, political and economic backwardness through a plethora of developmental projects for the poor and marginalized people, year on year, and to implement those developmental projects; though it generated its own resources simultaneously, it largely depended upon foreign aid. 'The word "foreign aid" is perceived as 'alms' and by the people at large and the politicians consider that some rich nations are granting aid just to augment the countries' sustenance and hence, it is non refundable as such. They can hardly perceive and believe that the foreign aid comes to the country in the form of "soft loans" and not as 'alms'. Such distorted perception gives boost to financial misappropriations among the politicians and bureaucrats who are least sensitive to the woes of the poor people.

So the large amount of foreign aid is bungled, misappropriated, siphoned and withdrawn

out of system which is actually meant for the target group of people. Therefore, the question of effectivity of foreign aid in India does not relate to weak or defective delivery system but it is the question of intentions, integrity and accountability of the ruling politicians as well as the bureaucrats.

The real scenario of India: It is observed by various economist and authorities that two third of the population is in poverty with highest illiteracy rate in the world. The country is the capital of malnutrition people on the earth where average citizen holds no value. The basic needs like bread, clothing and shelter are a far cry for the most of the Indians besides non availability of clean water, electricity and hygienic facility in the rural India.

Nearly twenty years back, Mr. N. N. Vohra, who was union home secretary in late 1980s and who is the governor of Jammu and Kashmir at present, had given a secret report on the politician-bureaucrats-mafia nexus. He had summarized that the nexus had developed into a full-fledged business partnership for all the highly privileged stakeholders at the expense of poor Indian citizen. Mr. Vohra's report had clearly highlighted that the health of the nation is deteriorating due to thuggery, money power, muscle power and maladministration which was hidden from the public for the decades. Although the report was never made public since then, but the small part of the report has recently appeared which quotes: "The mafia has progressed over the years leading to the establishment of a powerful network. This could not have happened without these elements having been protected by the functionaries of the concerned government departments, especially customs', income tax, police and others. The network of the mafia is virtually running a parallel government pushing the state operators into irrelevance. The utter inadequacy of the criminal justice system. Prolonged delays in the disposal of the courts seriously hamper the effective functioning of various enforcement agencies". He had further

pointed out: "It is apparent that crime syndicate and mafia organization have established themselves... have developed significant muscle and money power and they established linkages with government functionaries, political leaders and others to be able to operate with impunity. Warning signals of sinister linkages between the underworld, politicians and bureaucracy have been evident with disturbing regularity".

Mr. Vohra had not uttered about the nexus between politicians and corporate houses which has been seriously impairing policy decision making departments of the government. Of and on, the allegations surface following manning of senior position in key economic sectors that are directly or indirectly dictated by the business interests. The recent scams took place in case of mining contract distribution, the 2G spectrum, Coalgate, and other large frauds in banking sector, strengthen the view points of Mr. N. N. Vohra. T.S.R. Subramanian (trsbramania@gmail.com) puts the valid question "Whether has advance stage to an irreversible condition is relevant-will even major surgery help"? And he answers himself "It is now clear, crony capitalism is the lifeblood of national governance".

THE OBSERVATION

Any insightful observer can easily locate and feel the heat of large number of mafia operations relating to quarrying, forest, land, liquor, excise and other natural resources. Following the operation of mafia and disguised support of the administrative officials, the common people are getting systematically marginalized and suffer under destitution for the decades of planned economic development.

Not only that, when India had excessive storage of food grains in its godowns, large quantity of food grains were kept in open for decaying gradually; around 38 crores of people who are officially segregated as living below poverty line or in more appropriate terms, **below starvation line (BPL and BSL line)** and when the

opposition raised demand for distributing the excess food grains among the destitute at free of cost; the ex prime minister Dr. Manmohan Singh and the civil supply minister jointly declared (in March 2013) that there existed no such delivery system through which the same could be distributed among the destitute. The UPA government which ruled for the last decade (2004-2014) in India and during the period, \$38.29m was siphoned from India to the tax havens. This stark contradiction points out to that the country had no deliverance system to feed its own people, in spite of having excessive food grains' stock; it had a well-laid system of minting and siphoning black money. The data about siphoned money is not imaginary as it was prepared by the vigilance department of government and was presented in the parliament.

The general assessment is that the quantum of black money from India stashed in Swiss Bank is around Rs. 70,000 lakh crores, apart from the amount of black money kept in other tax havens. While India has been suffering from widening current account deficit, adverse balance of trade and balance of payments, the black money sucked out of the system is growing at an exponential rate. Recently (on September 8, 2014), the Confederation of Indian Industries (CII) has submitted a report to the government of India that, to attain 7% annual growth rate, the country would need an investment of Rs. 298 Lac Crores for the next five year. For the last five years, the opposition had been demanding for bringing back the black money from Swiss Bank and other tax havens, a minimum effort has been put by the government because almost all the amount is drained out by the political leaders, bureaucrats, corporate leaders and politically patronized mafias. It is also evident that a large number of so called NGOs are run by the nexus of politicians, bureaucrats and mafias for their own pecuniary interests.

Under the condition it can safely be inferred that why the foreign aid is losing its effectivity for the purpose of which it is being extended. It is

pertinent to project the present economic status of the population through the following model-

The generalized model shows in Table no. 1 the present scenario of the socio-economic structure of the population and the Table no. 2 reflects the composition of non-developmental expenditure of foreign aid by central government.

TABLE 1
Economically divided population structure of India

<i>Class of Indian People</i>	<i>Percentage</i>
Ultra Rich	1%
Rich	3%
Upper Middle Class	7%
Middle Class	14%
Lower Middle Class	10%
Deprived Class	45%
Destitute	20%

Source: www.finmin.nic.in

TABLE 2
Composition of Non-Developmental Expenditure Mode of Foreign Aid (Central Government)

<i>Utilization of funds</i>	<i>Proportion (%)</i>
Defense	35
Interest paid	35
Principal paid	8
Other services	22
Total	100

Source: www.finmin.nic.in

There is a popular adage – “The disease went on aggravating as much as medicine were administered”. Most of the developmental plans and policies malfunctioned although they were prepared by the top notch econometrician, economists, and financial experts and implemented by assorted and capable administrative officers who stay in the highest echelons of the society. This is clear that it is

not the question of perfection of the plans and policies for poverty alleviations, the crisis can be corrected through simple and humane qualities—**honesty, integrity, devotion, hard work and open mindedness.**

The Solution

The authors of the essay are having three decades long operational experience in commercial banking, rural banking, formation, monitoring and financing of Self Help Groups and small & micro financing, understood that the problem of inertia of the large number of poor people is by-product of deep rooted agony stemming from age old social economic and political deprivation. No amount of statistical calculation and dictated financing may be of any use. If the foreign aid is really meant for alleviation of poverty, the whole process of State-led delivery system has to be scrapped and a new model has to be brought out in the fore. The question of delivery system is ultimately lies in the good governance which is almost impossible in the present days’ context.

It would be better to minimize the rule of government and the bureaucrats in the delivery system and the model of deliverance should be based on those agencies who are directly appointed by the donor countries/agencies. The network of such agencies should be spread all over the country and dedicated youths should be appointed on the basis of their academic qualifications, family backgrounds, socio-cultural set up and their far-sightedness.

The screening process should be very stringent in nature, so that, the youths with vested interest or any type of compulsion cannot enter into the delivery system. On the top of the hierarchy, highly experienced bankers, technocrats and social workers should be appointed. Even the monitors at the apex level should be appointed through stringent screening process and their inclination towards poverty alleviation be judged by a panel of experts.

The transfer of funds should take place in the program directors' bank accounts directly who will, in turn, transfer the fragmented funds allocated for different poverty alleviation schemes at the grass root level.

The model for working under donor agencies/countries

Before thinking of rendering any social service or betterment of the marginalized people, one has to accept that some negative characteristics are deep rooted in the systems of LDC countries like India – 1. Corruption at all levels 2. Extraligalistic approach in deliverance 3. Acute lack of motivation 4. Assigned work is accepted as compulsion and just as a means of livelihood 5. Acute shortage of self dignity 6. Distrust and disrespect for others and for the system 7. Age old inertia due to cultural and religious background 8. Acute shortage of discipline and sense of timing following which deliverance take back seat. 9. Unnecessary interference of state agencies which opens the flood gates of corruption.

Under the circumstance, the projected deliverance model under donor ship, it will remain free from any involvement of central, state and local self government machinery.

The clearance for working in the country should be given by the central and state government directly to the donor agency/country. The hierarchy for the deliverance should be directly created and monitored by the donor agencies. The structure of the hierarchy for ideal deliverance is illustrated below:



Specifications and Timelines

1. Central government will give the approval to the donors within 30 days.
2. CEO and core functionaries will be responsible for framing of policies and programs.
3. Middle level managers will decide the mode of operation and disbursement.
4. Facilitators will execute the disbursal, monitoring and follow up of the programs.

For the sake of internal security of the recipient country, the credentials of the people in hierarchy should be primarily checked and okayed by the donor agencies and they should have all the communications with the recipient countries' governments officials. This is because the local administrative machinery puts the barrier of financial ratification even for verifying ordinary but genuine documents of the persons concerned. Bribery and middleman ship is a very common practice found in the sensitive departments dealing with issuance of motor driving license, passports, old age pension, voters' card, PAN, AADHAR UID, widow pension, ration card, electricity and water connection distribution and so on. Hence, the responsibility of checking the transparency, motivation, honesty and integrity of the incumbent who is ready to serve the last member of the society should invariably control by the donor agency/country only.

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