

NOTE

Of Foreign Aid and Its Negative Impact

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The British Government has ordered an inquiry into leakages from *Sarva Siksha Abhiyan* which financially is supported by it. This has actually been triggered by a report of Indian Comptroller and Auditor General that Rs 10 lacs were spent under the project for the purchase of four luxury beds. Rs 90 lacs were transferred into an unknown bank account. 7,500 colour TV sets were purchased for schools that did not even have electricity connections. Similar corruption is being reported from the Employment Guarantee Scheme. Worse, this type of foreign aid also changes the direction of government expenditures.

In an earlier World Development Report, the World Bank has elaborated many ways in which aid is having a negative impact on the recipient countries.

Aid influences the nature of domestic spending. The donor may give aid for only capital expenses and expect the recipient to incur running expenditures from its own budget. A donor may make a huge hospital for AIDS, which is high on its own agenda, and that may lead to the poor country spending towards the recurring expenditures in AIDS prevention. The recipient country then spends less money on the prevention of tuberculosis or malnutrition which is more important and spends more on AIDS prevention.

Aid may be given for projects in which the recipient is not interested in. Some villages in Rajasthan dug up their well-functioning tanks and spoiled them under government-led famine relief works because they would get famine relief only if they undertook earth works like digging tanks. This correspondent once suggested to a foreign donor to finance research for locating tree species which the farmers would find profitable to plant. But the donor wanted immediate publicity and quick results. Thus it persisted with the programme of providing subsidy to the farmers for planting trees which were not useful for them.

Donors may insist that the recipient government spend their own money in specified sectors as conditionality for receiving aid. The IMF, for example, has insisted that the poor countries seeking debt relief have to open up their economies and follow an 'open borders' policy. That opens up those countries for the Western exports and Multinational Corporations. Aid then becomes a tool of arm-twisting reluctant nationalist or swadeshi governments to fall in line.

The donor can bypass the existing slow-moving sustainable works and supplant them with fast-track works that are unsustainable. An NGO was encouraging people to make their village tanks with their own efforts. Foreign donors stepped in to support its good work. The result was that the tanks began to be made with foreign money. These tanks were often not repaired when they broke. The result was that sustainable tanks were killed and unsustainable tanks were built instead.

Foreign donors often provide big salaries to their domestic employees. A salary of Rs 50,000 per month or consultancy charges of Rs 5,000 per day is 'normal' for such appointments. The result is that those who may have joined 'good' politics are distracted. One State-level Secretary of a Left party got disillusioned by the internal politics of the Party. Instead of fighting within the Party, he became a highly-paid representative of a foreign donor. He was distracted from fighting against the bad politics in the Party. Consultants spend energies studying issues that are important for the donors rather than those that are important for people!

Donors often provide the needed services directly, if a donor builds schools in the villages it takes the pressure off the government system to perform. The result is that the government system becomes worse. This undermines the line departments of the recipient country in the long run. In Bangladesh many health and education services are being provided by the donor-NGO network. This reduces the accountability of the political system for its responsibility in these matters.

The Government of India continues to beg for more aid from western countries despite these negative consequences because it is easier to siphon monies out of aided projects. It is more difficult to siphon money from projects supported by domestic tax revenues because more taxes have to be imposed to make up for the leaked amount. This leads to resentment among the taxpayers. Leaking out money from aided projects does not cause such resentment. Only more aid is to be sought from the donor. Thus, the Government has embarked upon the strategy of seeking aid and leaking it away.
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