

Is Foreign Aid an Obstruction to Democracy and Development in the Third World?

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Aid was first initiated by the United States during the early Fifties. It was supposed to help the efforts of the peoples of underdeveloped countries to develop their resources and improve their living and working conditions by encouraging the exchange of technical knowledge and skills and the flow of investment capital to countries which provide conditions under which the technical assistance and capital can effectively contribute to raising standards of living, creating new sources of wealth, increasing productivity and expanding purchasing power.¹ Furthermore, it was initially meant to prove the superiority of the 'Western' democratic order over Communism.

Although the genesis of aid sprang from the grand design to help the Third World countries develop their economies along liberal and democratic lines, the flow of aid in quite substantial amounts, however, began to influence the mode of development in such a manner that aid became an instrument of serving more the foreign policy considerations of the donors rather than meeting the genuine development requirements of the recipient nations. This change in policy slowly but steadily forced many a young country to fall into the aid trap and by the time they discovered their plight they had already become 'client' states. This was indeed not a pleasant outcome of the whole exercise in 'aidmanship'.

The most disturbing outcome of aid inflows was that the management of both multilateral and bilateral aid fell into the hands of bureaucrats who arrogated to themselves most of the power which genuinely belonged to the political leadership. In certain cases the donors pushed development strategies, such as the *basic needs* approach, which were designed more to forestall the installation of steel mills or construction of highways (like, the Indus Super Highway and Pakistan Steel Mills in Pakistan) rather than increase the supply of basic necessities like potable water, basic health and educational facilities etc. The United States of America and other

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¹Act for International Development Title IV of Public Law 535, 81st Congress, 2nd Session (1950); Sec. 403(a).

advanced industrial countries began to use international institutions such as the World Bank and the International Monetary Fund to force many a developing country to follow their line. The conditionality clause of the International Monetary Fund is a well-known weapon held in its armoury. Added to this mode of development financing, many a donor country has also skilfully devised other methods like tied loans, and project loans. The objective of resorting to such methods was not always to facilitate or accelerate the process of development in the Third World countries but more to take advantage of their weaknesses.

With the rising growth of dependence on aid and senior bureaucrats having arrogated to themselves the power to negotiate with the donors and at times even arrange for rescheduling of repayments, it was the elite bureaucracy which held full control over aid. Another aspect of aid has been that dependent as it has made many a government, the heads of different countries were obliged to start relying on the donor countries not only for aid but also for their own security and predominant position in their respective countries. Samir Amin (1987) is of the view that "the peripheral state is . . . necessarily despotic because it is weak. In order to 'survive', it has to avoid conflict with the dominant . . . forces and attempts rather to improve its international position at the expense of its more vulnerable peripheral partners." Once that happened, many a head of state started neglecting the elected representatives and felt free to start usurping basic human rights. In this way, not only did democracy receive a severe setback, other social imperatives, like improved income distribution were also thrown overboard.

The other disturbing phenomenon of aid has been that whenever it assumed an asymmetric role, overshadowing or suppressing the mobilization of domestic resources and initiative, it gave birth to fiscal indiscipline (resort to deficit financing) and in this way it slowly but steadily led to the erosion of budgetary allocations for a wide spectrum of social and economic services.

In the case of Pakistan, the statistical position looks somewhat satisfactory but as the debt burden is becoming more noticeable its effect which has already started falling on the budget has come quite clear as not enough money is available for the provision of basic social services. The resort to deficit financing in 1986 is estimated at 9.5 percent in the case of Pakistan.

Added to this there has emerged the phenomenon of lesser availability of funds for the purpose of investment in the economy. The data released by the World Development Report 1988 show that in the case of Egypt and India, the average annual growth rate of gross domestic investment which stood at 11.5 and 4.9 percent in 1965–80 went down to as much as –2.8 and 4.6 percent in 1980–85 respectively. As far as debt servicing as a percentage of exports of goods and services is concerned, it stood at 23.8 percent in the case of Egypt, 27.2 percent in the case of Pakistan and 24.6 percent in the case of India in 1986. There are countries which are under still

heavier debt servicing. Mexico's debt servicing, for instance, stood at 51.5 percent of total export earnings in 1986.

Aware of the fact that the older 'mode of aid' policy has failed to foster democracy or self-sustained development it has become imperative that aid is strictly used to strengthen the somewhat mauled democracies and accelerate the process of development in the Third World. Once this change sets in, many a leader in the Third World countries will start mobilizing domestic resources through fresh initiatives and enterprise rather than choosing the older way of letting the donor countries determine the mode of development in the newly independent nations. International institutions like UNESCO too have lately been proposing an *endogenous* mode of development for the Third World as opposed to exogenous models of development imposed by western-led aid consortia.

Now that the conventional models have failed to work, the Third World instead of going in for dependence on foreign countries and local bureaucratic domination, is now anxiously looking forward to develop a model of *autonomous decision-making, self-reliance and indigenous democratic control*. All the above three components have their own unique character. From amongst the three, self-reliance is the basic and most important factor giving birth to self-sustained development.

THE WAY OUT

With a view to get back to the genesis of aid and freedom movements, it seems necessary that the leaders of both the donor countries as well as those of the beneficiary nations must realize that the mode of aid practised at present has miserably failed. It is in fact turning out to be a nightmare for both the parties. Realizing the fact that this arrangement does not have much prospect to continue any longer, search for available alternatives will have to be stepped up. This means that aid, which in the past largely served to subvert democracy, will now be directed to promote it. Once this concept becomes the major *raison d'être* of aid it can give birth to a new era of genuine economic cooperation and development between the developed and the developing countries.

Unlike in the past when donor countries spent a lot of their time and energy in propagating different models, like trickle-down and growthmanship should now go in for promoting genuine democratic institutions and the fuller participation of the masses in vital nation-building activities. Once this is done, concepts such as growthmanship and even capital/output ratios will cease to be adequate indicators of development.

Side by side with the proposed changes in aid, serious efforts should also be made at national and international levels to condemn dictatorship. The Third World countries too must realize that the price that they are paying for being 'dependent' on other nations as well as by keeping their own people cut off from their participa-

tion in democratic pursuits and developmental efforts has been too high. Unless this situation is changed drastically, the present mode of state management and development shall sooner or later start crumbling down.

REFERENCE

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Comments on

"Is Foreign Aid an Obstruction to Democracy and Development in the Third World?"

In this paper, Prof. Mullick has elucidated on a topical and important subject – that of foreign aid. This subject has been written and researched extensively in the last forty years and in the process has collected its share of detractors and supporters. What has emerged is that aid – whether bilateral and, to some extent, multilateral – has frequently been used as a lever; sometimes military, sometimes economic, sometimes political or for all three purposes. Aid can be used to reward allies or it can be withheld from those who are considered enemies. Aid funds are also tied to the purchase of goods and services from the donor countries which increases their own markets for exports. Apart from this, aid can also be used to influence the recipient's country's economy by attaching conditionalities in the shape of tax changes, adoption of income and wage policies, trade liberalization and the like, which adversely undermines the economic sovereignty of a country and leads to the impoverishment of large sections of the population. Again, conditionalities, particularly those with macro-economic implications have varied over time as well as being influenced by the prevailing economic ideology in the aid-giving countries. In the Fifties this ideology favoured a development model that emphasized growth of the economy as the primary objective. In the Sixties emphasis began to be laid on human capital. In the Seventies it was the basic needs approach. More recently, emphasis is being laid upon rural development so on and so forth.

This paper attempts to establish a causal link between foreign aid and democracy. This is an extremely difficult link to establish, and in attempting to do so, Prof. Mullick has pointed to the direction in which future research on the subject can follow. It is difficult, because the link, if any, is tenuous, multifarious, subtle and therefore difficult to specify and concretise though one can sympathise with his main thesis. It is, therefore, understandable that the author has limited the scope of his paper to the connection between foreign aid and bureaucracy. This, again, is not an easy link to establish not only because of the reasons mentioned but also because the concept of bureaucracy is not as monolithic as the author would like us to believe. In this connection it would have been useful if the author elaborated as to what he means by bureaucracy and to which particular section he is referring

to, as the author has made an interesting reference when he states that the bureaucracy has arrogated to itself the power to negotiate with foreign donors the quantum of aid required, the terms under which it is contracted and on its disbursement, etc.

I feel that the paper would have become even more appealing if the author had unveiled the underlying processes as to how the bureaucracy has become all powerful and why the process of aid negotiation remains out of the political framework. An investigation of this process, I am sure, would yield positive results in so far as the democratization of the decision-taking process is concerned. My second question is how will the aid negotiation process change now that the political process has been restored in the country?

In the end, I would like to conclude that the interface of politics, economics and social organizations is an interesting area for investigation. I would like to felicitate Prof. Mullick for making a bold attempt in this direction.

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