

Official Development Assistance

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Abstract— *The concept of 'official development assistance' informs international economic theory and analysis of the transfer of resources from rich countries to developing countries. There is considerable resource disparity between developing and poor economies in the economy. There, poor countries have to obtain resources from rich countries, mainly in the form of loans and aid. But they are unable to access large amounts of resources in the form of commercial relations. So they need official help. Official development assistance here means soft loans (soft loans) and aid from official sources. Sources can mean foreign governments, and international financial institutions.*

Index Terms— *Financial institutions, Banks, Soft loans, Investments*

I. INTRODUCTION

A soft loan means a loan with a relatively low interest rate, long repayment period and easy terms. Aid means loans given on very generous terms and provided in special cases of reconstruction. Hence, the loan provided by the government of one country to another country is called 'Bilateral Aid'. Aid provided by international financial institutions such as the International Monetary Fund, World Bank, Asian Development Bank, etc. will be 'multilateral aid' (common policy). In other words, it is not a loan or assistance from private sources. Official development assistance is therefore provided for the achievement of economic development and social welfare of underdeveloped and developing countries. This means that the country receiving the aid will increase its output with the help of this money. Efforts should be focused on job creation, welfare development of the people etc. According to World Bank compilation, Net Official Development Assistance and Official Aid in India were reported at 3118699951 US in 2021. India's net ODA and ODA receipts are noteworthy.

II. OBJECTIVES OF OFFICIAL DEVELOPMENT ASSISTANCE

Although official development assistance is intended to achieve economic development and welfare objectives, it is likely to be used for other purposes as well. Aid-recipient countries may seek aid for other purposes as well, and aid-giving countries may also seek to provide aid for non-developmental purposes. Financial objective; A donor country may have an objective to establish its dominance in foreign markets. And the aid receiving country also aims to increase its supply of products i.e. exports with the aid giving country. Inhuman purpose; A recipient country may seek aid for poverty alleviation, disease relief, unemployment problems, food shortages, etc. A donor country may also provide aid with these noble motives. The aid receiving country is proud of its involvement in a humanitarian cause. Military purpose; A country that strengthens its military and receives aid for defense purposes may seek aid. But the donor country is likely to have its own motives in this. If a donor country belongs to one of the blocs, for example, the egalitarian bloc or the capitalist bloc, it is natural that it will provide a large amount of military aid to the country that belongs to its bloc. Similarly, there are possibilities of providing military assistance with the intention of purchasing more defense materials from him. Cultural relations; Aid is also motivated by cultural ties and historical ties to the recipient country. An aid country has strong reasons to provide aid to a country if it admires its culture or if that country's culture is homogenous with its own. Emotional motive; both aid-giving and aid-receiving countries may have the same sentiments, intentions and principles in the international arena. These common objectives allow the aid-giving country to align with the aid-receiving country. Political considerations; the political objectives of both countries may be the same. Non-alignment policy

includes supporting the government of a particular political party in the aid recipient country.

III. TRENDS IN OFFICIAL DEVELOPMENT ASSISTANCE

As official development assistance is a soft loan and can significantly contribute to the economic development of underdeveloped countries, many international forums have called for its greater flow. Even the World Organization has strongly advocated this. Many like-minded nations have also agreed to this. In the 1970s, the United Nations decided that one per cent of the gross national product (GDP) of developed countries should be transferred to developing countries and 0.7 per cent of this should be in the form of official development assistance. Most of the rich countries then approved the transfer of resources in this way. Countries like Belgium, Sweden, and Netherlands etc. agreed to fulfill this within a time limit. Countries like Germany have shown commitment in principle to fulfill this, although not in a time frame, but mainly America and some other countries have not shown any inclination to fulfill this resolution. Official development assistance from developed countries to developing countries has increased monotonically since the 1960s. Even if this is true, one has to conclude that the increase is nominal due to severe inflation. Expressed in constant prices, this aid appears to have risen very slowly.

From the point of view of aid-giving countries, only 0.35 percent of their gross national product has been given as official development assistance to developing countries. But Sweden, the Netherlands, Denmark and Norway provide less than 1 percent of their GDP in the form of official development assistance. France has also achieved more or less the same feat. But US aid fell from 0.5 percent in the 1960s to 0.2 percent in the 1980s. This is a matter of great concern. Overall, the flow of official development assistance appears to be very unsatisfactory. But the Association of Petroleum Exporting Countries (OPEA) is an exception. Because the amount of official development assistance provided by them is about 4 percent of the gross national product of those countries. Another important point is that these countries do not condition aid recipient countries to buy goods from them. That means it is non-tied aid.

IV. MIXED INVESTMENT

Mixed investment is an important concept related to foreign aid. There are two mixes or combinations in this aid or loan. These combinations are; (i) Aid, and (ii) Trade Credits a trade credit means a loan made conditional on the borrowing country to import specified goods from the lending country, to cover the cost of those imports. A country that borrows through a commercial letter of credit has the advantage of obtaining funds for the importation of goods it needs. However, lending countries often provide these loans to maintain their commercial interests. This means that by providing these types of loans, they are able to increase their exports.

Mixed loans gained more prominence in the late 1970s. They increased significantly in the 1980s. Developed countries suffering from economic recession and balance of payments problems found trade credit as an excellent way to increase exports.

V. DISADVANTAGES OF LEADERSHIP

The amount of Official Development Assistance is very low. Developed countries are supposed to provide 0.70 per cent of their gross national product in the form of aid, but now they provide only 0.35 per cent. Therefore, development aid has failed to have much impact in solving the problems of underdeveloped countries or in alleviating poverty. Although there is discrimination in the distribution of aid, in fact more aid should flow to poorer countries. But statistics show that better off developing countries have managed to receive relatively higher amounts of aid, while poorer countries have received less aid. For example, while low-income countries receive aid of Rs 10 per capita, middle-income countries receive twice as much aid. And many countries that provide official development assistance have given enormous amounts of aid to countries with which they have historical, commercial, and other specialties. Similarly, more aid is provided to countries that spend large sums of money on military purposes. Instead, relatively small amounts of aid are provided to countries that spend a large amount of money on development purposes and a small amount of money on military purposes. For example, countries that spend the most money on military purposes receive

twice as much aid as countries that spend the least on this purpose. It is unfortunate that factors such as the problems of the recipient country and its need for aid are not taken into account here. And as a rule, the amount of aid should grow with the increase in the per capita income of the aid-giving countries. But this is not fulfilled. In addition, the richest countries provided a smaller share of their gross national product in the form of official development assistance than the least rich countries. And while many developed countries are eager to issue trade credits to boost their exports and fix the tariff problem, it is not uncommon for creditor countries to make it a condition that they import goods from their own country with the help of the aid money they provide. This was the main reason for the business boom in the early 1980s. Priority sectors appear to be neglected while providing official development assistance. For example, basic education, primary health, safe drinking water supply, sanitation and nutrition programs account for only 8 percent of total official development assistance. Bilateral aid, i.e. aid provided by foreign governments, is very little of the official development assistance currently being provided. For example, foreign governments provide 22 percent of their total aid to low-income countries. But in multilateral aid, i.e. aid provided by international financial institutions, 40 percent is available to these countries. This makes foreign governments less interested in providing development aid.

VI. STEPS TO IMPROVE

Brands said it was necessary to improve the flow of official development

Assistance The commission has put forward some suggestions. They are,

1. Greater aid should be provided to projects and programs for poverty alleviation and expansion of food production in least developed countries.
2. More assistance should be provided for the purposes of exploration and development of energy and mineral resources.
3. Efforts to achieve stabilization in prices increase in export earnings of goods and expansion of domestic processing of goods should receive large amount of assistance. Thus, if substantial amount of resources are

transferred to developing countries through official development assistance, their development will be facilitated.

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