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Objective: Similarly, assistance given or resources transferred are excluded from our definition of 'foreign aid' unless such transfers are meant (directly or indirectly) to be a contribution to the growth efforts of the recipient economy. This includes clarifications as per the following: i. Resources transferred to a country by non-government organizations (NGOs) and others agencies for humanitarian purposes are to be excluded from the definition of "foreign aid" to that country. ii. Non-investment remittances by individuals, etc., are not covered by our definition of foreign aid. iii.

Resources transferred by business and corporate sectors for the purposes of investment (even though such investment may help the recipient country in its growth process) are not to be included in the definition of foreign aid.

Such resource transfers may take several forms and may also include transfer of technology, and the like. The reason for excluding such transfers from the definition of "foreign aid" is that they are not really meant to assist the recipient country in accelerating its growth rate.

They are essentially motivated by the profit considerations of the investing firms. iv. Resources transferred by governments and other official aid-giving agencies may be classified into "aid" and "other" components on the basis of following considerations: (a) If a government, an official agency, or a multinational institution (such as the World Bank) gives direct resource assistance to another country, with the express purpose of helping the latter in its growth efforts, then it is covered under the term "foreign aid" to that country. And, because of the nature of its origin, it is also termed "official development assistance" or "ODA". Viewed objectively, of course, the

timing, the volume, the composition and the terms of such “ ODA” are likely to be deeply influenced by political considerations.

For example, a politically “ inconvenient” country is less likely to receive ODA even when it has a greater “ absorption” capacity. However, such criteria belong to the set of “ determinants” of “ foreign aid”. Irrespective of such “ background” criteria, resource transfers are to be treated as part of “ foreign aid” so long as the express purpose of such transfer is economic growth of the recipient country. Actually, it is on the basis of this express purpose that some resource-transfers with doubtful growth contribution also get classified under “ external economic aid”.

(b) Some forms of assistance, such as for relief in natural calamities, or food aid for a fight against hunger, or assistance for defence, may indirectly strengthen the growth process of the recipient country. However, there is a lack of unanimity on whether such assistance should be included in “ economic aid packages” or not. (c) These days, several incidents have taken place where one or more countries facing a payments crisis had to be “ bailed out”. Essentially, however, such type of assistance is not a “ growth-assistance”; it is meant for tiding over a crisis. It is not a part of “ foreign aid” in the conventional sense of the term. (d) One country may assist another by means of trade concessions and other forms of preferential treatment.

These measures may effectively add to the-resource availability of assisted country; but they are not counted as components of “ foreign aid” because they do not involve “ direct transfer” of resources. Sources: As stated above,

foreign aid (or Official Development Assistance, ODA) is basically transfer of resources by governments and other official agencies created for this purpose. Apart from individual governments, several multinational institutions were created for the specific purpose of providing and monitoring economic aid to the needy countries. Thus for example, the International Bank for Reconstruction and Development (IBRD, now known as the World Bank) was set up, at the end of Second World War, by governments of various countries.

To begin with, it concentrated upon the task of providing economic assistance to those War- ravaged countries which were sufficiently developed before the War. Once, the task of their reconstruction was more or less over, the World Bank turned its attention to the less developed countries and started assisting them with developmental aid. The resources of the World Bank came from the “ quotas” (or share money) of the member governments, loans from some aid-giving agencies specially created for this purpose by some resource-surplus countries, and borrowings from the open market. During its long history, the World Bank instituted several aid-giving schemes to cater to the changing and pressing needs of the aid-eligible member countries. A “ soft-loan” subsidiary of the World Bank was created under the name of International Development Association (IDA). The World Bank regularly contributed a part of its resources to the IDA.

In addition, IDA membership itself was divided into those countries which had the capacity to contribute and those which were in need of aid. IDA gives long-maturity interest-free loans, subject to only a commitment charge and a service charge. Only countries meeting certain poverty criteria are

extended credits by the IDA. It should, however, be noted that both the World Bank and the IDA subscribe to the philosophy of private enterprise and their loan-giving policies are influenced by that consideration. On the lines of the World Bank, several development banks were also set up at regional levels including, for example, the Asian Development Bank.

The criteria of aid-giving used by such banks correspond to the ones adopted by the World Bank. Examples of other international aid-giving agencies include International Finance Corporation (IFC), Special United Nations Fund for Economic Development (SUNFED), and United Nations Development Programme (UNDP), etc. In addition to these, certain regional country-groups also extend aid on a collective basis. The specific purposes for which loans may be given, their amounts, their terms and conditions, and other associated aspects vary from agency to agency.