

lii. the real sufferer of
tied aid



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iii. The volume of aid is adequate, timely, and on an assured long term basis. Under such conditions, there is also a high probability of aid being on concessional terms.

(ii) For the Aid-giver:

The aid giver has a preference for tied aid for obvious reasons. It reduces the risk of default by the aid-recipient, and gives the aid-giver a better control over the design, technology, location, and management, etc., of the aided projects. Tied aid is also expected to generate some extra benefits to the aid-giver country in the form of additional export earnings, secured markets and higher level of domestic employment, and the like.

Disadvantages of Tied Aid: The real sufferer of tied aid is the aid-recipient country. The demerits of tied aid flow from the fact that the above-described conditions for its being beneficial are seldom satisfied. The motivation of an aid-giver country is not the benefit of the aid-recipient, but securing its own economic gains. To it, aid giving is a form of business investment. i.

It needs no elaboration that for the aid-recipient country, economic cost of the tied aid goes up. The extent of this increase, of course, depends upon the conditions of aid and other attendant circumstances. This reduces the real value of the tied aid while the repayment obligations do not decrease. For the reasons described above, aid given even for food procurement may become prohibitively expensive for the aided country. It may even suffer from inferior quality material thrust upon it, e. g.

, supply of wheat to India by US in the 1960s under the PL480 programme.

But for a country facing such a severe shortage of food grains that two or

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three non-cereal days in a week were a social obligation for every citizen, such handouts, humiliating though they were, made a huge difference. ii. Tied aid restricts the choice of its use by the aid-receiving country. This choice lies mainly with the aid-giver.

By implication, the interests of the aid-giver country receive a preference over those of the aid-recipient. Projects chosen under tied aid may have a low priority for the aid-recipient economy. They may add to its long term import-dependence.

Their technology may not help the aid-recipient in reducing its unemployment and in improving the use of its surplus resources. The aid-giver country may exploit its position of strength even for political objectives. For example, India had to face a situation where certain essential supplies for its nuclear power plants were stopped for political reasons. iii.

Aid may be subject to some matching contribution by the aid-receiver. This again leads to a situation where the aid-giver can dictate its own priorities regarding resource allocation by the aid-receiver.