

Kenya contributions of foreign aid to economic development



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Foreign aid is the transfer of capital, goods and services from one country to another. This aid may be given or transferred in form of capital transfers or technical assistance and training for either military or civilian purposes.

Foreign aid is often given with conditions attached such as requirement that all or part of it maybe capital be used goods from the donor country or company given as a grant with no repayment obligation or a loan with a condition that the recipient country or nation purchase goods or services with the aid from the donor nation or company. These aids can be classified in to two:

Bilateral aid

Multilateral aid

Bilateral aid is aid transferred from one single state or one country to another.

Multilateral aid is aid transferred from alliances of multiple states e. g. international monetary fund.

Development on the other side is a social phenomenon and it describes sources that are associated with human beings. It is the extension of the theoretical or practical aspects of a concept, design, discovery, or invention. A process of economic and social transformation which is based on complex cultural and environmental factors and their interactions. It can also be defined as a process of adding improvements to a parcel of land, such as grading, subdivisions, drainage, access, roads, utilities. All these can be used

to describe development as the transition from a state of poor livelihood to an improved better state.

A multinational corporation is a corporation that has its production facilities or other fixed assets in at least one foreign country and makes its major decision of management in a global context. In production, marketing, research and development and labour relations the multinational corporation makes its decision in terms of the host country's customs and traditions. In finance many of its problems such as the need to shelter working capital from the risk of devaluation , or the choices between owning or licensing have no domestic counterpart. In addition to foreign exchange risks and the special business risk of operating in unfamiliar environments, there is an issue of political risk that sovereign governments may interfere with operations or even terminate the operations. Corporations invest in other countries for a number of reasons that include opening new markets or holding into the existing ones, to get new sources of raw materials and agricultural production, to take advantage of cheap resources like labour and others. Some critics argue that these transnational corporations work solely in their own best of interest and exhibit no loyalty to the countries in which they are incorporated.

CONTRIBUTIONS:

Foreign aid had a lot of contribution to the economy of Kenya some that are positive and others negative. The use of foreign aid in the modern era began in the 18th century this was when Prussia subsidized some of its allies. It then developed in to more sophisticated instrument of foreign policy after World

War II. International organizations such as United Nation Relief and
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Rehabilitation Administrations were created to provide aid to countries affected by war and newly freed colonies. About 15% of foreign aid is provided by international bodies while the rest by various non-governmental organizations, International Development association, multinational corporations and the International Finance Corporation: regional development Banks, the UN Development program, the European Development Fund and special agencies of the United Nations such as Food and Agriculture Organization.

U. S. Corporations have various motives for establishing a corporate presence in other countries. The main possible motive is the desire of growth. In this case a corporation may have reached plateaus in meeting domestic demands and anticipate little additional growth and so a new foreign market might provide opportunities for new growth. Also through direct foreign investment a corporation may bypass high tariffs that prevent its goods from being competitively priced this is all done because of some corporations' desire to escape protectionists policies of an importing country.

Other motives include preventing competition and reducing cost. Preventing actual or potential competition from foreign nations is by acquiring their businesses and on the other side reducing cost can be attained through the use of cheap foreign resources like labour in developing countries. Some corporations can lower their costs by shifting some or all of its production facilities to other countries. This can also be done as they have the ability to use foreign subsidiaries to minimize their tax liability. The rise of multinationals which is a relatively recent occurrence has resulted to a great deal of legal ambiguity as they can operate in many area codes.

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Multinational corporations (MNCs) engage in useful and morally defensible activities in Third World countries Kenya being one of the countries and they have been receiving credits for the activities. Some of the significant activities that these MNCs did was extending of opportunities for earning higher incomes and also opportunity of consuming improved quality of goods and services by people living in areas below the poverty line.

Although the MNCs came to Kenya with good intentions, they have misrepresented by fearful and ugly images of Marxists and the 'Dependency Theory' advocates. Because many of these MNCs firms originate from industrialized countries including the U. S., the U. K., Canada Germany France and Italy, they have been viewed as instruments for the imposition of western cultural values on third world countries rather than allies in their economic development. Thus some proponents of these views urge for the expulsion of this firms while others less hostile have argued for their close monitoring or regulation by Third World governments.

Close observation or supervision of the nature and activities of the MNCs in the Third World countries reveal a positive image of the firms as the allies in development process of these countries inclusive of Kenya. For the greater wellbeing of the majority of Kenya's poor, it is important that the positive contributions of these firms to the economies become more diversely understood. Even though MNCs may be primarily motivated by profits and low cost to invest in Kenya, the morality of their activities in improving the living standards of Kenyan families, Kenyans should not be obscured through misperceptions or misrepresentations.

In Kenya, the firms might have been acknowledged through their high wages to local employees than what they would have earned elsewhere. Also higher rents for land and buildings contributed to their acknowledgement. As much as Kenyans believed they were earning higher wages and rents, the MNCs argued that the wages were still low as compared to wages and rents paid to employees and owners of land and buildings in the developed countries.

The above explanation on how wages are paid to employees in Kenya and the developed countries but on the other hand unless workers find it most profitable to work for MNCs at the wages they offer, they would choose employment elsewhere. Similarly unless MNCs can make as much profit as they can make at home as well as compensation for the additional risks taken to invest in Kenya or Third World countries, including the risk of asset satisfaction by a hostile future government they would not venture into those parts of the world. Thus, there has to be net benefits for all parties in transaction that is multi national corporations and the workers or foreign employees for the transactions to exist.

However the comparison misses several key points. For example the working conditions of developing countries e. g. Kenya and the working conditions of developed countries were not the same standard. The skills or educational levels of workers in Kenya and those of developed countries are different. The amount of machinery and equipment handled by workers in developed countries are different as compared to the ones that are used in Kenya or in the developing countries. In short the output generated by developed countries is higher than the output generated in the developing countries.

The company, who is a major contributor of foreign aid in the world which Kenya is one of the beneficiaries, is SMART Company. There exists a number of smart aid programs achieving results across Kenya in different ways such as fighting disease, boosting agriculture, promoting literacy, helping in trading and attracting investments, giving power or encouraging Kenyans to fight corruption and hold their own governments to account. The smart company has aid in putting Kenyans in school or educating them and has helped in reducing malarial deaths rate.

Most of the people living in Kenya are at high risk areas of malaria. A number of people have been dying of the dreaded disease but the aid programs established in Kenya together with the Kenyan government unveiled their ambitious strategy to deliver mosquito nets in in the ratio of two nets per family at risk. Within three years of the start of the program by the donors, case of malaria and death rate had been halved. This success was also brought about by delivering effective malaria treatment at lower costs to Kenyans.

Kenya is working to expand access to primary health services particularly through the training of two health extension workers per village with the help of MNCs donors thirty thousand young women have been mobilized to transfer health skills to communities, a vital initiative towards a country where health services often fail to reach those in isolated rural areas. The training of these workers and the provision of disease test kits as well as drugs are all paid for by The Global Fund to fight AIDS, TB and malaria, all these leads to development.

In Kenya as in many places in Africa, opening a bank account requires a minimum deposit which is often beyond the reach of poor families. In rural areas, banks can be far away and inconvenient to reach. M-PESA is money is a money transfer system which allows people to deposit, withdraw, and send money by mobile phone without a bank account. The model was piloted by Vodafone with assistance from U. K. department for international development (DFID). it was implemented in early 2007 by Safaricom, Kenya's largest mobile provider at the time. It now has approximately five million users. A worker in Nairobi can open an account at any M-PESA agent, in a local shop, a Safaricom dealer or a petrol station. He or she can deposit earnings into an M-PESA

account and transfer money to family members via SMS. The recipients can then go to a local store in their village and cash the SMS using a secret code contained in the short message, and their identification card. Considering that mobile phone subscriptions in sub Saharan Africa grows by more than sixty percent annually.

The investment climate facility (ICF) is an initiative that grew from the 2005 commission of Africa and started operations in July 2007. Its aim is to work with receptive African governments " to make the continent an even better place to do business". It is currently active in ten African countries and working on four pan-regional projects and two other initiatives. The CIF is funded by eight donor agencies - Germany, Ireland , the Netherlands, South Africa, the U. K., the African Development Bank and International Finance Corporation - and nine companies - Anglo American, the coca cola company,

Microsoft, SABMiller, Sasol, Shell Foundation, Standard Bank, Unilever and Zain.

The Alliance for Green Revolution in Africa (AGRA) is an initiative funded by international donors including the Bill and Melinda Gates foundation and the Rockefeller Foundation. AGRA works to enhance agricultural productivity in Africa, Kenya included by training small holder farmers supporting the development of high - yielding seed varieties, and ensuring that farmers have access to good quality seeds, tools, and fertilizer. AGRA's Program for Africa's Seed Systems (PASS) provides grants and scholarships to agricultural scientists who then take their knowledge to local communities, working with farmers to see which seed variety best suit their land. AGRA works on innovative ways to make these seeds and their supplies widely available to rural farmers.

Since 2006, AGRA has trained and certified over 5000 new agro-dealers, and aims to reach 9000 by 2011. This is having a real impact to farmers: in 2006 in Western

Kenya, for example a farmer had to travel a distance of about 17 km to an agro dealer to purchase seeds and fertilizer; today that distance is an average of 5 km. AGRA has also provided loan guarantees through which farmers can access credit to purchase supplies that will boost their yields and in this case encouraging development.

Kibera in Nairobi, Kenya is of east Africa largest slums and the setting for the recent film, " The Constant Gardener", which presents images of grinding poverty tempered by people's spirit of endurance. It is because of this film <https://assignbuster.com/kenya-contributions-of-foreign-aid-to-economic-development/>

that the MNC offers to train the local individuals' business skills that will enable them to be self sufficient. This past summer, a six-person team that included two Cornell university graduates and one alumna worked alongside residents of Kibera and Nyota, about three and a half hours North West of Nairobi as part of a project called the Base of Pyramid (BoP) protocol. Headed by Johnson graduate school of management's center for sustainable global enterprise, the project seeks to design and test a new process by which large corporations can work closely with poor communities to create new business opportunity for themselves and the community.

Kenya, which is home to a subsidiary of SC Johnson was the first site chosen to test the protocol. As much as it hasn't been attempted anywhere before, this protocol leaves no doubt about the goodwill of multinational corporations in Kenya. This is related to aid as the company seeks to help those willing poor individuals in the country. This has brought development in Kibera residence. One of the team members, Erik simanis, a doctoral candidate at the Johnson school who co-directs the BoP protocol project said: " we think that business partnership between corporations and poor communities, when undertaken in a spirit of mutual respect, can be a powerful way to serve the needs of these communities while creating new opportunities for growth and innovation in the company.

Multinational companies in Kenya work hand in hand with the government during or when national disasters occur. For instance, during the 2008 drought season which saw many poor living Kenyan citizens who depended on agriculture as their main source of living get highly affected. This forced the government to seek foreign aid and assistance from donors and weel <https://assignbuster.com/kenya-contributions-of-foreign-aid-to-economic-development/>

wishers. Various governments across the world donated and participated in the contributions, however, major multinational companies in Kenya took the drivers seat.; this corporation donated various things varying from food to livestock.

The Nokia mobile company, a major phone manufacturing company, donated many containers of maize flour and cooking oil to distribute to affected communities. Other companies such as Barclays Bank, Coca Cola, Nakumatt also participated. Nakumatt supermarket which has many branches across east Africa started a campaign to encourage its customers to donate to the needy. The company thus helped Kenyans assist other Kenyans.

Realizing that building healthy communities involve more than just donating dollars, Toyota manufacturing companies runs Volunteers in Place Program (VIP). This program was developed to encourage and recognize team members in the company who volunteer to work in foreign aid while supporting the companies operating principle and firm belief to be a good corporate citizen. Through the years, Toyota's program has become an important volunteer network to respond to needs in the communities where the various Toyota company team members live.

For many of Toyota's motor company team members, volunteering is a way of life. For others the desire to volunteer is there but help is needed to get them involved. That's where the VIP program is most helpful to team members. In addition to volunteering to individual selected charities, team members are given the opportunity to support group volunteer activities and

project sponsored by the Toyota Company. This has helped in development of Kenya's economy.

TechnoServe is a leader in a movement that empowers people in the developing world to build businesses that break the cycle of poverty. Growing enterprises generate jobs and other income opportunities for poor people, enabling them to improve their lives and secure better future for their families. Since its founding in 1968 the U. S. Based non profit organization has helped to create or expand thousands of businesses benefiting millions of people in more that 30 countries. The Financial Times has rated TechnoServe one of the top 5 NGOs for corporate partnerships. TechnoServe's corporate partners include Cagill, Kraft, Nestle-Nespresso, Olam International, Peet's Coffee and Tea and Unilever among others. Charity Navigator has also awarded his highest foster ranking to TechnoServe.

since it was founded in 2000, GM Global Aid has facilitated millions of dollars in donations for disaster relief worldwide. Through this program, GM and it national and international business units and the GM Foundation can quickly direct vehicles, services, or supplies as well as monitory contributions to charitable organization assisting in local disaster relief efforts. An essential component of our disaster relief efforts are that which allows GM employees and others worldwide to contributes funds to disaster relief. On an occasion, contributions from our employees are matched by GM Foundation and their contributions helped in development.

The company who knows that no one can effectively tackle child hunger alone, the challenges are too large and complex. Partnerships with other businesses, governmental and non governmental organizations and communities around the world are the best way to achieve our objectives. Together for child vitality builds on Unilever's long tradition of responsible corporate behavior, delivered through businesses firmly rooted in local communities all round the world.

World food program brings to partnership more than 40 years experience in providing food assistance to people mostly mothers and children, in world's poorest countries. The agency has unique knowledge of their nutritional needs and food habits, coupled with logistical expertise and extensive government and health authority relationships. World food program is the world's largest humanitarian organizations, fighting hunger worldwide and has become the world's largest provider for school meals and take-home rations for poor children: school meals attract children to school and boost primary school enrolment, attendance, performance and completion as education contributes to development.

CONCLUSION

This among other contributions of multinational corporations in Kenya and other third world countries has enabled them make tremendous step in development. The government with little assistance from these corporations has been able to efficiently serve its most needy and poor people and thus their contributions are highly relevant and may be credited to most of Kenya's achievement in development. Foreign aid can bring a lot of

development if implemented in the right way. It has a lot of positive contributions to economic development.