

The Political Economy of Foreign Aid: An Overview of the Carrot and Stick

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Abstract

In political economy discourse, aid is a focus of world attention. A school of thought sees it as developed nations' hands of "friendship" to the less developed ones; a way of promoting growth, development and peace. Another school sees it as a way of promoting the national interest of donor nations. This paper examines the political economy of aid from both perspectives to discuss the politics and intrigues involved in the use of carrots and sticks approach. It also dwells on the arm-twisting involved in the allocation of aid by donor nations as well as x-rays the view that foreign aid are more of political economy and less humanitarian. The study found out that less developed countries are the major recipient of foreign aid, and in most cases, aid does not bring the expected anticipated positive changes or development but sometimes leads to crises of arrested development. In conclusion the paper observes that aid by the donor countries is a double edge sword because of the conditionalities often attached: you agree to our terms you get our aid if not you do not. The paper consequently, recommends a more humanitarian aid from donor nations to recipient nations, and also propagates the need for less developed countries to look more inward than outward for development strategy in a globalised world that is veering towards protectionism. The methodology adopted by this paper is analytical, while dependency theory illuminates the study.

Key words: Aid; Donor countries; Political economy

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Aid can be withdrawn to create economic hardship or to destabilize an unfriendly or ideologically antagonistic regime. Or, conversely, aid can be provided to bolster and reward a friendly or compliant regime (Apodaca, 2017, p.1).

INTRODUCTION

The gulf between the developed and less developed countries is ever increasing. The reasons adduced are numerous and one of the solutions is giving aid to the countries in need. However, reading between the lines, it is discovered that this seemingly altruistic and innocuous gesture from the donor nation to the recipient country is shrewd in political economy. This discovery kick starts the theme of this study; to x-ray the philosophy and psychology behind foreign aid and how it affects the relationship between donors and recipients. Aid is sometimes referred to as the flow of resources (capital, material or technical assistance) from developed societies to the less developed societies (Arnold, 1985). It is also seen as government to government exchange of public economic resources (Economides and Wilson, 2001). But foreign aid is not just from the government to government. It also comes from international organizations, private organizations and charity organizations. The Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) defines foreign aid as "resource flows provided by official agencies with the intent to promote economic development" (Schabbel, 2007, p.19). However, the common convergence among these trio is giving support to the recipient from the donor. Aid from donor to recipient can be inform of bilateralism or multilateralism. The receivers of aid in modern world most especially after

the end of the World War II are the Third world (mostly African) countries (Hanhimaki, 2015, p.4). An estimated \$6 billion was dole out for African countries in 1960 and by 2011 it increased to \$46 billion (Baker, 2014). For the past 60 years, at least \$1 trillion of development-related aid has been transferred from rich countries to Africa (Moyo, 2009, p.2). Foreign aid consists of: physical goods, skills and technical know-how, financial grants (gifts), or loans (at concessional rates) transferred by donors to recipients (Riddell, 2008). These are designed supposedly to promote socio-economic development.

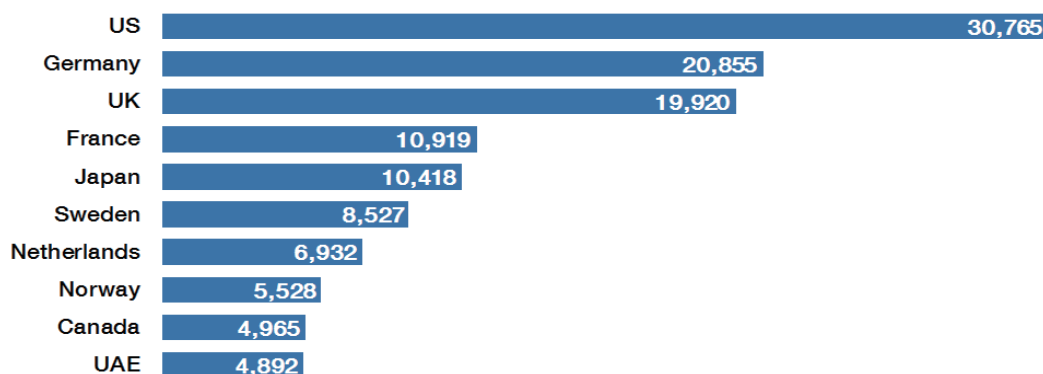
It is observed that official development assistance (ODA) inflow from developed countries to the poor countries is regarded as one of the greatest sources of foreign aid, \$149.3 billion have been disbursed globally (OECD, 2019). ODA increased steadily from the 1960s until it reached a peak of \$68 billion in 1992, just after the end of the cold war and then declined sharply to just

under \$55 billion in 1997. Aid flows began to rebound in the late 1990s following calls for greater debt relief and aid to new democracies, and accelerated very sharply after the attacks of September 11, 2001, reaching \$92 billion in 2004 and increasing to more than \$28.9 billion between then and 2018 (Parker, 2019).

There are different categories of aid. It comes in form of finance i.e. grants and loans. It can be technical i.e. providing personnel, expert or training; and there are also food aid, military aid, emergency aid, project aid and program aid. These categories come under bilateral or multilateral agreement. However, most aid has been given as bilateral assistance directly from one country to another. The United States, Japan, United Kingdom, Germany, France, Netherland, the United Arab Emirates, Sweden, Canada and Spain are today the largest aid donors (Funds for NGOs, 2019; World economic forum, 2019). This is presented graphical below:

Foreign aid: These countries are most generous

Net overseas development assistance, total (million US\$), 2015



Source: OECD

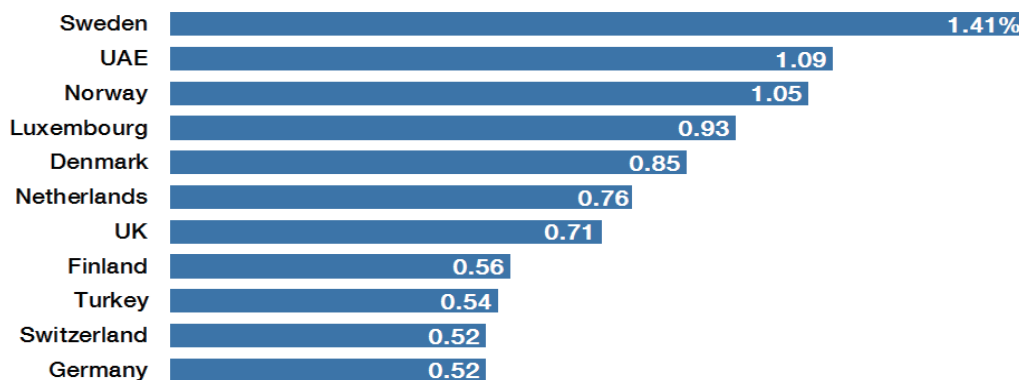
However, when aid is measured as a share of donor's GNI, the most important donors are Sweden, United Arab Emirates and Norway each of which provided between 1%

and 1.41% of their GNI (World economic forum, 2019).

Here is a graphic presentation of aid in relation to the GNI.

Foreign aid: These countries are most generous

Net overseas development assistance, percentage of gross national income, 2015



Source: OECD

There are 30 Organization for Economic Co-operation and Development (OECD). Development Assistance Committee (DAC) donor countries and 29 non DAC donor countries in the world. Out of these donors, the United States has consistently been the world's largest donor of aid but tied 75% of her aid (Apodaca, 2017). Despite the flow of aid to less developed countries, the impact of aid on Third World societies is less desirable. This brings to question the essence and justification of aid giving to recipient nations.

The work seeks to explore the political economy of foreign aid. It also examines the dominant schools of thought and critically analyze the method adopted by donors while doling out the goodies. In addition, it theorizes the dependency model argument of aid allocation from the perspective of the donor-recipient relationship, and scrutinizes the politics of carrot and stick approach of aid allocation and utilization.

HISTORICAL BACKGROUND OF AID

Aid as an instrument of assistance became official in the 1940s via the American Marshall plan – the America financial bailout given to Europe to ease the financial crisis that confronted Europe as a fallout of the Second World War. Between 1948 and 1952, about \$13 billion dollars were doled out by the US government (Moyo, 2009, p.5). This foreign aid initiative benefitted 16 Western European countries greatly and this helped them out in no mean term of their financial insolvency (Arnold, 1985). These 16 countries later formed the Organization of European Economic Cooperation (OEEC now called the European Union). However, that arrangement was considered a once for all operation between a developed country to a group of also developed countries. What is considered as a real aid project which transferred resources (both technical and financial) from developed to developing economies was the Colombo plan. The Colombo plan was a British Commonwealth initiative that was established in 1951 to foster cooperation and economic development among member countries of the British Commonwealth (Arnold 1985).

The plan has been largely attributed to the large flow of aid and was bilateral as a recipient country identified her needs and approached one donor country for aid. Between 1958 and 1980 donors gave out a total of \$65.1 billion in aid as well as technical assistance (Arnold 1985). In the 1990s and the millennium era, foreign aid activities rose as a fallout of the collapse of socialism and the surge of globalization. The wide disparity between the financially strong developed countries and the financially weak less developed countries thus made aid from ODA a necessity for economic growth for the less developed countries (Schabell, 2007).

However, the much talked about growth and poverty reduction in LDC was a mirage as more LDC were

getting poorer. The millennium year and its goals elicited new glamour for aid from the initial aid pessimism, donor fatigue, and aid reduction (Heller, 2005, p. 9). The millennium development goal was a United Nations' plan to half poverty by doubling aid (Sachs, 2004). To achieve this objective, ODA and other agencies for foreign aid such as the United Nations Development Programme, NGOs and individuals must increase aid flow to about \$175 billion per year (Schabell, 2007, p.13). So far, the goals have not been achieved in 2019 and this apparent low level performance of aid on recipient countries is one of the concern of this study.

THE SCHOOLS OF THOUGHT OF AID

There is the debate on the exigencies behind the concept of aid. A school of thought believes it is for the promotion of national interest of the donor nation. Another school affirms that aid is basically for moral humanitarian standpoint to assist those countries in need. The former school known as the *rationalist school* sees aid as a foreign policy trust for the promotion, protection and preservation of the national interest of the donor nation. (Ruttan, 1996, Morgenthau, 1962, Apodaca, 2017). Making references to instances where states make foreign aid a state policy, Ruttan (1996) asserts that since the late 1940s, successive United State governments see foreign aid as an important foreign policy goals. In furtherance of this Morgenthau (1962) views foreign aid from one government to another as a price paid for political services rendered or to be rendered. On his part Jacquet (2006) views aid as a foreign policy instrument that is guided by self-interest of the donor nations, which provides aid to enhance their sphere of influence, to have easy access to recipients markets and to promote the interests of their ruling class (in Carbonnier, 2010). From the perspective of Werker (2012, p.11), donors use foreign aid to further their foreign-policy goals. Apodaca (2017, p.2) opines that foreign aid is used strategically and commercially by the donor countries to boost their interests and advanced their foreign policy goals. Economides and Wilson (2001) affirm that foreign aid is for the purpose of achieving both the political and security end of donor country. The various views describe the relationship between donor nations and recipient state. This is a purely, political quid pro quos which implies that something is given or received for something else.

On the other hand, the humanitarian school sees aid from donor nations to recipient nations as a moral humanitarian obligation for the promotion of welfare, economic growth and development and by extension world peace. Little and Clifford, (1965) see purely humanitarian motives as the reason for transfer of money to poor countries by rich countries. Proponents of the Humanitarian school see Non-Governmental Organizations and individual non state actors performing this function

better than state actors because most state actors that give aid have conditionalities attached. While most non state actors' aid is mostly on humanitarian bases and far less political, NGOs such as International Red Cross, Amnesty International, planned Parenthood Federation, Oxfam in Britain, NOVIB in Holland etc. give aid mostly in terms of need and distress, such as: food aid, legal service, health support, vocational training, rehabilitation etc.

In this light, Deaton (a well-known critic of aid and a noble prize winner in Economics) affirms that aid from rich people to poor people in the area of health, is welcome because it is purely humanitarian. (In Swanson, 2015). This view is supported by Lai and Myint (1996) who see private organization (NGO) as the best channel to transfer aid especially health and education related to the poor. The concept of private individuals' aid donation is well established in Nigeria. Bill Gate, one of the richest men in the world through the Bill & Melinda Gates Foundation has committed \$1.6 billion in fund and polio vaccines to the eradication of polio in the country and so far the impact is felt as Nigeria is now a polio free country (Polio Global Initiative, 2018). This benevolent act was carried out by Gate and his wife Melinda without any conditionality attached – for example Bill Gate did not push for making Microsoft the only official software in Nigeria before the donation could be made. Bill Gates gestures towards eradicating polio in Nigeria is supported by the Aliko Dangote Foundation (ADF) (<http://polioeradication.org/news-post/bill-gates-and-aliko-dangote-support-polio-eradication-efforts-in-nigeria/>). Also, a Nigerian oil magnate, Femi Otedola donated five billion naira (\$14 million) to the Save the Children Fund to assist intervention program in North Eastern Nigeria which has been bedevilled by the Boko Haram terrorist groups that have waged ideological war for a decade (2009-2019), on Nigeria (Today News Africa, November, 2019).

FOREIGN AID AND DEPENDENCY

There are varied assumptions on the reasons behind foreign aid from donors to recipients and the overall objectives. This paper aims to explore the quid pro quos relationship between givers and receivers of aid. Though aid is seen as developmental, the paper sees it from the dependency angle. Dependent theory implies a situation in which the economy of a certain group of countries is conditioned by the development and expansion of another economy, to which there is unequal economic relationship (Santo, 1970). The dependent state of their economies is responsible for the 'cap in hand' aid assistance sought from the rich countries. Most aid recipient countries are Third World Countries with dependent economy. Their underdevelopment is premised on developed countries continuous expansion in: production, commerce, and finance and the subordination of the economies of poor countries which is mostly raw materials oriented which are

needed in the developed societies. Dependency is a fallout of the failure of the modernization theory which sees underdevelopment as a stage in every human society. This theory implies that every human society must pass through five phases of development. These phases according to Rostow (1960) are: traditional society, preconditions for take-off, take-off, drive to maturity, and age of high mass consumption. Therefore, Third World Countries' path to development must follow this historical antecedents. The failure of the modernization theory to transmute Third World Countries to developmental Eldorado gave birth to the dependency theory in the 1950s and 1960s. Though aid is seen by the developed liberal societies as a way out of poverty for Third World Countries, but the aid given has been marginally negligible. Thus, Third World countries depend on crumbs of the developed countries for socio-economics support through aid in its various forms (Telo 2009, p.67, Easterly, 2014 and Moyo, 2009). What donor states give as aid is more of a palliative which does not address the fundamental problem(s) of poverty in poor countries, rather it strengthens donor nations' political economy hegemony.

THE POLITICAL ECONOMY OF FOREIGN AID

The United Kingdom's aid is to help poor people build a better life. While Denmark's aid is for poverty reduction, ditto the Norwegian Agency for Development Cooperation which affirms that its aid is for poverty reduction. The United States' foreign aid is for the purpose of expanding democracy and free markets while improving the lives of the citizens of the developing world.

Despite these developmental and humanitarian considerations, aid is deeply grounded in political economy. Many donor countries give aid for political influence and economic expansionism as there are conditionalities attached to the aid. During the cold war, aid was a bargaining political chess game by both the Soviets and the Americans as well as their allies to win support and membership into their different syncretism. Aid in monetary term was spent not only to change governments but also to improve the economic capabilities of their allies (Faye and Nichaus, 2012). For example, the Soviets built in Assior, Vietnam a hydroelectric facilities while the Americans funded schools and land improvement in South Korea. Also, the United States became the counterweight to Soviet influence in the anticommunist, ideological Greek Civil War and she also gave aid to Turkey to ward off pressures from the USSR (Hanhimaki, 2015, p.18).

The political economy of aid also manifests via ideological allegiance as political allies of the donor countries receive more aid if they complied with the donors' ideology. Somali under Siad Barre proved this

truism. Initially he was an ally of the Soviet Union, a de facto president of Somalia who came to power through a coup and turned Somalia to a socialist state.

The Soviets gave Somalia an arsenal worth \$1 billion during the eight years before switching alliances. David Eisenberg of the private Center for Defense Information calculates that the U.S. subsequently provided Siad Barre's regime with \$403 million in weapons and security assistance, including such military hardware as M-16 assault rifles, Browning machine guns, 81 mm mortars, 105 mm artillery and Hawk anti-aircraft missiles (Atlas, 1992).

Also in 2005, there was superiority battle between the United States and Russia over Kyrgyzstan and neighbouring Uzbekistan's airfields. These airfield where so important to the American government in its fight against terrorism in Afghanistan. The fields were secured with a \$150 million aid package and \$18 million as rent. But in 2009, the United States was told to vacate the Kyrgyzstan's airfield because Russia had offered \$300 million loan for economic development, \$150 million grant for budget stabilization and forgiveness of most of her \$180 million debt that the Kyrgyz state owed Russia (Werker, 2012, p. 1).

WHY DONORS GIVE AID

Donors have a variety of motivations for providing aid. Some are directly related to economic development, while others are for political hegemony. During the cold war, both the United States and the Soviet Union used aid to seek for the support of developing countries with little regard as to whether the aid is actually used to support development.

The two largest recipients of U.S. foreign aid from 1980 to date are Israel and Egypt (Baker, 2014). She also, gives more economic and military to Israel than other country in the Middle East, while presently Iraq gets much aid due to the Gulf War (Baker, 2014).

This is also observed in Taiwan and China who give aid trying to gain support and recognition for their governments from countries around the world (Dreher and Fuchs, 2011). Some donors provide significant aid to their former colonies as a way of retaining political influence (Alesina and Dollar, 2000, Round and Odedokun, 2004). Britain's aid mostly goes to her former colonies, while France gives aid to most of her former Francophone's colonies.

However, in a more specific term donors give aid primarily because it is in their political, strategic or economic self-interest to do so. Though some development assistance may be motivated by moral and humanitarian desires to assist the less developed countries (LDCs), it is of importance to note that donor nations have never assisted LDCs without expecting some corresponding benefits, which could be: political, economic, military, and security in return (Todaro and Smith, 2005).

Economic motivations for aid is sometimes driven by trade interests. Japan who is one of the world's highest donors give most of its aids to neighbouring Asian countries where it has substantial private investment and for trade expansion. A typical example is the aid given to China for the purpose of capturing Chinese huge market (Economides & Wilson, 2001, p.132). This also reflects in other donors' strategy, whose motive is political but cloth in economy. Though the United Kingdom gives aid to members of the British Commonwealth meant for development, but this is covertly political. In the same vein, France gives aid to her Francophone countries, driven mostly towards developmental projects but the aid is for the entrenchment of her political influence on her former colonies. China the second biggest economy in the world, was a former recipient of aid from both Japan and the United States. Likewise, China gives aid more from the political economy perspective than humanitarianism.

The oil rich Arab states are also involved in the political economy conundrum of aid. Saudi Arabia, Kuwait, and the United Arab Emirates favour other Arabs and non-Arab Muslim countries for aid. Their over 1.5% of their GNI goes to famines and other disasters humanitarian needs around the world who are mostly Muslim nations (Rouis, 2010, Neumeyer, 2003). This shows that the philosophy behind aid is more of national interest and only in very real cases do donors dole out aid without colouration.

WHY RECIPIENTS ACCEPT AID

The reason why LDC accept aid even in its most stringent form is mostly economic. They accept aid in form of grants or long term low interest loans with strings attached. The LDCs accept the aid from a weak positions and even if it is injurious to their economic well-being. The conditionalities attached to the aid are mostly neoliberal in character – free market, removal of subsidy, civil rule etc. Nelson (2009) opines that the IMF loans are larger and more forgiving when they are granted to countries with 'neoliberal' policies.

Unfortunately, a good deal of aid that comes in this form has either been wasted on white elephant projects or been plundered by corrupt government officials and their cronies.

In conclusion, studies on the political economy of foreign aid have shown that aid is mostly, allocated according to political economy interests of donor countries, and less on humanitarian considerations.

THE CARROT AND STICK DILEMMA OF FOREIGN AID

Stokke (1989) classifies foreign aid into: humanitarian internationalism – this sees humanitarianism as the

primary purpose of foreign aid; realistic internationalism which sees national interests as the primary purpose of foreign aid, but without interfering in the internal affairs of another countries; while radical internationalism sees foreign aid as the export of values and socio political systems from the donor states to recipient states. This paper however collapsed these three to two (foreign policy of donor countries: which are both political and economic and moral or humanitarian consideration). The paper explores the fact that most economic aid have a wider political consideration when scrutinised.

It is a truism that many donor countries tie some of their aid in exchange for covert or overt benefits. There are plethora of instances where goods and services meant for recipient countries are to be purchased from firms in the donor's home country, or they be used for specific purposes that support groups in the donor countries. The United States which is considered the most giver of aid ensures that automobiles, airline tickets, and consulting services financed by US Foreign Aid, in some cases, must be purchased from US firms (Tarnoff and Nowels, 2004; Arnold, 1985).

This is also replicated by Japan that provides aid as loans and insists that most of the goods should be bought from Japan. China provides aid through loan and technical assistance for infrastructure development but insist that the recipient country should pay for local cost, award the contracts to Chinese contractors or the materials be purchased by Chinese contractors (Arnold, 1985, Kjollesdal and Welle-Strand, 2010). It is also noted that United States ensures that food aid are purchased in the United States and shipped to the needy countries in United States' ships which is much more expensive and time consuming if such food is bought in a neighbouring state (Arnold, 1985). The United States military aid to Pakistan is tied to allowing the government of Pakistan allowing American investors at the detriments of domestic interests (Smith, 2013).

The carrot and stick dimension of aid gives credence to this study which believes that the philosophy behind aid by the donors is not purely humanistic or altruistic but self-serving based on the covert and overt attitudes of donors. For instance, the United States gives \$400 million aid to the Palestinians authority in West Bank with the conditionality like those given by the IMF to countries seeking for loans. The United States congress drafted a bill, which block payments to the families of Palestinians killed while carrying attacks against Israel. The apparent aim of this bill is to stop financial assistance to the victim of those who lost their lives in the Palestinian/Israeli impasse. Though Palestinians see those killed in the conflict as their freedom fighters and martyrs, the United States and Israel see them as terrorists. This implies that future aid to the Palestinians authority is attached to a hard condition of not supporting the so called Palestinians freedom fighters from future United States aid. Failure

to abide means the United States government may stop giving aid (carrot) to the Palestinians authority. The denial of future aid is the (stick) that would be applied.

This was also demonstrated recently at the United Nations General Assembly with the pronouncement by both Donald Trump the U.S president and the U.S ambassador to the United Nations Nikki Haley who threatened (stick) on any nation that vote against the United States stand on Jerusalem or (carrot) if they ally with the United States' stand on Jerusalem. Despite the US stance on Jerusalem, some countries (Nigeria, Ghana, and Egypt) that are recipients of aid from United States voted against the United States' stand on Jerusalem. The world awaits the aftermath of this bold move – will it be like the Yemen action in 1991 who voted against the United States over the Gulf war and lost \$70 million aid from the United States (Rumki, 2004).

The United States also cut off aid to the United Nation Refugee Agency (UNRWA) which was set up after the conflict between Israel and Palestine during the 1948 crisis. The United States was condemned by the UN, the Palestine Authority the OIC and the Arab League leaders for recognizing East Jerusalem as part and parcel of the capital of Israel and for moving its embassy from Tel Aviv to Jerusalem. This was construed by the Palestine authority as tactic support for Israel by the Americans an umpire in the Palestine/Israel imbroglio. United States was therefore seen as biased and therefore could not be a participant in any future Israel/Palestine's discussion in which she had played a major role. This pronouncement made the United States to cut UNRWA's aid which will ultimately affect the Palestine refugees (Deutsche Welle, 2017; Associated Press, 2018).

The president of United States Donald Trump is currently being investigated by the United States' lower chamber for his carrot and stick threat on Ukraine. Trump withheld \$319 million military aid to Ukraine with the condition that the money would be released if Ukrainian president Volodymyr Zelenskiy investigates Joe Biden a former United States Vice President and his son Hunter Biden over their business interest in Ukrainian Energy Company, Burisma, a company Hunter had served as a director. This action is seen by the democrats in the House of Representatives as inappropriate and has therefore begun impeachment proceeding against President Trump. This is carrot and stick act is confirmed by the White House which admits that Trump withheld \$391 million dollars military aid to Ukraine, and US diplomat William Taylor also testifies at the Congressional investigative panel that the Ukraine aid is politically motivated (Phillips, 2019; Viebeck, 2019). While his ally and United States' envoy to Europe Gordon Sondland agrees that Trump tied Ukraine's aid. (Schmidt, 2019). Trump's carrot and stick approach over Ukraine's military aid is construed to be political because Joe Biden is a potential political rival in the 2020 U.S presidential race.

On the overall, it is discovered that United States tied 75% of its aid and others are known to tie their aid to one condition or more (Apodaca, 2017). Denmark withholds aid to Tanzania over anti-gay comment (Embury-Dennis, 2018). In the same vein the European Union also threatened to cut aid to African countries that legislate against same sex marriage.

From the foregoing it can be rightly inferred that aid is sometimes between a dangling carrot and vicious looking stick. This is amplified by Cortright (1997) who observes that a combination of carrots and sticks are, actually present in most cases of aid allocation.

CRITICISM OF AID

In some countries, aid is seen by both donors and recipients as providing greater political leverages to the existing leaderships to suppress opposition and maintain itself in power. In such instances, assistance come not only in financial resources transfer but in military and internal security reinforcement as well. South Vietnam in the 1960s, Iran in the 1970s, some states in Central America in the 1980s, Zaire in the 1970s, Israel and Egypt in the 1990s etc. are good examples of recipients in this category.

According to Moyo (2009), aid has been criticized for keeping bad regimes in government. Aid resources are known to have been used by governments to fortify themselves and build safety valves for their protégés. Opposition are easily oppressed and suppressed which gives bad government room to perpetuate themselves in power. Also, aid does more bad than good, basically because “it prevents people from searching for their own solutions, while corrupting and undermining local institutions and creating a self-perpetuating lobby of aid agencies” (Moyo, 2009, p.3). It is also Moyo’s opinion that any economy that relies on aid fails while those that do not depend on aid succeed. He named economically successful countries such as China and India, South Africa and Botswana whose strategy of development emphasize the important role of entrepreneurship and markets over aid dependency that gives hand-outs.

Foreign aid also received a knock because it causes harm to the recipient nations, specifically when it is distributed to corrupt and authoritarian governments as: Fredrick Chiluba of Zambia, late Joseph Desiree Mobutu Sese Seko of the former Zaire, the late Samuel Doe of Liberia etc. President Mobutu of then Zaire now Democratic Republic of Congo, Suharto of Indonesia and Marcos of the Philippines were reported to have stolen \$50 billion (Denny, 2004). Most of this sleaze were discovered to have come from aid.

Another criticism of aid is the Dutch disease which Moyo (2009, p.4) describes “as large inflow of money that can kill off a country’s export sector by driving up

home prices and thus making their goods to be expensive for export”. The Dutch disease is prevalent in countries that have received more foreign aid which runs counter-productive to the export sector because it reduces export which slows growth caused by an increase in real exchange rate which causes loss of job.

Foreign aid also affects the foreign policy and trade interest of recipient states due to the constant external pressures which distorts their development drive. For example, British aid to Falkland Island; French aid to Reunion and Martinique; Germany aid to Turkey; Japanese aid to Indonesia; United States aid to Israel and Egypt (Killick, 1990). Egypt is known to have kowtowed to the United States when their interest clash over the Middle East politics.

Also food aid though imperative in the period of natural disaster (drought, famine, flood etc.) or man-made disaster (war). However, food given to less developed countries, outside emergency period is considered to be against the local farmers’ business. It not only puts local farmers out of business, it also denies the country self-sufficiency in food production. It is also viewed as counter-productive to the recipient countries as their markets become dumping grounds for cheap produce from developed countries. This further deepens the dependency of the less developed countries on developed countries for food (Economides & Wilson, 2001, p.135).

Foreign aid is also criticised for sometimes dethatching governments from their people in the cases of removal of subsidy on petrol, privatization of Utility Corporation etc. Moore (1998) is of the view that foreign aid dependent countries are usually less pressured to respond to needs of their citizens due to aid that is tied to donor’s whims and caprices.

Finally, whether on grounds of basic humanitarian responsibilities of the developed countries to the welfare of the LDCs or because of the beliefs that the developed countries owed the developing countries reparations for past exploitations; many proponents of foreign aid in both the developed and developing countries are believed that the rich nations have an obligation to support the developing countries’ socio-economic development. Though donor countries see it as moral and financial support or obligation those who voiced out against aid see it as: a trap, a continuation of dependency and imperialism which are developed countries’ policies. This paper agrees with the later. In reality, behind the scene, aid it is tied to “something” which is covet or overt. Aid has not brought the much needed development to the less developed countries who are the recipients. This truism was voiced out by the International Monetary Fund in its 2005 report, which states that “aid will not lift growth in Africa”. The IMF therefore warned that government, donors and aid advocates should be modest in their assumptions that more aid will solve Africa’s problem.

CONCLUDING REMARKS

The study has been able to establish that aid from donors to recipients is not entirely humanitarian but mostly political, economic and military. The political economy of aid also reveals that most of the aid given are attached with stringent conditionalities such as: free trade, practice of liberal democracy, respects for human rights, ideological or religious affinity, military allies, strategic geopolitical reasons, a trusted regime or allied countries, former colonies of the donor states etc. Also, the paper brought the carrot and stick dimensions of aid to the fore with the realization that before aid is given a recipient of aid must do the biddings of the donor(s). However, foreign aid is not a bad concept or programme but the applicability is not, most times. The philosophy behind aid is to help those who are in need. Aid should therefore not be used as a bargaining political economy chip. It is considered that any aid that is more political than humanitarian is less effective (Alesina and Dollar, 2000; Werker 2012, p.6). This is one big factor while aid has not transformed many recipients to Eldorado because it is cloth much more in political economy consideration than humanitarianism.

Therefore, donors must follow the spirit and letter of aid which is humanitarianism while recipients must, utilized it judiciously, for the benefit of the general public. However the paper strongly believes that recipient countries, mostly in the Third World, must look beyond aid as survival strategy by building their development strategy on home grown resources (man and material). Reliance on external support is always counterproductive as he who pays the piper calls the tune. Furthermore, the leadership of the Third World countries must as a priority be: visionary, altruistic and incorruptible while steering the statecraft. Corruption is part of the factors while the Third World countries are lagging behind in Human Development Index. Finally, the paper asserts that behind most of the aid given there is a strong underlying motive.

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