

Worksheet 4: Disparities in wealth and development

The impact of aid

1 Study Figure 4.1.

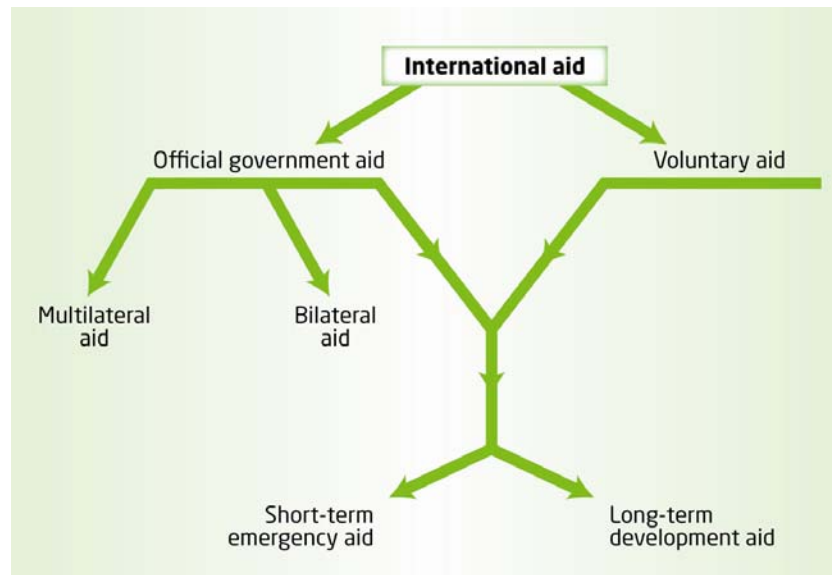


Figure 4.1 The different types of international aid.

Explain the difference between each of the following:

- a official government aid and voluntary aid
- b multilateral aid and bilateral aid
- c short-term emergency aid and long-term development aid.

2 Study Figure 4.2.

Financial Aid – Poverty Reduction Budget Support (PRBS) – funds provided to developing countries for them to spend in support of a government policy and their expenditure programmes whose long-term objective is to reduce poverty; funds are spent using the overseas governments' own financial management, procurement and accountability systems to increase ownership and long-term sustainability. PRBS can take the form of a general contribution to the overall budget – **general budget support** – or support with a more restricted focus which is earmarked for a specific sector – **sector budget support**.

Other Financial Aid – funding of projects and programmes such as Sector Wide Programmes not classified as PRBS. Financial aid in its broader sense covers all bilateral aid expenditure, other than technical cooperation and administrative costs, but in SID we separately categorise Humanitarian Assistance, DFID Debt Relief and 'other bilateral aid'. Aid and Trade Provision which was previously identified in SID has now been merged into 'other financial aid' as it is a rapidly declining flow.

Technical Cooperation – activities designed to enhance the knowledge, intellectual skills, technical expertise or the productive capability of people in recipient countries. It also covers funding of services which contribute to the design or implementation of development projects and programmes. This assistance is mainly delivered through research and development, the use of consultants, training (generally overseas partners visiting the UK or elsewhere for a training programme) and employment of 'other personnel' (non-DFID experts on fixed-term contracts). This latter category is becoming less significant over time as existing contracted staff reach the end of their assignments.

Humanitarian Assistance – provides food aid and other humanitarian assistance, including shelter, medical care and advice in emergency situations and their aftermath. Work of the conflict pools is also included.

DFID Debt Relief – this includes sums for debt relief on old DFID aid loans and cancellation of debt under the Commonwealth Debt Initiative (CDI). The non-CDI DFID debt relief is reported on the basis of the 'benefit to the recipient country'. This means that figures shown represent the money available to the country in the year in question that would otherwise have been spent on debt servicing. The CDI debt cancellation is reported on a 'lump sum' basis where all outstanding amounts on a loan are shown at the time the agreement to cancel is made.

Other Bilateral Aid – this category covers support to the developmental work of UK and international Civil Society Organisations (increasingly through partnership agreements with CSOs). It includes bilateral aid delivered through multilateral organisations including aid delivered through multi donor funds such as the Education Fast Track Initiative. 'Other bilateral aid' also includes any aid not elsewhere classified such as DFID's Development Awareness Fund.

Figure 4.2 UK Department for International Development – types of bilateral aid.

(Source: UK Department for International Development, *Statistics on International Development 2008*)

Discuss the various ways in which the UK Department for International Development provides bilateral aid to developing countries.

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