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Topic- Concept and Indicators of Development

Sub-Topic- Definition, meaning and process of development
Theories and paradigms of development – unilinear and non-unilinear
Ingredients (5Ms) of development and money generation, MNCs and foreign aid
Basic needs model by Bariloche Foundation

Economic and social indicators of development:

i. GDP/GNP ii. Human Development Index

iii. Physical Quality of Life Index

Other indicators:

i. Communication as an indicator

ii. Democracy as an indicator

iii. Human Rights as an indicator

iv. Social Relations [inequality]

v. Happiness Index

The Millennium Development Goals (MDGs)

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Concept and Indicators of Development

Development

Development - means a progression from a simpler or lower to a more advanced, mature, or complex form or stage. It is also defined as the gradual advancement or growth through a series of progressive changes. Development is a process, not a level. It is a path to achieve certain goals.

Definition of Development

The act of developing or disclosing that which is unknown; a gradual unfolding process by which anything is developed, as a plan or method, or an image upon a photographic plate; gradual advancement or growth through a series of progressive changes; also, the result of developing, or a developed state.

In the broadest sense development can be defined as an upward directional movement of society from lesser to greater levels of energy, efficiency, quality, productivity, complexity, comprehension, creativity, enjoyment and accomplishment.

Let's be clear about what we actually mean by "development." Development can be distinguished from a closely related term, "growth." Just like development, growth is a form of progress, yet development is of a higher order. Think of growth as an expansion of *more of the same*, whereas development is an expansion at a *higher* level. Whereas growth is an expansion at the current level, development is an expansion at a new, unprecedented level. For example, in business we might think of growth as a duplication of a retail store model into dozens of franchise operations; whereas development was the actual development of the franchise concept in the first place. Development is more of a movement to a higher *qualitative* level, whereas growth is a *quantitative* movement.

Meaning of Development

Development is a process, not a level. It is a path to achieve certain goals. There is no consensus among economists as to what constitute economic development. Economists who looked at development from structural change angle define economic development as economic growth with structural change in favour of non-agricultural activities.

Some economists emphasized the need for institutional changes to bring about structural transformation. By institutional changes they meant facilitating institutions like appropriate policies, systems of governance, markets, attitudinal changes. etc. In this angle economic development is economic growth plus something.

Process of development

Development occurs slowly over time. It is mostly an unconscious phenomenon that occurs on an irregular basis, with zigs and zags, with forward motions and setbacks. On the other hand, if one were to discover the process of how development occurs, and utilize this process in developing policies, strategies, and action plans for society and nation, we could eliminate the irregularities

and meanderings of development, eliminate the negatives that block its path, and more positively control its ever accelerating course.

Theories and paradigms of development – unilinear and non-unilinear

Unilinear World View of Development

The unilinear world view of development simply means that underdevelopment is a condition preceding development. All developed countries are late comers to the process of development, which had already taken place in the developed West. The Western developed countries followed some kinds of processes, and, they have achieved a kind of standard of living. The people of these countries enjoy certain consumer items, which are not easily available for the common men living in other parts of the world, at an affordable cost. Because of their tremendous influence on the world bodies and international scene, the Western countries have become models of development for the underdeveloped or developing countries. It suggests, therefore, that development is becoming more like the West or like the already developed countries. For becoming like the West, there are certain institutional or economic hurdles, whose removal will initiate the development process in the underdeveloped countries. Institutional or economic hurdles could be dictatorships, monarchy, and a closed type of economy like that of Burma, India, and China, to some extent. On the contrary, the "non-unilinear world-view of development" suggests that development is not becoming like the West. Under the changed historical conditions, it may not be possible for the less developed countries to become like the already developed countries. These less-developed countries shall have to find an alternative path of development.

Types of Unilinear Theories

Theories falling under the unilinear world-view may be divided into two broad categories. First, there are those theories, which consider development as harmonies and non-contentious processes. The development process benefits all rich as well as poor people, and rich as well as poor countries. There is more harmony between different groups of people and different countries. The second category of theories consider development essentially as a conflicting process. These theories refer to the rich exploiting the poor as much as the rich countries exploiting the poor.

Mainstream Paradigm

Theories under category which suggest development to be a harmonies process, lead to two paradigms: one which advocates state intervention or active role of the Government run an essential requirement for development. Most of the modern theories of development that have emerged during the post-war years come under this paradigm. This may be called as the 'Mainstream Paradigm'.

Counter-revolution Paradigm

The other paradigm, which emphasizes non-intervention by the state or non-involvement of the government, and advocates the efficiency of the market (the forces that determine demand, supply, and the cost, pricing, and production of goods, commodities and services) in promoting development, which favours "free market" for developments, is called as the 'counter-revolutionary' paradigm.

The Structuralist Paradigm

Similarly, within the category of theories, which consider development essentially as a contentious and conflict-ridden process, we find two paradigms. The structuralist paradigm suggests that underdevelopment is a consequence of the internal as well as the international structure (system of production). Internally, the less developed countries are totally dependent on the production and export of primary products (raw materials, like oil, sugar, tea, rubber, iron and other minerals etc.). On the international front, the developed countries (capitalist West) produce and export "manufactured" goods. Now, the 'low level of technology and industrialization, the low elasticity of demand and adverse terms of trade (the West protecting its manufactured goods through trade tariffs, and buying the primary products of the less developed countries at low prices, has had to the exploitation of the less-developed countries by the developed countries. Therefore, these theories suggest that if the less developed countries want development, they are required to change the structure (system) of production increasingly in favour of manufactured goods through capital based technology and industrialization. Once the 'underdeveloped' countries do this, they too can developed like the West.

The Orthodox Marxist Paradigm

On the other hand, the Orthodox Marxist Paradigm considers that conflict and contradictions in the development of capitalism are inevitable, and that these can only be resolved through a revolution, which will then usher in the next phase of development.

Types of non-unilinear theories

If we turn to the theories under the "non-unilinear world view", here too we can subgroup the theories into two paradigms: one, the populist paradigm and the other the neo-Marxist paradigm. Thus, we can broadly classify two "World-views of development", the unilinear and the non-unilinear, in six paradigms, viz., the mainstream paradigm, the counterrevolution, the Structuralist, the Orthodox Marxist, all the four belonging to a Unilinear World View. The populist and Neo-Marxist are the two paradigms of "non-Unilinear world View".

Unilinear World-view of Development

We shall discuss, briefly, the important features of the theories of development under each paradigm and their implications for the strategy of development in the Third World countries. We shall discuss the main features of each and every paradigm of the unilinear world-view of development. Let us start with the mainstream paradigm.

- i) **Mainstream Paradigm:** Of those paradigms, which project development as becoming more like the West and developing countries as late-comers to the process, with certain initial conditions, which should be overcome to experience transition to development, the more familiar is what could be described as the 'Mainstream paradigm'. It includes most of the familiar development theories like the "big-push" or "balanced growth" theory of Rosenstun Rodan, the "vicious circle" theory of Ragnar Nurks, the "unbalanced growth theory of Alber Hirsheman, the "dulasim" theory of Arthur Lewis, the "stage theory" of W.W. Rostow and the "neo-Malthusian" theory of Harvey Leibenstin. (For an 'explanation of some of these theories, see Glossary).

In spite of differences in the framework, point of emphasis etc., there are certain aspects, which are common in these theories, the most important resource for development is savings or accumulation of capital. The transition from underdevelopment to development is essentially a process of moving from low savings ratio of about 5% of the GNP to a high savings ratio of about 12% or more. "Development is a process of transforming an economy, which is predominantly agriculture-based and other related primary activities, towards predominance of industry and non-primary activities."

Therefore, these theories describe the initial conditions or barriers responsible for the low savings, and suggest strategies to overcome those hurdles, which would put the underdeveloped countries on the path of development like the West. The persistence of the low savings is due to the vicious circle of poverty: low income, low savings, low investment, low productivity, and low income.

There is also the vicious circle on the demand side like the low inducement to invest because of the low level of productivity due to low level of investment.

Once this low savings syndrome is overcome, then aid or foreign investments help in a sustained development, either through balanced investment or investment in the unbalanced sectors that would set up inducements and pressures.

In the process of mobilizing savings and channeling the same for development, the mainstream theories consider state intervention, either through the governmental planning or state programmes, as essential. Most of the newly independent countries have embarked upon the development strategies, which were inspired by the theories of the mainstream paradigm.

- ii) **Counter-revolution Paradigm:** In contrast, the Counter-revolution paradigm considers the state intervention as the cause of inefficiency and distortions in the resource use. According to this paradigm, the state intervention through? Licensing and regulation leads to 'directly unproductive profit seeking', corruption, and red tape. Minimizing the state's role, and allowing the market to play the role in allocation of resources, would improve efficiency, competitiveness, and rapid growth. This paradigm has gained some popularity only in the 1980s, by which time there was widespread disenchantment with the interventionist policies. In recent years, this paradigm is at the basis of the package of liberalization that is recommended by the World Bank and the International Monetary Fund.

- iii) **The Structural paradigm:** The origins of the structuralist paradigm could be traced to the writings based on the Latin American experience. There are two variants of the structuralist paradigm, one referring to the distortions internal structure, and the other pointing to the global or international structure, It is the 'international structuralism' of the Rural Prebisch that is more familiar. According to the paradigm, the world is divided into the developed capitalist countries forming the core of 'the Centre', and the underdeveloped countries forming the periphery. Over the years, there emerged a division of labour with the Centre producing and exporting manufactured goods and the Periphery depending on the production and export of the primary products. While the income elasticity of demand for high technology and high

Productivity-based manufactures is high, it is low for the primary products. As a result, while the demand for the manufactured goods increased faster, ensuring higher prices for their exports, the demand for the primary products increased slowly, and the export prices did not keep pace with the rise in the prices of imported manufactured goods. There was, in the long-run, deterioration in the terms of trade of the primary exports from the less-developed countries. All the benefits, technical progress and productivity flowed to the developed center, keeping the periphery in a continued state of underdevelopment.

To break this structural distortion and to initiate the development process in the periphery, it is necessary to pursue a policy of protection to the manufacturing sector from the developed countries. The strategy directly flowing from the structuralist paradigm is Import Substitution Industrialization (ISI). Though it has caused sufficient problems later, the ISI was a very popular strategy of development, particularly in Latin America.

- iv) **Orthodox Marxist Paradigm:** The familiar Marxist concept of development is associated with the five epochs or stages: (i) Primitive Communism, (ii) Ancient Slave State, (iii) Feudalism, (iv) Capitalism, and (v) Socialism. Each of these epochs is marked by a corresponding mode of production. Development, in this framework, may be viewed as one of transitions from feudalism to capitalism.

The Orthodox Marxist theory also visualized the future of the underdeveloped countries, entirely in terms of the developed capitalist countries. Karl Marx wrote that "the country that is more developed, industrially, only shows to the less developed the image of its own future." It is such an image of development that led Marx and Engels to believe that the capitalist colonial expansion would result in the spread of development of capitalism in the countries.

Contrary to such expectations, as capitalism spread all over the world, a greater part of the world has experienced only its disintegrating effects, without benefiting from its creative side. Moreover, the united industrialisation of the West was possible only at the expense of the so-called underdeveloped world, which was doomed to stagnation and regression. The classical Marxist writings, by concentrating on the European experience, anticipated the spread of development and not underdevelopment. They did not have much to say on

the process of underdevelopment. There appears to be not much analysis of the historical experience of the colonial countries in Asia and Africa. Hence the criticism that Marx's writings were Europe-centric, denying all the history and experience of the colonial countries.

Non-Unilinear World-view of Development

So far, we have discussed how the developing countries could attain the status of the developed countries. We have said that the process adopted by many Third World countries is unilinear moving from one step to another logically. Now, here, we shall discuss some paradigms which are not unilinear. Their nature is not that systematic. So, let us move ahead.

a) **Populist Paradigm:** The term "popu " is used here in the absence of any other term that is adequate to describe this approach. Tine theories under the "Populist" approach question

Either the need or possibility of the less-developed counties developing on the lines of the Concept of Development already developed capitalist countries. The Gandhian thinking on the appropriate development for countries like India, and some contributions from someone like E.F. Schumacher, who wrote Small is Beautiful, may be considered as part of the "populist" paradigm.

Gandhi thought that the Western type of development had nothing to commend to societies like India. His contention was that the Western industrialization had brought along with it immortality, crime, and cultural degeneration. "Development in a country like India should make the village as the centre, and provide employment and livelihood through a network of cottage and village industries. 'Gram Swaraj' or 'village united development' would not only ensure against the evils of industrialization and urbanization, but also absorb millions of people without uprooting them from their appropriate village industries.

The contribution of Schumacher is also inspired by the Gandhian thinking. It is well-known through his book, small is Beautiful. The two severe problems of the less developed countries, according to him, were mass unemployment and mass migration to the urban areas. Much of the Western type of industrialization initiated in the less developed countries helped only a fraction of the population living in the urban areas, while the mass of population living in rural areas were bypassed. Thus, in the less developed countries, there emerged what is known as "dual economics" of urban and rural areas, each within different patterns of living, widely separated from each other, living as two different worlds. That the rural masses would be absorbed by the Western type of industrialization is utterly unrealistic. What is needed is creation of appropriate technology that would promote employment opportunities through a network of small

production units, a primary condition for such a development involves education, organization, and development.

Populist paradigm is discussed as an alternative strategy by not housed by any less-developed country. This is partly because of the dominance of the mainstream paradigm in the initial stages of independence, and the creation of an impression among the people that development means becoming like the West. After raising such false hopes, any attempt to adopt a Gandhian or "populist" alternative strategy, it is feared, would not be liked by the people. Most of the less developed countries hold on to the "mainstream" paradigm, its failures notwithstanding.

- b) **Neo-Marxist Paradigm:** A serious challenge to the unilinear world-view of development did not arise until the emergence of the neo-Marxist paradigm. There are quite a few economists who can be called neo-Marxist, but here, we are concerned with the writings of Paul Baran, A.G. Frank, and the related "dependency theory". An attempt is made here to capture the neo-Marxist paradigm, as far as possible, in terms of the original writings. The essence of the paradigm lies in the fact that, at present, the less developed countries cannot develop like the West. It stresses the interconnectedness of development and underdevelopment, of traditional and modern, and indeed many other social, political and economic factors. It seems many conflicts and clashes of interest in the development process occur, both between nations and between social classes within the underdeveloped countries. It emphasizes the historical factors, especially, the active process of how underdevelopment has come into being in the various Third World countries.

Paul Baran declared that underdevelopment of most of the world was a direct result of the dynamics of monopoly capitalism, which had mocked the primary accumulation of capital in the underdeveloped regions, and smothered their novice industries. He sums up his thesis as follows: 'thus the people, who came into the orbit of Western capitalist expansion, found themselves, in the light of feudalism and capitalism, enduring the worst features of both worlds. Their exploitation was multiplied, yet its fruits were not to increase their productive wealth; they went! Abroad or served to support a parasitic bourgeoisie at home. They lived in abysmal misery, yet they had no prospect of a better tomorrow. They existed under capitalism, yet there was no accumulation of capital. They lost their time-honored means of livelihood, their arts and crafts, yet there was no modern industry to provide new ones in their place. They were thrust into extensive contact with the advanced science of the West, yet remained in a state of the darkest backwardness.'

Referring to India as a case in point, Baran observes, "India, if left to herself, might have found in the course of time a shorter and surely less tortuous mid towards a better and rich society. It would have been, however, an entirely different India (and an entirely different world), had she been allowed as some more fortunate countries

were, to realize her destiny in her own way, to employ her resources for her own benefit, and to harness her energies and abilities for the advancement of her own people."

The most forceful presentation of the neo-Marxist thesis is found in Andre Gunder Frank: "Under development is not just the lack of development. Before there was development, there was no underdevelopment. This relation between development and underdevelopment is not just a comparative one, in the sense that some places are more developed) and yet there is underdevelopment".

A.G. Frank contents that underdevelopment as we know it today, and economic development as well, are the simultaneous and related products of development on a world wide scale, and over a history of more than four centuries, at least, of a single integrated economic system: Capitalism. Though integrated in the sense that its far-flung parts are interrelated, and in the sense that it internally generates its own transformation, the capitalist system is also wrought by contradiction. One part exploits another, though it also diffuses back some of the fruits of the economic and cultural development based on that exploitation.

Ingredients (5Ms) of development and money generation, MNCs and foreign aid

1. Method/ Mind
2. Man
3. Money
4. Machine
5. Material

MULTI NATIONAL CORPORATIONS

A multinational corporation (MNC) or transnational corporation (TNC), also called multinational enterprise (MNE), is a corporation or an enterprise that manages production or delivers services in more than one country. It can also be referred to as an international corporation. The International Labour Organization (ILO) has defined an MNC as a corporation that has its management headquarters in one country, known as the Home country, and operates in several other countries, known as Host countries.

The first modern multinational corporation is generally thought to be the East India Company. Many corporations have offices, branches or manufacturing plants in different countries from where their original and main headquarters is located.

Some multinational corporations are very big, with budgets that exceed some nations' GDPs. Multinational corporations can have a powerful influence in local economies, and even the world economy, and play an important role in international relations and globalization.

DIFFERENT STRUCTURAL MODELS OF MNCs

1. The exact model for an MNC may vary slightly. One common model is for the multinational corporation is the positioning of the executive headquarters in one nation, while production facilities are located in one or more other countries. This model often allows the company to take advantage of benefits of incorporating in a given locality, while also being able to produce goods and services in areas where the cost of production is lower.
2. Another structural model for a multinational organization or MNO is to base the parent company in one nation and operate subsidiaries in other countries around the world. With this model, just about all the functions of the parent are based in the country of origin. The subsidiaries more or less function independently, outside of a few basic ties to the parent.
3. A third approach to the setup of an MNC involves the establishment of a headquarters in one country that oversees a diverse conglomeration that stretches to many different countries and industries. With this model, the MNC includes affiliates, subsidiaries and possibly even some facilities that report directly to the headquarters.

HISTORY OF MNCs

The **Dutch East India Company** (*Vereenigde Oost-Indische Compagnie* or **VOC** in Dutch, literally "United East Indian Company") was a chartered company established in 1602, when the States-General of the Netherlands granted it a 21-year monopoly to carry out colonial activities in Asia. It was the first multinational corporation in the world and the first company to issue stock. It was also arguably the world's first mega corporation, possessing quasi-governmental powers, including the ability to wage war, negotiate treaties, coin money, and establish colonies.

Statistically, the VOC eclipsed all of its rivals in the Asia trade. Between 1602 and 1796 the VOC sent almost a million Europeans to work in the Asia trade on 4,785 ships, and netted for their efforts more than 2.5 million tons of Asian trade goods. By contrast, the rest of Europe combined sent only 882,412 people from 1500 to 1795, and the fleet of the English (later British) East India Company, the VOC's nearest competitor, was a distant second to its total traffic with 2,690 ships and a mere one-fifth the tonnage of goods carried by the VOC. The VOC enjoyed huge profits from its spice monopoly through most of the 1600s.

The Dutch East India Company remained an important trading concern for almost two centuries, paying an 18% annual dividend for almost 200 years. In its declining years in the late 18th century it was referred to as *Vergaan Onder Corruptie* (referring to the acronym VOC) which translates as

'Perished by Corruption'. The VOC became bankrupt and was formally dissolved in 1800, its possessions and the debt being taken over by the government of the Dutch Batavian Republic. The VOC's territories became the Dutch East Indies and were expanded over the course of the 19th century to include the whole of the Indonesian archipelago, and in the 20th century would form Indonesia.

MNCs in INDIA

The multinational companies in India represent a diversified portfolio of companies from different countries. Though the American companies - the majority of the MNC in India, account for about 37% of the turnover of the top 20 firms operating in India, but the scenario has changed a lot off late. More enterprises from European Union like Britain, France, Netherlands, Italy, Germany, Belgium and Finland have come to India or have outsourced their works to this country. Finnish mobile giant Nokia has their second largest base in this country. There are also MNCs like British Petroleum and Vodafone that represent Britain. India has a huge market for automobiles and hence a number of automobile giants have stepped in to this country to reap the market. One can easily find the showrooms of the multinational automobile companies like Fiat, Piaggio, and Ford Motors in India. French Heavy Engineering major Alstom and Pharma major Sanofi Aventis have also started their operations in this country. The later one is in fact one of the earliest entrants in the list of multinational companies in India, which is currently growing at a very enviable rate. There are also a number of oil companies and infrastructure builders from Middle East. Electronics giants like Samsung and LG Electronics from South Korea have already made a substantial impact on the Indian electronics market. Hyundai Motors has also done well in mid-segment car market in India.

List of MNCs in India

The list of multinational companies in India is ever-growing as a number of MNCs are coming down to this country now and then. Following are some of the major multinational companies operating their businesses in India:

- British Petroleum
- Vodafone
- Ford Motors
- LG
- Samsung
- Hyundai
- Accenture
- Reebok
- Skoda Motors
- ABN Amro Bank

Benefits of Multinational Corporations

- Create wealth and jobs around the world.
- Their size enables them to Benefit from Economies of scale enabling lower costs and prices for consumers.
- Large Profits can be used for research & Development. For example, oil exploration is costly and risky which could only be taken out because they make high profits.
- Ensure minimum standards. The success of multinationals is often because consumers like to buy goods and services where they can rely on minimum standards. i.e. if you visit any country you know that the Starbucks coffee shop will give something you are fairly familiar with. It may not be the best coffee in the district, but, it won't be the worst. People like the security of knowing what to expect.

Criticisms of Multinational Corporations

- Companies interested in profit at the expense of the consumer. Multinational companies often have monopoly power which enables them to make excess profit. For example, Shell made profits of £14bn last year
- Their market dominance makes it difficult for local small firms to thrive. For example, it is argued that big supermarkets are squeezing the margins of local corner shops leading to less diversity.
- In the pursuit of profit, Multinational companies often contribute to pollution and use of nonrenewable resources which is putting the environment under threat.
- MNCs have been criticized for using 'slave labour' workers who are paid a pittance by Western standards

Evaluation

- Some criticisms of MNCs may be due to other issues. For example, the fact MNCs pollute is perhaps a failure of government regulation. Also, small firms can pollute just as much.
- MNCs may pay low wages by western standards but, this is better than the alternatives of not having a job at all.

FOREIGN AID

The international transfer of **capital**, goods, or services from a country or **international organization** for the benefit of the recipient country or its population. Aid can be economic, military, or emergency humanitarian (e.g., aid given following **natural disasters**).

TYPES AND PURPOSES

Foreign aid can involve a transfer of financial resources or commodities (e.g., food or military equipment) or technical advice and training. The resources can take the form of grants or concessional **credits** (e.g., export credits). The most common type of foreign aid is official development assistance (ODA), which is assistance given to promote **development** and to combat poverty. The primary source of ODA—which for some countries represents only a small portion of their assistance—is bilateral grants from one country to another, though some of the aid is in the form of loans, and sometimes the aid is channeled through **international organizations** and **nongovernmental organizations** (NGOs). For example, the **International Monetary Fund** (IMF), the World, and the **United Nations Children’s Fund** (UNICEF) have provided significant amounts of aid to countries and to NGOs involved in assistance activities.

Countries often provide foreign aid to enhance their own security. Thus, economic assistance may be used to prevent friendly governments from falling under the influence of unfriendly ones or as payment for the right to establish or use military bases on foreign soil. Foreign aid also may be used to achieve a country’s diplomatic goals, enabling it to gain diplomatic recognition, to garner support for its positions in international organizations, or to increase its diplomats’ access to foreign officials. Other purposes of foreign aid include promoting a country’s exports (e.g., through programs that require the recipient country to use the aid to purchase the donor country’s agricultural products or manufactured goods) and spreading its language, culture, or religion. Countries also provide aid to relieve suffering caused by natural or man-made disasters such as famine, disease, and war, to promote economic development, to help establish or strengthen political institutions, and to address a variety of transnational problems including disease, **terrorism** and other crimes, and destruction of the environment. Because most foreign aid programs are designed to serve several of these purposes simultaneously, it is difficult to identify any one of them as most important.

HISTORY OF FOREIGN AIDS

The earliest form of foreign aid was military assistance designed to help warring parties that were in some way considered strategically important. Its use in the modern era began in the 18th century, when Prussia subsidized some of its allies. European powers in the 19th and 20th centuries provided large amounts of money to their colonies, typically to improve infrastructure with the ultimate goal of increasing the colony’s economic output. The structure and scope of foreign aid today can be traced to two major developments following World War II: (1) the implementation of the Marshall, a **U.S.-sponsored** package to rehabilitate the economies of 17 western and southern European countries, and (2) the founding of significant international organizations, including the **United Nations**, IMF, and World Bank. These international organizations have played a major role in allocating international funds, determining the qualifications for the receipt of aid, and assessing the impact of foreign aid. Contemporary foreign aid is distinguished not only because it is sometimes humanitarian (with little or no self-interest by the donor country) but also by its size, amounting to trillions of dollars since the end of **World War II**, by the large number of governments providing it, and by the transparent nature of the transfers. The level of foreign aid expenditures following World War II dwarfed prewar assistance. The postwar programs of the **United Kingdom**, France, and other European former colonial powers grew out of the assistance they had provided to their colonial possessions. More importantly, however, the **United States** and Union and their allies during the Cold War used foreign aid as a diplomatic tool to

foster political alliances and strategic advantages; it was withheld to punish states that seemed too close to the other side. In addition to the Marshall Plan, in 1947 the United States provided assistance to **Greece** and **Turkey** to help those countries resist the spread of communism, and, following the death of Soviet leader **Joseph Stalin** in 1953, communist-bloc countries donated increasing amounts of foreign aid to less-developed countries and to close allies as a means of gaining influence as well as promoting economic development.

Several non-European governments also implemented their own aid programs after World War II. For example, Japan developed an extensive foreign aid program—an outgrowth of its reparations payments made following the war—that provided assistance primarily to Asian countries. Much of Japan's aid came through procurement from Japanese companies, which helped fuel economic development in Japan. By the late 20th century, Japan had become one of the world's two leading donor countries, and its aid programs had extended to non-Asian countries, though much of the country's assistance was still directed toward Asia.

The vast majority of ODA comes from the countries of the **Organization for Economic Cooperation and Development** (OECD), specifically the nearly two dozen countries that make up the OECD's Development Assistance Committee (DAC). The DAC includes western European countries, the United States, Canada, Japan, Australia, and **New Zealand**. Other providers of significant assistance include Brazil, China, Iceland, India, Kuwait, Poland, Qatar, Arabia, South, Taiwan, Turkey, and the **United Arab Emirates**. In the 1970s the international community, through the United Nations, set 0.7 percent of a country's gross national income (GNI) as the benchmark for foreign aid. However, only a small number of countries (Denmark, Luxembourg, **The Netherlands**, Norway, and Sweden) reached that mark. Although the United States and Japan have been the world's two largest donors, their levels of foreign aid have fallen significantly short of the UN's goal.

Since the end of the **Cold War**, the United States has furnished foreign aid as part of peacemaking or peacekeeping initiatives in the Balkans, **Northern Ireland**, and parts of Africa. Foreign aid also has been used to promote smooth transitions to democracy and capitalism in former communist countries, most notably Russia.

Foreign assistance is still used to promote economic development. Although significant development occurred in much of Asia and **Latin America** during the second half of the 20th century, many countries in Africa remained severely **underdeveloped** despite receiving relatively large amounts of foreign aid for long periods. Beginning in the late 20th century, humanitarian assistance to African countries was provided in increasing amounts to alleviate suffering from natural disasters, the **HIV/AIDS** epidemic, and destructive civil wars. Major initiatives to combat HIV/AIDS focused on the hardest-hit countries, most of which are in sub-Saharan Africa.

Foreign aid has been used, particularly in poorer countries, to fund or to monitor elections, to facilitate judicial reforms, and to assist the activities of **human rights** organizations and labour groups. In the post-Cold War era, when funding anticommunist governments became a less important criteria for the United States and its allies, promoting democracy was elevated as a criterion in foreign aid programs. Aid was provided to some countries as an incentive for initiating democratic reforms and was withheld from others as a punishment for resisting such reforms.

Foreign aid is also used to address transnational problems such as the production and export of illegal drugs and the battle against HIV/AIDS. For example, the International Narcotics Control program allocates U.S. funds to countries to battle drug production, and the Anti-Drug Abuse Acts of 1986 and 1988 make foreign aid and access to U.S. markets conditional upon recipient countries' actively combatting drug production and trafficking.

Since the 1990s many foreign aid sources, notably the IMF, have made aid conditional on market-oriented economic reforms, such as lowering trade barriers and privatization. Thus, foreign aid has been used as a tool by some institutions and countries to encourage the spread of capitalism.

In the last decade of the 20th century, private capital flows and remittances from **migrant workers** became the two largest sources of "aid" from wealthy countries to poor ones, surpassing the amount of ODA provided by those countries. However, this form of aid is heavily stratified; most direct foreign investment has gone to developing pursuing policies of trade and economic liberalization and those with large markets (e.g., Brazil, China, and India).

CRITICISM

Significant criticisms have been leveled at both the donors and the recipients of foreign aid. Some groups in recipient countries have viewed foreign aid suspiciously as nothing more than a tool of influence of donor countries. For example, critics of the IMF allege that the required structural adjustments are too politically difficult and too rigorous and that the debts incurred through IMF loans help to create poverty, as capital that could have been invested instead was channeled into debt repayment. The World Bank, which critics claimed in the 1970s and '80s was insensitive to local needs and often approved projects that did more harm than good, altered many of its policies and has generally endured less criticism. In general, opponents of the way that foreign aid programs have operated charge that foreign aid has been dominated by corporate interests, has created an unreasonable debt burden on developing countries, and has forced countries to avoid using strategies that might protect their economies from the open market. In addition, many critics of U.S. aid illustrate the continued importance of political considerations over developmental ones, citing for example the increase in aid to countries allied with the United States in the fight against terrorism following the **September 11 attacks** in 2001, regardless of their commitment to democracy and human rights.

Meanwhile, some groups in donor countries have criticized foreign aid as ineffective and wasteful. In the United States, for example, public opinion polls consistently show that most Americans believe that foreign aid consumes 20 percent of the country's budget—the actual figure is less than 1 percent—and that most recipients of foreign aid do not deserve it or do not use it wisely. Such criticisms have been bolstered by the generally disappointing results of foreign aid programs in sub-Saharan Africa, where many countries remain mired in poverty, corruption, and civil war despite the disbursement of significant foreign aid. With efforts to rebuild Iraq and Afghanistan, curtail drug production and trafficking, and battle HIV/AIDS, ODA—which had declined throughout the 1990s—increased in the early 21st century.

Basic needs model by Bariloche Foundation

Introduction:

The Basic Needs Model or the Latin American world Model, *is* an interdisciplinary work piece conducted by Amilcar Herrera, also became well known around the world. The Bariloche Foundation in Argentina (1973) first developed a world model to show the possibility of meeting the basic needs of people all over the world based on certain assumptions.

Important points of BNM

Development must reach to the poorest of the poor and satisfy their basic minimum needs e.g. food, clothes, shelter, education, healthcare etc. by providing employment and income. It was an attempt to deal directly with the world poverty by meeting the basic needs of the lowest 40% income groups.

The model advocated for the satisfaction of non-material needs for quality of life once the material needs are satisfied.

In this model, the emphasis shifted from measuring income per capita as a growth indicator to measuring the physical quality of life (PQLI) as the indicator of welfare. PQLI is measured by life expectancy, infant mortality rate (IMR is the number of deaths of infants under one year old in a given year per 1,000 live births in the same year. India=55, Sierra Leone=160.3, USA=6.3, World=49.4 IMR as per 2006 United Nations Population Division report) and literacy. In this model there is increased emphasis on the importance of equitable distribution of rewards, quality of life and meeting basic human needs.

BNM and causes of underdevelopment:

The model points out a few causes of underdevelopment as given below:

Poor organization of the poor. Organization of the poor serves three purposes: first to participate in community life; second, to overcome the mere survival strategy; and third, to break a pattern of powerlessness, exploitation, permanent indebtedness, and a state of dependency bordering slavery.

Lack of proper policy framework for development. It should have multiple growth goals: a commitment to development from bottom-up; local self-reliance; grass-root organizations participating in planning, decision making and implementing in areas affecting communities; substantial allocation of national funds for health, education and housing in favour of the lowest 40% income.

Information Poverty. There is information poverty among the 'have-nots' and communication gap with the 'have'.

Communication Model in BNM

Decentralization (to give some of the power of a central government, organization, etc. to smaller parts or organizations around the country) of communication networks and democratization of their control would be essential pre-condition for the success of BNM. Decentralization and rural integrated development in this model suggest two-way communication, both top-down and bottom-up in the development infrastructure.

The top-down communication is from the govt. to the masses for awareness of the basic amenities provided. A bottom-up communication from the people to the development planners for need based programs.

Role of communication in BNM

In BNM, the emphasis is on inter-personal communication channels, which are used to inform, educate, motivate and persuade the masses with support from the mass media.

The govt. should provide community TV, radio sets and newspapers etc. and make use of satellites and other improved methods of broadcasting, such as short-wave, to the poor who have low physical accessibility to mass media because of low purchasing power or living in areas where reach of the media is low.

Along with physical access, it is necessary to have access to the operation of community media. This will safeguard against information blockage to the have-nots.

The efforts to meet the basic needs and to affect the required attitudinal changes require unprecedented inflow of information into the village capable of reaching the poorest of the villagers as well.

Therefore, it is necessary to develop programs designed to transform the village from the traditional society into an Information Community of a new kind.

Conclusion: Though the BNM is not yet considered as a replacement for development strategy but it has contributed a lot in shaping the policy of many developing countries.

DEVELOPMENT INDICATORS

Economic: GDP (Gross Domestic Growth) /GNP (Gross National Product)

Social: Physical Quality of life index

- Human Development Index

Other:

- Communication
- Democracy

- Human Right
- Social Relations(inequality)
- Happiness Index

Millennium Development Goals (MDGs)

Member states and at least 23 international organizations have agreed to achieve by the year 2015. They include eradicating (get rid of/eliminate) extreme poverty, reducing child mortality rates, fighting The **Millennium Development Goals (MDGs)** are eight international development goals that all 192 United Nations disease epidemics such as AIDS, and developing a global partnership for development.

The **MDGs** were developed out of the eight chapters of the United Nations, signed in September 2000. There are eight goals with 21 targets, and a series of measurable indicators for each target

Goal 1: Eradicate extreme poverty and hunger

- **Target 1A: Halve the proportion of people living on less than \$1 a day**
 - *Proportion of population below \$1 per day (PPP values)*
 - *Poverty gap ratio [incidence x depth of poverty]*
 - *Share of poorest quintile in national consumption*
- **Target 1B: Achieve Decent Employment for Women, Men, and Young People**
 - *GDP Growth per Employed Person*
 - *Employment Rate*
 - *Proportion of employed population below \$1 per day (PPP values)*
 - *Proportion of family-based workers in employed population*
- **Target 1C: Halve the proportion of people who suffer from hunger**
 - *Prevalence of underweight children under five years of age*
 - *Proportion of population below minimum level of dietary energy consumption*

Goal 2: Achieve universal primary education

- **Target 2A: By 2015, all children can complete a full course of primary schooling, girls and boys**
 - *Enrollment in primary education*
 - *Completion of primary education*
 - *Literacy of 15-24 year olds, female and male*

Goal 3: Promote gender equality and empower women

- **Target 3A: Eliminate gender disparity in primary and secondary education preferably by 2005, and at all levels by 2015**
 - *Ratios of girls to boys in primary, secondary and tertiary education*
 - *Share of women in wage employment in the non-agricultural sector*
 - *Proportion of seats held by women in national parliament*
- **Goal 4: Reduce child mortality rates**

- **Target 4A: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate**
 - *Under-five mortality rate*
 - *Infant (under 1) mortality rate*
 - *Proportion of 1-year-old children immunized against measles^[16]*

Goal 5: Improve maternal health

- **Target 5A: Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio**
 - *Maternal mortality ratio*
 - *Proportion of births attended by skilled health personnel*
- **Target 5B: Achieve, by 2015, universal access to reproductive health**
 - *Contraceptive prevalence rate*
 - *Adolescent birth rate*
 - *Antenatal care coverage*
 - *Unmet need for family planning*

Goal 6: Combat HIV/AIDS, malaria, and other diseases

- **Target 6A: Have halted by 2015 and begun to reverse the spread of HIV/AIDS**
 - *HIV prevalence among population aged 15–24 years*
 - *Condom use at last high-risk sex*
 - *Proportion of population aged 15–24 years with comprehensive correct knowledge of HIV/AIDS*
- **Target 6B: Achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it**
 - *Proportion of population with advanced HIV infection with access to antiretroviral drugs*
- **Target 6C: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases**
 - *Prevalence and death rates associated with malaria*
 - *Proportion of children under 5 sleeping under insecticide-treated bednets*
 - *Proportion of children under 5 with fever who are treated with appropriate anti-malarial drugs*
 - *Prevalence and death rates associated with tuberculosis*
 - *Proportion of tuberculosis cases detected and cured under DOTS (Directly Observed Treatment Short Course)*

Goal 7: Ensure environmental sustainability

- **Target 7A: Integrate the principles of sustainable development into country policies and programs; reverse loss of environmental resources**
- **Target 7B: Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss**
 - *Proportion of land area covered by forest*

- *CO₂ emissions, total, per capita and per \$1 GDP (PPP)*
- *Consumption of ozone-depleting substances*
- *Proportion of fish stocks within safe biological limits*
- *Proportion of total water resources used*
- *Proportion of terrestrial and marine areas protected*
- *Proportion of species threatened with extinction*
- **Target 7C: Halve, by 2015, the proportion of the population without sustainable access to safe drinking water and basic sanitation (for more information see the entry on water supply)**
 - *Proportion of population with sustainable access to an improved water source, urban and rural*
 - *Proportion of urban population with access to improved sanitation*
- **Target 7D: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum-dwellers**
 - *Proportion of urban population living in slums*

Goal 8: Develop a global partnership for development

- **Target 8A: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system**
 - *Includes a commitment to good governance, development, and poverty reduction – both nationally and internationally*
- **Target 8B: Address the Special Needs of the Least Developed Countries (LDC)**
 - *Includes: tariff and quota free access for LDC exports; enhanced programme of debt relief for HIPC and cancellation of official bilateral debt; and more generous ODA (Overseas Development Assistance) for countries committed to poverty reduction*
- **Target 8C: Address the special needs of landlocked developing countries and small island developing States**
 - *Through the Programme of Action for the Sustainable Development of Small Island Developing States and the outcome of the twenty-second special session of the General Assembly*
- **Target 8D: Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term**
 - *Some of the indicators listed below are monitored separately for the least developed countries (LDCs), Africa, landlocked developing countries and Small Island developing States.*
 - *Official development assistance (ODA):*
 - *Net ODA, total and to LDCs, as percentage of OECD/DAC donors' GNI*
 - *Proportion of total sector-allocable ODA of OECD/DAC donors to basic social services (basic education, primary health care, nutrition, safe water and sanitation)*
 - *Proportion of bilateral ODA of OECD/DAC donors that is untied*
 - *ODA received in landlocked countries as proportion of their GNIs*
 - *ODA received in small island developing States as proportion of their GNIs*

- *Market access:*
 - *Proportion of total developed country imports (by value and excluding arms) from developing countries and from LDCs, admitted free of duty*
 - *Average tariffs imposed by developed countries on agricultural products and textiles and clothing from developing countries*
 - *Agricultural support estimate for OECD countries as percentage of their GDP*
 - *Proportion of ODA provided to help build trade capacity*
- *Debt sustainability:*
 - *Total number of countries that have reached their HIPC decision points and number that have reached their HIPC completion points (cumulative)*
 - *Debt relief committed under HIPC initiative, US\$*
 - *Debt service as a percentage of exports of goods and services*
- **Target 8E: In co-operation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries**
 - *Proportion of population with access to affordable essential drugs on a sustainable basis*
- **Target 8F: In co-operation with the private sector, make available the benefits of new technologies, especially information and communications**
 - *Telephone lines and cellular subscribers per 100 population*
 - *Personal computers in use per 100 population*
 - *Internet users per 100 Population*

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