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International Donors and the Aid Business: Analyzing Donor and Recipient Aid Strategies

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Abstract
The recent debate on international aid is how to use aid to impact the development outcome. Making aid more effective in promoting the economic growth and reducing poverty. The main objective of this study is to examine the impact of foreign aid. Our interest in focusing on Africa is twofold. First, consistent with Asongu (2015a), while South East Asian and Latin American countries have been experiencing decreasing levels of inequality, that of Africa has been increasing. Second, in light of a recent World Bank report on attainment of the Millennium Development Goals (MDGs), while extreme poverty has decreased in all regions of the World, it has been increasing in Africa. According to the report, about 45 percent of nations in Sub-Saharan Africa (SSA) are still off-track from achieving the Millennium Development extreme poverty target (Caulderwood, 2015; Asongu & Kodila-Tedika, 2015). We posit that aid effectiveness is not the failure of donors but mostly recipient inability to use aid effectively. If aid is well organized, manage and appropriately used it could directly lead to economic development. We introduce the case study, Zambia a least developed African country whose per capita income levels, had the aid model been correct, had the potential to reach $20,000; yet, despite structural adjustment lending and millions of dollars, Zambia's per capita income level in 1990s hovered around a mere $500. Aid effectiveness will rest in increased economic liberalization, the development of institutions, and the improvement of economic and political environment.

Keywords:: Africa, Aid strategy, Foreign aid, International donors, recipients, Zambia

1.Introduction

The role of foreign aid in the growth process of developing countries has been a topic of intense debate. Foreign aid is an important topic given its implications for poverty reduction in developing countries. The main role of foreign aid in stimulating economic growth is to supplement domestic sources of finance such as savings, thus increasing the amount of investment and capital stock. As Morrissey (2001) points out, there are a number of mechanisms through which aid can contribute to economic growth, including (a) aid increases investment, in physical and human capital; (b) aid increases the capacity to import capital goods or technology; (c) aid does not have indirect effects that reduce investment or savings rates; and aid is associated with technology transfer that increases the productivity of capital and promotes endogenous technical change. According to McGillivray, et al. (2006), four main alternative views on the effectiveness of aid have been suggested, namely, (a) aid has decreasing returns, (b) aid effectiveness is influenced by external and climatic conditions, (c) aid effectiveness is influenced by political conditions, and (d) aid effectiveness depends on institutional quality.

The above picture contrasts with narratives of recent-growth resurgence in Africa from the mid 1990s (Fosu, 2015a, p.44; Alan & Carlyn, 2015, p. 598), inter alia: poverty in the sub-region decreasing in tandem with other regions of the world (Fosu, 2015a), or Africa being on time for the MDG poverty target (Pinkivskiy & Sala-i-Martin, 2014)[1] This stream of the literature has been motivated by a strand on 'Africa rising' (Leautier, 2012) and/or an 'African growth miracle' (Young, 2012) which may be more inclined towards extolling the rewards of capital accumulation and a neoliberal ideology[2] by fundamentally neglecting issues like ecology, job

1 According to Pinkivskiy and Sala-i-Martin (2014), with the exception of the Democratic Republic of Congo, African countries attained the MDGs poverty target by 2014 or one year in advance.
2 The neoliberal agenda here refers to policies supporting extensive economic liberalization such as free trade, deregulation,

sustainability and inequality (Obeng-Odoom, 2014). It follows that Africa is still far from attaining the MDGs because its growth has been marred by rising inequality (Blas, 2014). The concern regarding exclusive growth in Africa has also been the motivation behind an interesting documentation of studies by Fosu (2015b, c) which are devoted to elucidating: (i) myths surrounding Africa's recent growth and (ii) the role of institutions in this underlying resurgence.

The post-2015 challenges of sustainable development have clearly articulated the need for more inclusive policies (United Nations: UN, 2013, pp. 7-13). According to the narrative, development assistance is a critical factor to addressing this issue. In this respect, pitfalls of the past can be avoided, inter alia: 'Output may be growing, and yet the mass of the people may be becoming poorer' (Lewis, 1955). 'Lewis led all developing countries to water, proverbially speaking, some African countries have so far chosen not to drink' (Amavilah, 2014). The celebrated 'capital in the 21century' from Piketty (2014) has taken African nations to water again and this study partially assesses the challenging policy syndrome of how development assistance can help them to drink in the contemporary era (Asongu, 2015a)[1]

The above intuition is inconsistent with a recent strand in the literature which has raised doubts about the effectiveness of foreign aid (Ghosh, 2013; Krause, 2013; Monni & Spaventa, 2013; Banuri, 2013; Titumir & Kamal, 2013; Wamboye et al., 2013; Marglin, 2013). According to this narrative, aid to developing countries is substantially motivated by a neo-colonial agenda (Amin, 2014). A stance that is shared by (i) Kindiki (2011) who has recommended Africa to strategically limit its reliance on international aid systems and (ii) Ndlovu-Gatsheni (2013) on the continent's entrapment in neo-colonial webs of influence. Amin (2014) has further emphasized that models of development in developing countries should reflect what is needed by poor nations, as opposed to what donors think is good for them. The need for developed countries to guide developing nations towards industrialization in the view of Piketty is indirectly shared by Obeng-Odoom (2013) who has also recommended that policies towards development assistance should be guided by genuine needs in recipient countries. This strand is broadly consistent with aid literature on the need to rethink foreign aid policies, notably the Eubank (2012) Somaliland hypothesis, Moyo's (2009) Dead Aid and Collier's (2007) Bottom Billion.[2]

In the light of the above, a recent stream of African development work has presented cases for the appealing effect of foreign aid on African institutions (Asongu & Jellal, 2013; Kangoye, 2013; Efobi et al., 2014). Some conclusions in this stream include, among others that: (i) the positive effect of aid depends on a conducive policy environment, measurement of aid and specification of the aid-growth nexus (Gyimah-Brempong & Racine, 2014), (ii) aid in primary education positively affects growth (Asiedu, 2014) and (iii) in Sierra Leone, only aid reflected in grants have effects that are pro-poor, with the impact more apparent in the long- run (Kargbo & Sen, 2014).

The above strand is also a consequence of a number of qualitative and quantitative studies that have focused on reinventing foreign aid (Easterly, 2008). These include, among others: the experiment on ending poverty by Sachs; the World Bank and International Monetary Fund (IMF) Poverty Reduction Strategy (PRS); the cost effectiveness of interventions (Banerjee & He, 2008); the imperative for more rigorous evaluation (Pritchett, 2008); Randomized Control Trials (RCTs, Duflo & Kremer, 2008); amputation, intensification and policy change based reforms (Pritchett & Woolcook, 2008); more articulation on 'searching for solutions' than on 'planning for solutions' (Easterly, 2006); APC or Advanced Purchase Commitment (Kremer, 2008); novel initiatives at the global level (Radelet & Levine, 2008); 'aid vouchers' to provide incentives for better/competitive service delivery by agencies of aid (Easterly, 2002, 2008) and a broad range of measures for more inclusive policies on foreign land acquisition (Osabuohien, 2015).

The rest of the study is organized as follows. Section 2 briefly talk about the literature review. Section 3 discusses Zambia as the case study. Section 4 looks at the aid industry, donors purpose for providing aid and the implications on recipient's economy. We conclude with Section 5 and possible policy recommendation.

2. Literature Review

This article is to explore the strategy used by donor and recipient countries. Aid is more of a business strategy than any social or political strategy. We aim at studying those strategies based on some cases to demonstrate the character. This section provides a brief discussion on the negative relations between foreign aid and economic

fiscal austerity and cut-down in government spending.

1 Consistent with Asongu (2015a), foreign aid can be instrumental in preparing developing countries for industrialisation in the narrative of Piketty (2014) and not in view of Kuznets' (1955, 1971); conjectures which sustain an inverted U-shape nexus between inequality and industrialisation. Accordingly, by focusing more on inclusive human development as opposed to growth, concerns of "immiserizing growth" (Bhagwati, 1958) can occurs when economic growth is associated with disequalizing income distribution externalities.

2 There is also a heated debate on the effect of foreign aid on institutions in Africa. The interested reader can start from Okada & Samreth (2012) before exploring the plethora of studies that are focused on the underlying paper, inter alia: Asongu (2012, 2013), Asongu & Jellal (2013) and Efobi et al. (2014).

growth, the negative outcomes of aid, the strategy used by donor and recipient countries in the empirical literature.

First, Studies that found negative relations between foreign aid and economic growth claim that foreign aid receipt countries increase consumption from capital inflow. That reduces savings and lead to slow economic growth or in other words, economic growth would be higher without aid or with reducing aid or increasing efficient aid. High capital inflow reduces domestic saving or may be savings become negative. Therefore, domestic savings is the function of national income and foreign capital inflows. The negative relation between foreign aid and economic growth may be as a result of the economic policy environments, government intervention, business cycles, and reliability of foreign aid inflows in the recipient countries. Hadjimichael et al. (1995) found that the effect of foreign aid is negative for savings in Sub-Saharan Africa. Gupta and Islam (1982) found that there is a negative effect of foreign aid on savings in aid recipient countries. Balde (2011) found that foreign aid did not promote economic growth in Sub-Sahara Africa. Rajan and Subramanian (2008) found that foreign aid does not support economic growth, instead, foreign aid hinders economic growth by reducing the domestic saving rate. In addition, theory suggests that there is a positive linkage between aid and exports where aid reduces trade barriers and can establish long-term trade relationships. Sabra (2013) suggests that 1 per cent increase in aid is associated with an increase in donor exports of goods from 0.96 per cent to 1.7 per cent of aid to the Arab MENA countries, which are the recipient countries.

This may hinder the growth and formulates indirect negative relationship between aid and economic growth. Morrissey (2001) indicated that foreign aid can enhance economic growth by intensify investment in physical and human capital and the ability to import capital goods. In addition, foreign aid is linked to technology transfer that improves productivity and enhances endogenous technical change. Fayissa and El-Kaissy (1999), in a study of 77 countries found that foreign aid positively impacts economic growth in developing countries. This is coherent with theory of foreign aid, which affirms that foreign aid development enhances economic growth by increasing domestic capital formation. Burnside and Dollar (2000) found a positive effect of foreign aid in developing economies in existence of careful polices. Chong et al. (2009) found important impact of foreign aid on poverty alleviation. In addition, they found high-quality institutions are essential for foreign aid to assist the poor. In fact, the concept behind the positive impact of aid on growth is that aid can fill both investment and resources gaps where its complement savings and increases investment and capital accumulation.

Therefore, foreign aid has positive impacts only in those economies that have good fiscal, monetary and trade policies, Burnside and Dollar (2000), which means that good economic policy pre-requested for aid effectiveness, Murshed and Khanaum (2014). Basnet (2013) examined the role of foreign aid on savings and economic growth in South Asian countries by utilizing a simultaneous equation system. He found that foreign aid enhances economic growth in five South Asian countries and foreign aid adversely influences domestic savings during the study period. The positive impact of foreign aid on economic growth might be counterbalance by the negative impact on domestic saving. Djankov et al. (2006) found that foreign aid has a negative effect on economic growth by decreasing investment and escalating government expenditure. Burke and Ahmadi-Esfahani (2006) found that there is no significant relationship between foreign aid and economic growth.

They empirically examined the impact of foreign aid on growth by utilizing data from 1970 to 2000 and a simultaneous equation model in three Asian countries, Indonesia, the Philippines and Thailand. In addition, McGillivray, et al. (2006) indicates that aid has a decreasing return, (namely, that each additional dollar of aid has a lower (positive) impact on growth than the preceding dollar). Therefore, aid impacts positively on growth when it has not an adverse impact on local investment and domestic savings. Finally, aid impact on growth is considered the main driver to developmental effects such as poverty alleviation, but such goals remain depend on justice allocation of aid across economic sectors, geographical regions, types of government expenditure and approach to poverty. Djankov, et al. (2006) results show that aid has a negative direct impact on economic growth, and it does not increase investment, meanwhile, aid has a positive impact on government expenditure. They argue that why aid increases government spending and does not induce investment. This is under a hypothesis that easy resources such as aid may induce rent-seeking activities among parties in power, which imply non-productive use of resources that impacts negatively on investment as a consequence. Therefore, aid impact on growth is subject to aid spending behaviour or allocation between productive or non-productive sectors. Neanidis and Varvarigos (2005), found that allocating aid to productive and non-productive sectors impacts positively and negatively on growth, respectively.

International aid can also lead to plenty of negative outcomes, such as political corruption, armed conflict and so on. Sub-Saharan African countries receiving more international aid would be more likely to maintain high levels of perceived corruption (Margaret Kelly Wilkie 2008). Aid can affect the likelihood of violent armed conflict by influencing a state's ability to credibly commit to an agreement that averts war at present and into the future (Rich Nielsen & Michael Findley 2011). Dambisa Moyo characterizes foreign aid to Africa as an "unmitigated economic, political, and humanitarian disaster" that has actually made the continent poorer, she explains Africans will never see their governments as legitimates long as most of the spending for education and health care comes from foreign countries (Dambisa Moyo 2009).

Second, the donors consider both the developmental and strategic aspects of giving aid. While aid in the 1960s focused more on development, recent aid has increasingly reflected strategic considerations. For example, since the terrorist attacks of September 2001, the objective of reducing terrorism has been of increasing interest among donors giving aid to developing nations (Subhayu Bandyopadhyay & E. Katarina Vermann 2013). donors also increasingly link foreign aid to democracy objectives in Africa, economic aid increases the likelihood of transition to multiparty politics (Simone Dietrich &Joseph Wright 2014). The foreign aid of some larger donors has been used principally as a foreign and commercial policy tool (Peter Hjertholm & Howard White 2000). For an example, the guiding principle of British government's ODA strategy is that UK's development spending will meet our moral obligation to the world's poorest and also support our national interest (George Osborne & Justine Greening 2015). As donor, the Chinese Government strictly respects the sovereignty of the recipient countries, and never attaches conditions or asks for any privileges (Li Anshan 2009).

Third, international aid represents an important source of finance in most countries in sub-Saharan Africa, take Kenya as example shows that the flow of aid does influence government spending patterns (James Njeru 2003). Recipients try their best to make the quality of governance and political environment such as soundness of policies, quality of institutions, etc. better to meet aid conditions (Arvin B. Mak & Lew Byron 2012). Some recipient countries often ultimately want to end aid dependence, they want to gain policy autonomy, rather than being obliged to meet aid conditions. For example, Ghana, one of the newest middle-income countries, receives 8% of GNI in aid.40 Ghana's Aid Policy and Strategy, published in 2011, envisions a reduction in aid dependency and eventual exit from aid, according to Minister of Finance and Economic Planning (Anna Thomas 2013).

Finally, there is little evidence that international aid actually leads to positive outcomes. So far, the continent has received more than $600 billion in outside assistance. World Bank data show that a majority of African countries' government spending comes directly from foreign aid. However much of Africa remains poor, and rampant corruption continues. So we can regard the international aid in Africa as a failure, and the failure is due to failing to use aid effectively.

3. The Case of Zambia

The case study of Zambia provides a much-needed escape from econometrics to examine the reality of aid allocations. Northern Rhodesia declared British independence in 1964, and amidst strong copper prices, the country's historical dependence on the mining industry to fuel economic growth was left unquestioned. In 1970, the mining sector accounted for 97% of gross export revenues and 36% of GDP, but revenues allowed the government controlled by President Kenneth Kaunda to allocate funding to education and health needs. Following a decade of growth, economic performance inevitably declined with the world price of copper, causing the share of mining in GDP to fall by half its previous level at the same time that prices of imported oil rose. Foreign exchange became short, and the failure of copper prices to recover as expected created additional strains on development efforts.[1] Economic policy in Zambia continued to decline in the period between 1970 and 1973, yet the amount of aid the country received rose continuously, reaching 11% of real GDP by the early 1990s.[2]

With underutilized agricultural resources, extensive consumer subsidies, growing levels of unsustainable debt, an overly protected manufacturing sector financed by imports purchased from export finances, and a heavily government-managed commercial sector, the economy required drastic fiscal and monetary contractionary policies. Due to growing political polarization, Kaunda feared the implementation of excessive reforms, but when private sources of capital were lost from the failure to privatize key industries, he was forced to accept the conditionalities set by the World Bank and International Monetary Fund in order to receive more loans to offset debt payments.

Despite substantial aid flows, as evidenced by $3 billion of debt in 1980 and interest payments exceeding annual GDP growth, standards of living plummeted. Chronic malnutrition affected 45% of the population, infant mortality rates increased to 105 per thousand births, and life expectancy at birth fell to a mere 48 years in 1992 from declining standards and the rising incidence of AIDS. Excessive aid allocations come with a high opportunity cost, as they require scarce resources which should be allocated toward realistic promotions of growth to pay off loans which did not do so. Zambian spending on debt accumulation exceeded educational spending by thirty times in 1994. Though this example is drastic, the phenomenon is widely shared in surrounding countries, as a 1996 Oxfam report noted that, "For less than is currently being spent on debt, it

[1] Gladstone G. Bonnick, "Zambia Country Assistance Review: Turning an economy around," (World Bank, 1998), 48-49.
[2] David Dollar & William Easterly, "The search for the key: Aid, investment, and policies in Africa," (World Bank Working Papers, 1999), 23.

would be possible by the year 2000 to make social investments which would save the lives of around 21 million African children, and provide 90 million girls with access to primary education".[1]

Fifteen intermittent years of structural adjustment under the watchful eyes of the World Bank and IMF ensued, interrupted by failures to meet conditionalities and elections. A lack of sincerity due to continued rent-seeking activities on the part of government prolonged needed currency devaluations, privatization, and discontinuations of subsidies. Attempts to postpone debt repayments created revenue for supply-side constraints, and continued lending from the World Bank and International Monetary Fund was made conditional on crisis control, adoption of effective reforms, and economic diversification. World Bank loan distribution designed to address infrastructural, energy, agricultural, financial, and educational constraints increased from $12 million a year before 1972, to $55 million a year in 1973-1982, beginning a cycle which resulted in the 2005 receipt of the title Highly Indebted Poor Country.[2][3]Aid composed 19.98% of the country's gross domestic product from 1980 until 2002[4], despite evidence from several studies that allocations exceeding 8% (or by Clemens, Radelet, & Bhavnani's account, 17% if the aid is not categorized) produce negative effects on growth.[5]When lending amounts are examined to establish a projected investment rate, the failure of the economy to grow as anticipated devastates the effectiveness of the "financing gap" model.

The gross failure of the projections made using the incremental capital output ratio (ICOR), the ratio of investment needed against the desired GDP growth, to materialize as expected in the below graph leads to the conclusion that physical and human capital investments cannot translate into economic growth. The inability of aid to do this only further contributes to the non-development, as it does not allow citizens to work toward a middle class standing, but toward inheriting excessive and unsustainable country debt. As is demonstrated, while the model expected aid allocations to significantly increase economic growth, the trajectory of GDP follows not the curve, but rather the circumstances occurring endogenously as a result of the decline in copper prices and their effects on the related productive industries. If Zambia had converted all of its aid receipts into economic growth, it would have sustained a per capita income of $20,000 in the 1990s, instead of one which hovered around a mere $500.[6]

Despite receiving 18 adjustment loans, Zambia still showed negative growth rates, large current account and budget deficits, excessive inflation, a negative interest rate, and exchange rate overvaluation[7] Four such loans totaled $212 million, and all but 2% of allocations were disbursed, even though the government did not implement the requested reforms, a result now regarded as largely predictable because of the amount of time the president had remained in power.[8]Instead, economic recovery appears only to be associated with the government's slow fiscal and monetary liberalization efforts, not the lending receipts themselves, as their receipt may have slowed governmental perception of a need for reform. These changes allowed for the creation of income which could be fueled into production, because aid allocations do not seem to translate into investment. The haphazard discontinuations and continuations of loans did not produce a significant effect on growth, and it cannot be concluded that the circumstances were different as a result of the slow transition to a more positive environment for implementation. This conclusion remains valid when Boone's study is reconsidered, as it found that liberal economic regimes do not utilize aid any differently than those who control more restrictive policy environments, as both allocate their receipts toward additional governmental consumption.[9]

In 1986, with GDP growth near zero, rising inflation, and budgetary and trade deficits, the need for liberalization became clear, and reductions to food subsidies and trade diversification began to decrease the imbalances. Numerous monetary devaluation and stabilization attempts decreased inflation rates, and further subsidy removal reduced distortions. While it may be said that the conditionalities required for loan receipts during the structural adjustment program's existence helped to influence governmental liberalization efforts, growth clearly followed the re-expansion of trading activities, and stability stemmed from the currency and exchange rate depreciation. These fiscal policies, the decrease of the welfare state, and the privatization of industries increased economic efficiency, reduced market distortions and inflation, and increased industry productivity.

Poverty remains a significant concern today, but inflation has stayed in the single digits, the currency is

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[1] James M. Cypher & James L. Dietz, "The Process of Economic Development, (Routledge, 1997), 538 & 551.
[2] Bonnick, 49-53.
[3] Andrew Mwaba, "Fiscal Consolidation and Adjustment: Lessons from Zambia and Uganda," (African Development Bank Economic Research Papers, 1997), 11-25.
[4] Dollar & Easterly, 11.
[5] Easterly, 347.
[6] Easterly, 17.
[7] William Easterly, "What Did Structural Adjustment Adjust: The Association of Policies and Growth with Repeated IMF and World Bank Adjustment Loans," (Journal of Development Economics, 2004), 9 & 11.
[8] Dollar & Easterly, 42
[9] Boone, 32

still stable, and interest rates have remained low.[1] Recovery in the copper industry was fueled by long-awaited privatization efforts and increases in world copper prices and foreign investment, allowing real GDP growth to reach 6% between 2005 and 2008. The happy ending in this story resulted from relative political stability and, despite the electoral consequences, the ultimate embrace of a more liberal capitalist system over a centrally planned commercial sector. Economic growth, then, can be attributed to the Fiscal and monetary stability created from governmental reform efforts, and the ability to translate those achievements into production and trade. This conclusion is also drawn by the 1999 study by Dollar and Easterly, who attribute Africa's poor growth record to macroeconomic mismanagement, poor quality of public services, financial repression, and closed trading regimes.[2] Similarly to the 1930s, when the economic transition from a colony to a country began, the development which allowed the country to reach middle income status occurred through its own resources and internally generated income, just as Bauer predicted. Thus, there is no reason to conclude that aid allocations played a hand in the recovered economic performance of Zambia. Aid allocations, instead, promoted rent-seeking by the political elite, and created dependency on continued monetary flows to pay off past debts.

4.3. Forms of Aid

Today African countries are more dependent on foreign aid than they have ever been. Foreign aid is the transfer of goods or services from one country to another directly, or indirectly through international organizations such as the World Bank, the United Nations Children's Fund, and many others. Foreign aid was introduced during the 50's in order to create economic growth and promote democracy in African countries. Unfortunately, foreign aid has been more harmful to the African countries' economies and political systems rather than helpful. Below are some forms of foreign aid.

Emergency or short term aid: Is the kind of aid given to recipient countries in time of disaster and after disaster; it saves a lot of people lives and rebuild livelihoods and housing. Evidence has shown the ineffectiveness in the way that the aid may not reach the target population; those who are mostly in need fail to have access to the assistance, due to some ache such as corruption. Moreover, some of this assistance come in form of loan and create the dependency for recipient's countries. However, the problem of corruption is something that will be solve by recipient's countries. If donors' countries have to solve the problem of corruption, then the aid will become conditional aid. Studies have grabbed the point to the extent that donors allocate aid to buy political support. For our analysis we find that this kind of aid is normal even though it is not effective the work that could be done is on the side of recipient countries. The recipients' countries should understand the problems they are involve in such as corruption and try to solve it. Inflows of aid allow governments and politicians to spend aid on popular, as opposed to productive, purposes, and to ignore structural problems for substantially longer than if benefits as well as costs accrued only to the country and its own decision-makers. However, foreign aid is given with such different purposes in mind that though precisely measured, the sheer diversity of disbursements makes identification of effects almost impossible. The entire problem is calling back to the recipients' countries leadership to create an environment where they will be able to manage and make the aid they have receive effectively work for the purpose it was meant for.

Medical assistance and sanitation: Consists of the provision in any form of medical training, medical equipment and medicines. It helps the recipients improve the health, reduce the number of mortality in a country. Medical care Development International (MCDI)[3] is a kind of organization that provide medical assistance working in eight countries in Africa, to help improve student health and nutrition, and mobilizing heath workers and community volunteers for basic health care and health education. There are lots of programs engage in medical assistance; all these programs contribute to improve the health of the recipients' countries population. However most of the project relates to assistance in equipment fail because the recipient countries lack expertise and qualify people to maintain the equipment offers. Again, some projects are especially expensive compare to the recipient countries resource used to carry on the project. For instance, Washington is insisting that Africa government purchase anti-AIDS drugs from the United States instead of buying cheaper generic products from South Africa, India or Brazil. This is the case showing that here the concern of Washington is not the health of the recipient's countries but completely the competition in their market to sell their anti-AID drug. Recipient countries with their entire problem they are embedded in if able to afford expensive drugs they will not need aid anymore. In this case we are not even able to classify this as assistance. Even those who will be able to afford these products could only do it corruptibly.

Agricultural aid: Is aim at increasing the quantity of food production, it includes agriculture, fishing, forestry and rural development. This program can quantitatively and qualitatively increase the foods and create foods

[1] CIA World Factbook, "Zambia" (2009).
[2] Dollar & Easterly, 42.
[3] www.aidforafrica.org/ (Aid for Africa is a charity alliance of U.S.-based nonprofits and their African partners working to help children, families, and communities throughout Sub-Saharan Africa.)

security if government can be committed to significantly increase the share of national budgets allocated to agriculture and rural development. However, the overall aid commitments to agriculture declined after the 1980s and remained relatively stagnant. The level of aid to Sub-Saharan Africa has increased over the past three decades but aid to agriculture has declined. During the 1980s, the amount of annual ODA commitments to agriculture in Sub-Saharan Africa ranged from USD 2 billion to nearly USD 6 billion, ranging between 20 and 29 percent of overall ODA during the same period. The share of ODA devoted to agriculture was slightly lower in Sub-Saharan Africa compared to other regions, such as Asia where a large share of agricultural ODA supported the green revolution in the late 1970s and early 1980s. Agriculture ODA in Sub-Saharan Africa abruptly declined, however, in the early 1990s and then remained relatively flat thereafter.

Nonetheless, climate change and the production system need also to change. New production system will be necessary to maintain if not increase the quality and quantity of foods produce since the population is increasing. Farmers need to use a good technique and appropriate system. However, they lack resource and expertise to do so, which leave them behind the production standard thus creating poverty and hunger. These farmers need help such as agricultural aid to foster their production capacity. Donors' countries may provide recipient countries assistance in the area of large scale projects. However, these large scale projects from donors fail to benefits those small farmers who are mostly in need of it. Since the target population is not reach the result follow should be the increase in price of the food product. In general, recipient government should try and change the overall structure of aid to Sub-Saharan Africa, establish the framework conditions in which those small farmers will have access to the agricultural investment that will enhance them to increase and improve their production and it may provide Job to people in these environs.

Industrial aid: Is one of the most important part that international aid can play in the development of the economy of a country. It creates job opportunities turning the low-income national economies into industrial economies. Since Africa is behind in terms of industrial production, the industrial assistance will be a tool to spur their economic development. This assistance will affect the economic growth of a country and reduce poverty. In long term it can outgrowth the economic development, reduce the poverty and improve the well-being. One of the most important industrial assistance is the China-Africa Industrial Cooperation Fund that will revitalize the industrial sector and move African economies from their current commodity dependencies. This industrial progression saw it success in a lot of countries in African with the building of major infrastructure such as road, railways, refineries and hydroelectric. These processes of industrialization also include the export of Chinese goods to African countries. The lack of industrial development has affected Africa manufacturing sector. If Africa wants to be competitive succeed and become an economic power, she would need to have strategic objectives, plan and design in her dealings with donors, as well as seriously promoting regional integration in West Africa and beyond to begin with.

Natural resource development aid: Abundance of natural resources is both an opportunity and a challenge for developing countries. One may expect a positive impact if the country's policies and institutions are conducive for accelerating accumulation of physical and human capital. The discovery and development of natural resources can help to increase the economy's investment rate, bringing about faster economic growth in the short run. Further, revenues generated from these resources can be used to enhance social outcomes related to health and education that induce economic growth in the long run. These revenues may also help growth by allowing the governments to finance their expenditures with lower levels of taxation of economic activity.

However, if not handled well, natural resources adversely affect economic growth, particularly in low-income countries.[1] Natural resource revenues are intrinsically temporary and highly volatile (for example, the price of Brent oil varied between $9 and $157 during the 1999-2009 period). Cash flows from natural resources cause an appreciation of the real exchange rate, thus shifting factors of production out of technologically sophisticated activities with positive spillovers to other sectors of the economy such as manufacturing, and producing a phenomenon known as Dutch Disease.

Some developing countries have natural resource that can be used to spur up their economy development and could be one mean to replace foreign aid. Nevertheless, developing countries one more time fail to use their natural resource or to rationally used them because of lack of technology. Foreign aid that will be use to substitute natural resource is now use to complement natural resource. Developing countries still need foreign aid to develop their natural resource. Most donors who help recipients' countries need more natural resources in exchange. Most of the projects are run by donor's companies and labor hire in donors' countries, no employment opportunity, no revenues from the exploitation of their natural resource. Most Africa countries cannot export their resources that give them revenues to replace foreign aid because they themselves cannot extract the resources they possess. Developing countries need high technology but the problem is that they lack capital. We propose cooperation between donors and recipients that will allow recipient countries through any assistance based to develop their own resource that they can used to substitute foreign aid. But for now,

1 See Frankel (2012) for a more detailed review of these effects.

developing countries need foreign aid to exploit, develop and manage their natural resource, they will not be able to achieve it without foreign aid.

5. Conclusion

In essence, aid is a good thing that can help recipients in their development process by reducing poverty, improving the well-being and the economic development. Effort in improving aid effectiveness is shoulder upon aid recipient. In the analysis of international donors and aid business we found that although aid donors are not cooperating in aid activities to make aid more effective, the recipient also need to put in more effort to prevent aid ineffectiveness. We posit that aid effectiveness is not the failure of donors but mostly recipient failed to use aid effectively. If aid is well organized, manage and appropriately used by recipient, it could directly lead to economic development. Although aid from donors and recipients has many problems, we hope that they will all benefit from friendly cooperative partnership in the future, not unilateral aid.

5.1. Policy Recommendation

In order for aid to be effective, the following effective aid measure should be taken into consideration.

- The commitment to use aid for its purpose should be prelude to any discussion relates to aid or assistance provide by donors. Aid is not particularly working aid has not been used for a specific purpose of reducing poverty, or improving the well-being, for fostering the economic development.
- The mismanagement is not a misconception aid work for reconstruction of Europeans countries can still work for reducing poverty and developing countries especially Sub-Sahara countries. Developing countries especially African countries need good institutions to organized and manage the aid they receive from donors., Expert will be needed to resolve whether some particular aid is worth and how it can be used to be more effective.
- Understanding the game played by donor's countries will help recipients' countries to take positions in defending or offending donors' strategies in the light with their need and necessity.
- Donors contribution will be of primordial importance, as stated by World bank in assessing aid, the impact of aid is higher when recipient country is in need and has good quality institution. The prerequisite to aid effectiveness is the need of recipients and good quality institution.

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