

## *Welcome Dr. M. Hubbard*

TOPIC :

### ***New Developments in International Aid and the Role of Taiwan***

## New developments in international aid & the role of Taiwan

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### **“Taiwan offers \$10 million in annual aid to Marshalls”**

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Source: Reuters

- “TAIPEI, Feb 29 (Reuters) - Taiwan gives \$10 million a year in aid to the Marshall Islands, an allied nation that has helped Taipei's fight for international recognition, the South Pacific archipelago's foreign minister said on Friday.
- Taiwan looks to the Marshalls and 22 other diplomatic allies worldwide for political legitimacy as China pressures those mostly small, impoverished nations to break ties”.

- “Both China and Taiwan use chequebook diplomacy to forge ties with smaller countries in need of aid.
- Taiwan aid to the Marshalls, which kicked in shortly after diplomatic ties were formed in 1998, comes to about 11.5 percent of the 60,000 population South Pacific nation's annual budget.
- The approximately \$10 million in aid each year goes toward capital projects and recurring expenses, said Foreign Minister Tony deBrum.”

This has been the style of Taiwan's  
international aid  
for decades

But is it time to change this style?

In this presentation we look at trends in  
international aid & the role of individual  
countries as aid providers

## What is international aid?

**Definition:** Assistance in whatever form to  
people in need in other countries, in  
whatever form and from whatever source.

## Forms of international aid

**Gifts in kind** (eg. food, skills, machines)

**Gifts in cash** (grants)

**Subsidised loans:** at interest rates lower than commercial rates, with longer payback periods, often with “grace periods” (time delay of some years before repayment & interest payments begin) eg. World Bank loans to low income country governments (IDA loans) are typically at about 2% interest with repayment over 40 years and a grace period of 10 years

## How international aid is used

- **Projects:** investment projects are agreed between donor and recipient
- **Budget support:** payments directly to recipient, eg. to government, to use how for their own purpose. This may be on a **regular basis** or as **emergency assistance**.

## How international aid is channeled

- **Direct from donor country govt:** bilateral aid
- **Via multilateral organisations:** multilateral aid eg. via development banks (eg World Bank, Asian Development Bank) and UN agencies (eg WHO)
- **Via international NGOs** (non-government organisations)

## Example of bilateral budget support: US aid to Taiwan in the 1950s-60s

“**1951-1953:** The United States resumes aid to Taiwan during the Korean War and defends the Taiwan Strait. Over the next 15 years, U.S. aid will top \$4 billion, accounting for 5 percent of Taiwan's gross national product and enabling it to invest in infrastructure.”

Source: ‘Commanding Heights’

[http://www.pbs.org/wgbh/commandingheights/lo/countries/tw/tw\\_economic.html](http://www.pbs.org/wgbh/commandingheights/lo/countries/tw/tw_economic.html)

**A good study of US aid to Taiwan is N.Jacoby (1966) ‘US aid to Taiwan: a study of foreign aid, self-help and development’. Praeger**

“ Aid more than doubled the annual rate of growth of Taiwan's GNP”. With aid, Taiwan attained economic independence in 1965 (ie. Taiwan govt was able to finance its public expenditure from its own sources).

The conditions attached to US aid to Taiwan included commitment to developing a private enterprise economy and policies on education, health and public administration.

## Trends in international aid

- The volume of international aid is increasing
- Bilateral aid has increased faster than multilateral aid
- Many poor country governments are dependent on international aid for up to 50% of their budgets
- Budget support to governments is increasing as a source of aid

## ..more trends in aid

- Private flows of aid (eg. remittances from foreign workers to their own families and communities) is growing rapidly
- Grants are increasing more quickly than loans
- Aid by new NGOs (eg. Gates Foundation) is becoming important

## Problems in international aid

- Donor countries which give aid with the main purpose of supporting their own firms (ie. tied aid).
- Too many donor agencies in low income countries, telling government what to do and quarreling with each other
- Inefficient donor agencies: unreliable and unpredictable availability of aid
- Aided governments which are more accountable to aid donors than to their own people
- Aid which is poorly accounted for, thereby encouraging corruption
- High international debts of aid dependent countries

## Reform trends in international aid

Aid to be focused on achieving poverty reduction by 2015: the UN Millenium Development Goals:

- |   |  |
|---|--|
| 1 Eradicate extreme poverty and hunger      | 5 Improve maternal health                      |
| 2 Achieve universal primary education       | 6 Combat HIV/AIDS, malaria and other diseases  |
| 3 Promote gender equality and empower women | 7 Ensure environmental sustainability          |
| 4 Reduce child mortality                    | 8 Develop a global partnership for development |

## Reforming aid management

In the **Paris Declaration** (2005) the major aid donors resolved to manage their aid on the following principles:

- Leadership by the recipient government (**ownership principle**)
- Use of recipient government systems eg. financial reporting, procurement (**alignment principle**)

## ....Paris Declaration continued

- Work together (**harmonisation principle**)
- Make their aid **more predictable**
- **Manage for results**
- Be mutually accountable with recipient governments (ie. establish mutual accountability measures, regularly assessed) (**mutual accountability principle**)

## Reviving multilateral aid

- Development banks seeking new role (eg.ADB's role: what new functions and objectives now that many development goals in Asia have been attained?)

## Taiwan's international aid

- Taiwan's aid has always been practical and based on building industrial & agricultural skills
- But it has been dominated by Taiwan's desire for international recognition, the resulting in the decades' long diplomatic comedy of recognition and nonrecognition, according to the convenience of the recipient country and its relations with China

## Should Taiwan's aid policy change?

- The trend in reform in international aid is away from individual countries using aid for their own industrial or political purposes
- Even though China and the United States are not yet following this trend it is an important trend
- The time might be appropriate for Taiwan to re-examine how it provides aid.
- There are now many channels through which international aid can be fruitfully directed, including private and NGO as well as government.

## End of presentation

- Thank you for your patience!!