

Political Economy of Foreign Aid: Evidence from Asian Countries

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Abstract

What determines the aid effectiveness in panel of selected Asian Countries? This study reviews the existing literature on political determinants of aid effectiveness. More specifically, this study empirically examines the determinants of aid effectiveness by using panel econometric technique for Asian countries in 1990-2011 periods. In random effect regression, results show that all variables i.e. corruption, internal conflict, government stability, population and openness significantly affect net official development assistance in recipient countries. Internal conflict and government stability negatively affect the net official development assistance. Furthermore corruption and other variables have positive influence on net official development assistance as percentage of gross national income.

Keywords: ODA, Political Economy, Asian Countries

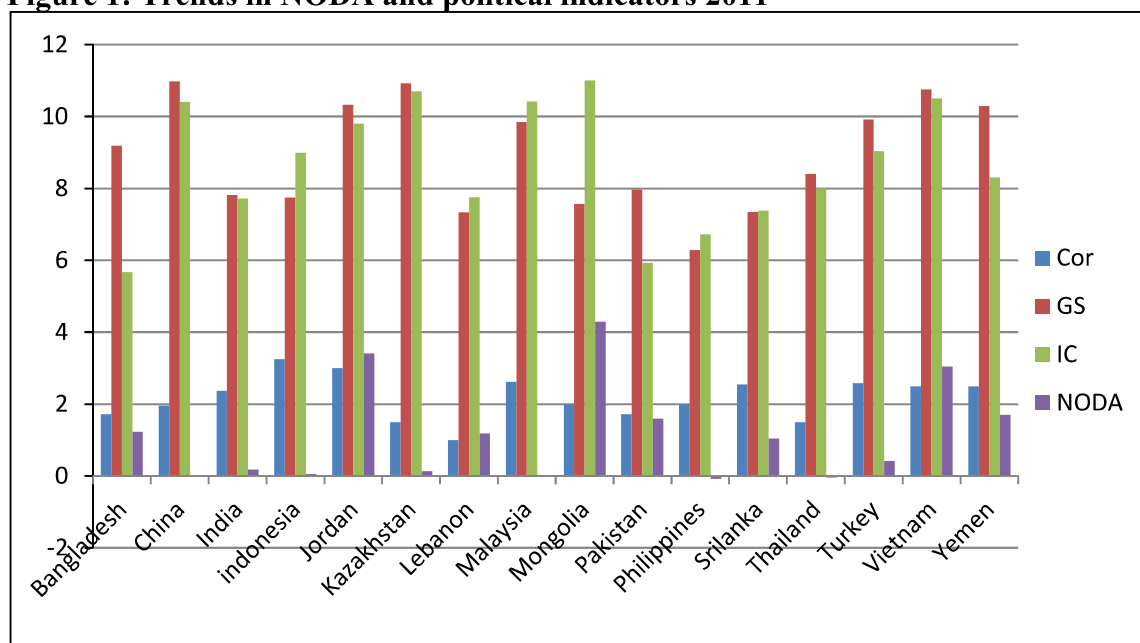
Introduction

The main source of external finance for developing countries after the World War 2 and until early 1990 was official development assistance from the government of high income countries. It is important but variable source of income for developing countries in the form of food, emergency relief, technical assistance, peace keeping effort and for construction project. More specifically it consists of goods and finance transfers from bilateral or multi-lateral governments to another government or population group at below market price. Foreign aid is a lifeline for many countries to lead them to better living standards. Because aid contributes to eradicate poverty, provides health and education facilities, civil peace and infrastructure etc. Foreign aid also have some shortcomings, it effectively discourage recipient government self direction they rely on handouts instead of themselves development. After viewing the positive and negative side of foreign aid, the negative side offset the positive side. Therefore it is very important to check the factor or determinants that become impediment in the way of positive aid influences in receiving countries. The recipient need is not only Primary determinant of foreign aid but also donor economic conditions, strategic importance of the recipient, and interests are also the main concerns of foreign aid (Alesina and Dollar 2000; Berthelemy 2006; Neumayer 2003). With the importance of foreign aid for development there is significant increase in foreign aid in developing countries in recent years, when the other financial flows such as foreign direct investment, other private flows have declining trend. According to the OECD (2009)² in many developing countries high oil and food prices hit their budget hence weaken fiscal position, the total net official development assistance (ODA) from members of the OECD's Development Assistance Committee (DAC) rose by 10.2% in real terms to US\$119.8 billion and is expected to rise to US\$130 billion by 2010. In 2012 major donor's disbursed \$127 billion, two third for low income countries in Africa and Asia.

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² Organization for Economic Cooperation and Development (OECD, 2009a), Development Aid at a Glance 2008: Statistics by Region, January 2009



Figure 1: Trends in NODA and political indicators 2011

Source: WDI 2011

This graph shows the recent trend in all variables of Asian countries in 2011. data present the picture that countries receive foreign aid and also have some problems like corruption, government stability and internal conflict that become obstacle in aid effectiveness. As the country like Mongolia, Jordan, Vietnam receive higher amount of official assistance and also has high internal conflict and corruption as compare to other countries.

In the light of deep global poverty, more than half of citizens live on less than 2\$ per day or low purchasing power parity. Lancaster(2007) states that Diplomatic, development, commercial, culture, and aid for humanitarian are traditional purposes of foreign aid and recipient nation are lacking behind in achieving the recent aims of foreign aid such as endorsing economic and social transitions, democracy, addressing global issues, and mitigating and managing post-conflict transitions. Most of the foreign aid attempts to do good for those living in poverty trap because many of them have no access to good health care, clean drinking water and even primary school for their children. What the reason behind these failures? To answer this question most of the literature focused on strategy of interests rather than economic needs of recipient countries (Alesina and Dollar 2000, Kuziemko and Werker 2006 Dreher et al. 2009a, 2009b). Several observer argue that foreign aid is wastage of resources because of unproductive public consumption, corruption, inefficiencies and bureaucratic failure and poor institutional development in developing countries. On the other side with high unemployment, inflation, budget deficit and public debt, there is no doubt that these factors make the political environment more difficult for expanding development budgets. In this senior foreign assistance is very crucial for the betterment of economy. A recent Paris declaration on aid effectiveness 2005, signed a consensus by all OECD countries¹. In this consensus a series of suggested action which could undertake by official development agencies and partner countries to improve the delivery and allocation of aid. The important recommendations by this consensus are local owner ship of development strategies, alignment with national development strategies, harmonization of development intervention, mutual accountability and transparency and managing for results.

¹ UNDP response to 2011 survey on monitoring the Paris declaration

In recent years, many problems are associated with foreign aid, much of its portion is wasted due to bad and corrupt government in impoverished countries. Good governance has become widely accepted phenomena for economic and social development, consequently from a political economic perspective aid is treated as policy act by donors. Yet our understanding of determinants of political accountability and good governance that foster the aid effectiveness remains limited. The debate over the relationship between politics and aid has generated more heat than light. So there is need for further research to investigate the political perspective of foreign aid in a panel of Asian countries. The main objective of this study is to examine the role of political determinants in aid effectiveness with special reference to Asian countries.

Literature Review

The review of existing literature discussed in this section showing the different perspective of foreign aid and politics. A bulk of studies find out the determinants of foreign aid (Tingley, 2009; Wall and Bandyopadhyay, 2006; Zhang et.al, 2010). Wall and Bandyopadhyay (2006) investigated the determinants of aid such as needs, civil/political rights and government effectiveness of recipient's countries in post-cold war era. Interest of donor is controlled by fixed effect approach adopted by Trumbull and Wall (1994). Findings of this study is contrast with existing literature in this way that aid is negatively related to per capita GDP and positively to rights, government effectiveness and infant mortality.

Tingley (2009) mentioned the role of economic and political determinants of aid. In case of poor developing countries economic ideology are important determinant of aid as compare to rich developing countries. On the other hand share of foreign aid effort to GDP declines when government becomes more conservative over time and within countries. Donor's political and economic circumstances influence the aid effort and motivation for aid to developing countries. However domestic ideological factor influence the aid effort and aid level which contributes in aid volatility.

Zhang et al (2010) compared the determinants of foreign aid of United States and China to Africa. This study shows that in case of China strategic interest in aid allocation decision than any other factors. On the other hand recipient needs, improvement in human rights, control of corruption, sound government regulation and policies and political instability are the positive determinants of U.S. aid.

A number of studies that especially capture of political determinants of foreign aid (Alesina and Dollar, 2000; Alesina and Weder, 2002; Dollar and Levin, 2004; etc.). Boone, Burnside and Dollar (1996) states that Foreign aid has become a political phenomenon. Many econometric studies confirm that in donor and recipient interest donor interest is dominated. These interest maybe commercial or sometime political and military are more important. Therefore changing aid flows highly depend on changing in political policies. However effectiveness of foreign aid are also influenced by the politics of aid.

Svensson (1999) mentioned the evidence of self-interest of foreign aid and rent seeking activities by using the game theoretic model. Major implications of this model are, first an increment in government revenue lowers the provision of public goods under certain circumstances. Second aid may increase the rent seeking.

Thérien and Noël (2000) states that domestic political parties have two options either they support or oppose the foreign aid policies. Political parties in power have the greater influence on the formulation of foreign aid policies and priorities according to their social justice concept. While welfare institutions and social spending played a significant role in determining foreign aid spending.

Alesina and Dollar (2000) to capture the effects of donor interest, this study use different variables such as colonial history, friendliness and trade openness. Findings of this study shows that political and strategic consideration are important determinants of aid as

compare to per capita income and democracy. Alesina and Weder (2002) investigate the role of good government in receiving aid. Results shows that governments with low corruption level receive more aid as compare to more corrupt government.

The role of institutions and policies in receiving aid shows that countries receive more aid with sound policies and institutions, while differences exist across bilateral donors and multilateral agencies. Dollar and Levin (2004) the political economy of U.S. aid to Pakistan provides the robust evidence of existence of political economic determinants of aid in Pakistan e.g. US business interests and voting patterns. Another important finding of this study reveals that political and economic factors of donor country cannot directly influence the actual needs of recipients.

Berthélemy (2005) capture the Motivation of foreign aid by donor through donor interest and recipient needs model .Berthelemy indicate that better governance indicators of recipients i.e. absence of violent conflict or more democratic and economic system attract more aid on average. Authour identifies the donors which are altruistic such as Austria, Denmark, Ireland, Norway, and Switzerland and more egotistic donors are Australia, France, Italy, Japan and the US.

Said Isse(2006) investigated the determinants of foreign aid by using pannel approach in 151 countries from 1975 to 1998. The empricial findings of this study shows that taxes on trade increase the foreign aid dependency. while the other determinants of foreign aid are trade, private credit, foreign direct investment, GDP per worker and government consumption. This study also shows the factors that are responsible for changing in foreign aid. Factors that increase the foreign aid are: government consumption, taxes on international trade and ethnicity. years of schooling, private credit, trade, and GDP per worker are factors for declining in foreign aid.

Boschini and Olofsgård (2007) analyzed the argument that end of Cold War are major determinant in reduction of aid levels in panel of 17 donor countries. Empirical findings shows that end of cold war cut the aid budget but it has no clear impact on allocation of aid. This study also indicates that war on terrorism is major driver of foreign aid flows as the cold war did. While the countries with strong strategic importance received high level of aid. Chong and Gradstein (2008) examined the domestic political factors based on world values surveys of foreign aid for china and emerging donors. This study finds that satisfactory government performance and individual's income are the supportive factor of foreign aid. On the other hand level of corruption, inequality, political leaning and tax system affect the aid level in recipient countries as compare to their economic conditions.

Usman(2009) finds the determinant of foreign aid in Pakistan. With the especial perspective of bilateral donors main determinants of foreign aid in Pakistan are economic, political and strategic interests. Other determinants are Geo-political, compliance conditionality index, democracy and imports from US, UK and Japan. Although Fleck and Kilby (2010) examined the geo-political role of foreign aid and compare it during cold war and war on terror. This study finds that ceteris paribus, conservative government provides lower level of economic assistance than liberal. US aid budget has decreased for recipient needs and increased for war on terror.

Figaj (2010) investigated the Environmental determinant of aid; find that economic and environmental factors are determinants of aid. According to this study political variables play no role in environment aid allocation while economic consideration indicates the financial viability. Mostly recipient receive environmental aid is in the form of loan which need to be paid back. Above literature conclude the different determinants of foreign aid in a political economy such as interest of donors, recipient's need, war and conflicts , corruption, inequality, political leaning and tax system etc. The debate over the political perspective of foreign aid is far from settled. There is still ongoing areas of concerns that growing literature

has need to address completely. In this study I will check the broader view of foreign aid by using the International country risk guideness (ICRG) database.

Theoretical Framework

This section provides the theoretical linkages of variables with foreign aid with help of existing literature. When we check the impact of foreign aid on corruption literature explains two effects i.e. liquidity and conditionality effect. Foreign aid treated as a policy action of donors in perspective of a political economy. Foreign aid is a lifeline for many countries to lead them to better living standards. Furthermore foreign aid consists of economic, social, and political development of recipient countries. But these objectives not fulfilled due to many reasons such as weak institutions, political instability, self-interest, law and order situation become the major obstacles in way of development of recipients.

Liquidity effect

Foreign aid effects corruption through liquidity effect in such a way that shortage in public revenues is assuages by foreign aid hence it will increase the facilities and salaries for public employees this will lead to declining in supply of corruption by public officials.

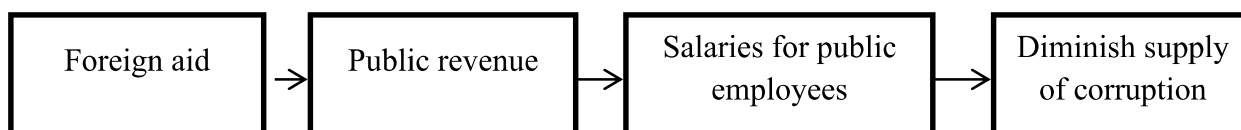


Figure 2: liquidity effect

Conditionality effect

In many recipient's aid comes with rules and condition or tied aid for specific purposes this will show the conditionality effect of foreign aid. Choices of recipient's officials are limited when aid come with condition, furthermore these conditions are very influential in aid effectiveness and reduction in corruption.

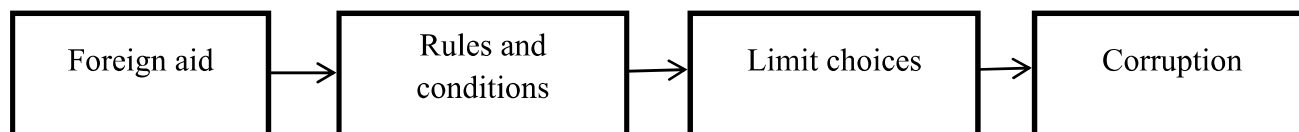


Figure 3: conditionality effect

Corruption

When the impact of corruption on foreign aid is discussed, the results are mixed. Some studies explain in what ways foreign aid effect corruption while other explain the mechanism in which corruption effect aid e.g. positively correlation between foreign aid and corruption is concluded by Ali & Isse (2003). They argue that predatory power of the government strengthens by ODA, hence deteriorates the emergence of private sector. Foreign aid typically increase the government consumption, leads to creates opportunities to grow for government, this will lead to increase in corruption. Isopi & Mattesini (2008) also supported this view by using a game theoretic approach towards aid donations. They argue that foreign aid increase corruption when local elite is preferred by donors. While corruption is a decreasing function of aid if donors are motivated by recipient's needs.

Foreign aid covers the high fraction of official revenues. One manifestation of foreign aid, in which corruption effect the foreign aid through tax evasion. When government has lack of capacity or willingness to collect official revenues this will raise the corruption. In addition Loayza (1996) support this by investing the relationship between corruption and

foreign aid. In corrupt environment it's difficult for government to raise revenue to finance public services, hence the business adopt the ways to avoid from formal taxation. The negative relationship between corruption and foreign aid also investigate by Svensson, (2000). Resources will be diverted from their envisioned use in more corrupt recipients, thus donor's essence aid to the less corrupt ones.

Government stability

Foreign aid is more effective in a stable political environment; because a stable government have effective economic policies that enhance the aid productivity. Citizen have the ability to accumulate a capital, save invest and innovate the new ways of production with the help of foreign assistance (Hansen and Tarp, 2001). Chauvet (2003) compare the social and violent instability and finds that in case of violent instability aid is positively response in middle-income non-oil exporting countries as compare to social instability. Murdoch and Sandler (2002) examined that aid effectiveness depends on its ability to dampen the negative impact of external shocks (economic, political) on economic growth. It also seems that aid effectiveness depends differently on internal and external political instability in developing economies, aid is less effective in case of internal political instability as compare to external instability.

Conflict

Addressing the specific effects of conflict on aid, two camps have developed. On the one hand, scholars argue that aid increases conflict through increase in payoffs to rebels (Esman and Herring 2003, Feyzioglu et al.1998) when these payoff is delayed this will lead to more worsen condition by rebel in recipients. Spoils to be won from rebellion (Azam 1995; Grossman 1991,1992). Other studies such as (Collier and Hoeffler 2002) argue that by promoting economic growth and strengthening state capabilities aid decreases. Hoeffler (2002) also argue that civil war can be prevented by aid through many factors such as spurring economic growth, by reducing government reliance on primary commodity exports and by increasing government military capacity, perhaps through aid fungibility (Collier and Hoeffler 2007; Feyzioglu et al.1998). Similarly, increased aid reduces civil war duration because aid enhances government ability to increase military spending and thus deter rebellion (de Ree and Nillesen 2009)

Other school of thought argue that conflict/war decrease aid in such a way that the violation of human right deters the foreign aid in state and these violations may be forerunners to violent conflict (Carey 2007; Cingranelli and Pasquarello 1985; Neumayer 2003).

Moreover subsequent decreases in aid are the evidence of existence of past conflicts (Berthelemy 2006). However there is less evidence found in literature that conflict directly decrease foreign aid, different studies suggest that this may be unlikely (Chauvet 2003; Muscat 2002; Uvin 1998). Yet, in current study we have endeavoured a model in which armed conflict as a potential cause of aid shocks. In this scenario Fleck and Kilby (2010) and Dreher and Fuchs (2011) emphasise the importance of the "War on Terror". Fleck and Kilby find that the markedly increase in aid budget by United States after the terror attacks of September 11, 2001. Dreher and Fuchs show aid effort increased for 22 donor countries during the War on Terror period, but did not respond to the actual number of terror events.

Over view of political determinants of foreign aid



Variable Description and Data Sources

This section discusses the variables in the model to examine the political economy of foreign aid. The specified model is following:

$$Y = \alpha_0 + \alpha_1 GS + \alpha_2 Cor + \alpha_3 IC + \alpha_4 pop + \alpha_5 inc + \alpha_6 opp + \mu$$

Y= is dependent variable and present foreign aid and right side of the equation present independent variables.

α_0 = intercept term in model

GS =Government stability

COR=Corruption

IC=Internal Conflict

INC=Income Percapita

OPP=Openness

POP=Population

μ =error term in model

Dependent variables

Official development assistance is the standard gauge of foreign aid of each country and it is measured by net disbursement of official development assistance as percentage of gross national income. This percentage is calculated by using values in U.S. dollars converted at official exchange rates. Data on this variable is obtained from world development indicators (WDI).

Independent variables

To deal with the core question of this study, researcher introduces the three independent variables of political economy. Following the existing literature, components of the political risk rating index i.e. Corruption, government stability and internal conflict international country risk guide are used to measure the political economy by assigning risk points. Zero is the minimum number of points that can assigned to each component of political risk rating index, while fixed weight of the component in overall political risk assessment determine the maximum number of points of that component.¹

The most frequent measure of corruption (Weder, Alberto, Alesina .2002) by ICRG is used in this study because it is only measure that have annual data set of number of countries since 1982 .Corruption is defined as high government officials are likely to demand special

¹ International country risk guide methodology(ICRG)

payments and illegal payments are in the form of bribes associated with exchange control, tax assessment, loans or policy protection. Corruption has the greater risk for foreign business that can lead to unrealistic, inefficient controls on the state economy, popular discount and encourage the development of black market. It also has major cause of breakdown in law and order, ineffective governance etc.

Most of the study (Gleditsch, Wallensteen et al. 2002) used the armed conflict to measure the external and internal conflict. In this study researcher use only internal conflict indicator to check the impact of internal wars and conflict on aid. Political violence is measured by internal conflict and it has major impact on governance. Countries with no armed or civil opposition to the government and it has no direct or indirect arbitrary violence assign the highest rating while government with ongoing civil wars has lowest rating. Risk rating scores lies between zero and four. A score of 0 present the high risk and score of 4 denote very low risk.

Government stability assesses the ability of government to stay in office and carry out its declared program. Government stability has three components i.e. government unity, popular support and legislative strength and sum of these components assign maximum score of four points and minimum of 0 points of risk rating. Very low risk is presented by score of 4 points while 0 points to very high risk. In order to empirical test this model, a panel of aggregate data on concern variables was collected and selection of sample duration depends on availability of data. By viewing different databases on concern variables data is available over the period of 1990-2011.

Control variables

As the previous literature on aid effectiveness maintains, many other factors that also influence the total amount of aid in recipients, including population, income, openness, in this study for fully specified model these variables are used as a control variables. (Weder, Alberto, Alesina .2002; Lis, 2007, Princeton, NJ. 2012, Berthelemy 2006, Zanger, 2000) .By following (Princeton, NJ. 2012, Berthelemy 2006, Zanger, 2000) to control the recipient country size population growth (annual %) introduced as a control variables and data obtain from world development indicator . These studies find that countries with small population receive more aid then large population countries. Other economic indicators that is need to be added in model are openness, more open economies receive more aid as compare to less open economies and it can be measure at constant prices of 2005 in percentage (open k). GDP PPP per capita (purchasing power parity over GDP in national currency units per US\$) to measure the initial income of recipients to check that whether rich or poor countries influence the amount of aid and in the model it is shown by "income", data of these two (GDP PPP, open k) variables retrieve from Penn world tables. This study utilized 21 years of data, 1990-2011. After eliminating observations for which data are incomplete and countries for which there are fewer than two useful observations, 20 Asian recipient countries are left and 420 observations. The summary statistics for all provided in table 1 and table 2 and country list are available in appendix.

Table 1: Descriptive Statistics of Key Variables

Variables	Description	Data source	Mean (SD)	Min (Max)
Foreign aid	Net ODA received (% of GNI)	World development indicators(WDI)	2.238745 (3.689912)	-.6895173 (25.00913)
Corruption	demand special payments and illegal payment	ICRG database	2.441853 (.852175)	.0833333 (4.5)
internal conflict	Risk rating scores lies between zero and four	ICRG database	8.841012 (2.22213)	0 (12)
Government stability	maximum score of four points and minimum of 0 points of risk rating	ICRG database	8.635332 (2.014038)	1 (12)
Openness	Openness at 2005 constant prices (%)	Penn world tabel	73.13452 (44.02369)	0 (214.35)
Income	Purchasing Power Parity over GDP (in national currency units per US\$)	Penn world tabel	472.144 (1203.248)	-.6895173 (25.00913)
Population	Population growth (annual %)	World development indicators(WDI)	1.801725 (1.171282)	-1.752256 (11.18066)

Table 2: Correlation Matrix of Selected Explanatory Variables

	COR	GS	IC	INC	OPP	POP
COR	1.0000					
GS	-0.1493	1.0000				
IC	0.2158	0.4319	1.0000			
INC	-0.0859	0.0404	0.0836	1.0000		
OPP	0.1619	0.2545	0.2816	0.0823	1.0000	
POP	0.1488	-0.1561	-0.0523	-0.1246	0.0193	1.0000

Table 1 shows the summary statistics of the variables in model it consists on definitions, detailed information about data sources and descriptive statistics of variables. On average the sample countries receive the 2.23 of total ODA. Minimum aid is -.689 while the maximum is 25.009 values lie between -.689 and 25.009. Trends in other variables are also explained by this way and values shown in table. Table 2 shows the correlations between explanatory variables used in the analysis. The correlations between variables are depend the expected signs, positive sign shows that variables are positively correlated while the negative sign shows the negative association between variables are less than 0.4 which indicates that there is no severe multicollinearity and should not distort statistical inference.

Estimation Methodology and Results / Discussion

This section consists of two parts, first present the appropriate estimation methodology that can be applied on model and diagnostic tests while the second part discuss the result of model after applying techniques.

It is important before applying any econometric technique for estimation to check the stationary of variables as a starting point of estimation. Without performing this step the resulting regression is nonsense or spurious. In Panel data stationary of the variable scan be checked with the help of Levin-Lin-Chu unit-root test, detail of this test will be presented in appendix, result of this test shows that variables are stationary at level expect openk that made stationary by taking its log. After this pool regression can be run and estimate the fixed and random effect in state software. To check the existence of panel estimation in data the research apply Breusch and Pagan Lagrangian multiplier test and probability of this test shows the existence of panel estimation after that store the estimates of fixed and random effect. Then Hausman specification can be applied to check which effect is appropriate. The result indicates ha random effect is more appropriate then fixed. Finally, by applying random effect Generalized least square technique makes the result valid that are discussed below.

Table 3: Random-Effects GLS Regression

	Coef.	Std. Err.	z	P> z	[95% Conf. Interval	
IC	-.26761	.0717844	-3.73	0.000	-.4083048	-.12691
GS	-.2527955	.0728069	-3.47	0.001	-.3954943	-.11009
COR	.3962604	.1694529	2.34	0.019	.0641388	.7283
POP	.4338226	.1343628	3.23	0.001	.1704763	.6971
OPN	1.494989	.5222974	2.86	0.004	.4713053	2.5186
C	-1.258271	2.371841	-0.53	0.596	-5.906995	3.3904
sigma_u	3.0293045					
sigma_e	2.1221247					
rho	.67080552 (fraction of variance due to u_i)					

The results of random effect model show that the coefficient of internal conflict(ic), government stability (GS), corruption (cor), population (pop) and openness (lopen k) are statistically significant at 1%. The results shows that cor, lopenk, pop are positively effect the foreign aid in sample countries except ic, gs. The empirical studies also support our results, that more corrupt countries receive more aid. These result are similar with the studies of Zhang et.all 2010, Ali &Isse 2003 Isopi&Mattesini (2008,) that finds the positive relationship between corruption and foreign aid, and reason behind this aid increase in corrupt countries when donors prefer their own interest or recipients elites instead of recipients needs. The other varaibales suach as Openness and population also shows positive association with dependent variable (Princeton, NJ.2012, Berthelemy 2006, Zanger, 2000).the existing literature reveal, more open economies receive more aid as percentage of gross national income. Population adds in model as a control variable in order to control the size of recipient

countries. Larger countries receive more resources for development as compare to small one. On the other side some political variables such as internal conflict and government stability negatively influence the aid. Countries that have internal conflict, war and terror condition receive less aid. Conflict/war decrease aid in such a way that the violation of human right deters the foreign aid in state and these violations may be forerunners to violent conflict (Carey 2007; Cingranelli and Pasquarello 1985; Neumayer 2003). Stable government of recipient countries have the ability to stay in office and complete their development projects, citizen are confidently save and invest ,leads to boost the domestic production hence countries with stable government less relies on external resources for development.(Berthelemy(2005, Hansen and Tarp, 2001) better governance indicators of recipients i.e. absence of violent conflict or more democratic and economic system attract more aid on average.Authour identifies the donors which are altruistic such as Austria, Denmark, Ireland, Norway, and Switzerland and more egotistic donors are Australia, France, Italy, Japan and the US. The value of Wald chi2 and its significance shows the overall significance of the RE model. Diagnostic test are also applied to check the validity of model. Variance inflation factor are applied to test the multicollinerty and result shows that mean value is 1.24 and it is less than 10 which provide the evidence of no multicollinerty in model. The detail table of regression is presented in appendix.

Conclusion

ODA is less effective according to assessment of various possible political determinants of foreign aid. The foremost variables (government stability, internal conflict) demonstrate that in the presence of conflict, countries receive less aid and instable government is also no supportive for foreign aid. Furthermore corruption has positive influence and literature also support these results. From policy perspective, the implication of this paper finding is straightforward. To get the fruitful result of foreign aid, firstly, by controlling the political imbalances in recipient countries and secondly, recipient needs should be preferable as compared to the donor's own interest.

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Appendix A: List of Countries

Bangladesh, India, Indonesia, Iran, Jordan, Kazakhstan, Lebanon, Malaysia, Turkey, Thailand, Vietnam, Yemen, Mongolia, Oman, Pakistan, Philippines, Saudi Arabia, Srilanka, Syria