

Global Economy

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Lecture 12-13

Poverty

- *Poverty is the worst form of violence*
(Mahatma Gandhi)
- Poverty is the lack of basic necessities that all human beings must have: food, water, shelter, education, medical care, security, etc.

- **Absolute poverty** – a situation where individuals do not have access to basic requirements of life – food, shelter, clothing.
- **Relative poverty** – a situation where individuals are excluded from being able to take a part in what are considered the normal, acceptable standards of living in society.

Common characteristic of the poor

Globally, the poor tend to share several characteristic

- They suffer from malnutrition, poor health, low levels of education.
- They live in environmentally stressed areas, have poor access to technology and markets.
- They are more likely to be rural, agricultural, and have little or no land.
- Most poor come from large families with few income earners.
- They lack personal and political power.

Causes of poverty

- **Natural disasters** – destroy homes, businesses and crops, people loses their homes and their jobs.
- Diseases spreads very quickly, people die, cannot work, infrastructure (road and railways) are damaged making recovery of homes and businesses very difficult.
- Some developing countries are particularly prone to natural disasters due to the geography of the country e.g. floods in Bangladesh.

Causes of poverty

- **War and civil unrest**
- Government spending is on weapons and army wages.
- Family wage-earners are killed. Farms and businesses are destroyed.
- Basic services like education are disrupted. People leave their homes as refugees.
- Workers are killed or disabled by loss of limbs. They cannot work and pay tax.
- Without tax from individuals and businesses government cannot pay for hospitals, schools and roads.

Causes of poverty

- **Unfair trade and cash crops**
- Many developing countries employ all their land and people in producing just one kind of crop that is sold for cash to the rest of the world - for example tea, coffee, bananas, cocoa, nuts (these are cash crops).
- When supermarkets in rich countries want to buy these goods they insist on only paying a low price so they can make large profit. The farmers do not make a fair price for their crops.
- The governments of less economically developed nations producing these crops does not earn enough tax to pay for schools hospitals and roads.

Causes of poverty

- **Unfair trade**
- Subsidies to agriculture in rich countries
- High tariffs on poor-country exports
 - Rich countries lowered tariffs most on exports of each other
 - Tariffs remain highest on exports of poor countries
 - Textiles
 - Many agricultural products
- When poor-country exports expand, rich world sometimes responds with protection.

Trade Policies Meant to Help

- US: African Growth and Opportunity Act (AGOA) of 2000
 - Offers tangible incentives for African countries to continue their efforts to open their economies and build free markets.
 - Lowers tariffs on many products if exported by eligible African countries.
 - The eligibility criteria is to improve labour rights and movement toward a market-based economy.

Trade Policies Meant to Help

- EU: Everything but Arms (EBA) Initiative of 2001
 - Eliminates all tariffs and quotas on all but arms and amunitions from 48 Least Developed Countries.
 - Immediate implementation except for bananas (from 2006), sugar (2009), and rice (2009).

Causes of poverty

- **National debt** – many less economically developed nations have borrowed large sums of money from wealthier governments.
- The countries have to pay interest on their debts.
- This means they cannot afford to spend enough on basic services like health and education; nor on things like transport or communications that might attract investment.

Causes of poverty

- **Food and education** - affordable, secure food supplies are vital. Malnutrition causes severe health problems, and can also affect education. Without education it is difficult to escape from poverty. This becomes a vicious circle – people who live in poverty cannot afford to send their children to school.
- **Diseases** such as HIV/AIDS and malaria causes great suffering and poverty in many less economically developed nations.

Measures of Poverty

- The most widely used measure of poverty is income poverty, using either a national poverty line or an international standard.
- The PPP \$1.90 (2015) (\$1.25, 2008) a day poverty line.

Measures of Poverty in Poland

- **The subsistence minimum**, regarded as the extreme poverty threshold, sets the level of the satisfaction of needs below which there is a biological threat to life or psychophysical human development.
- It is estimated by the Institute of Labour and Social Studies.
- **The social minimum** – the bundle of resources that a person needs in order to lead a minimally decent life in their society.

Measures of Poverty in Poland

- **„Legal” poverty line** is the amount, which, according to the social assistance act, provides eligibility for a monetary benefit from social assistance.
- **Relative poverty line** is 50% of the mean monthly expenditure determined at the level of all households estimated with the use of the original OECD equivalence scale.

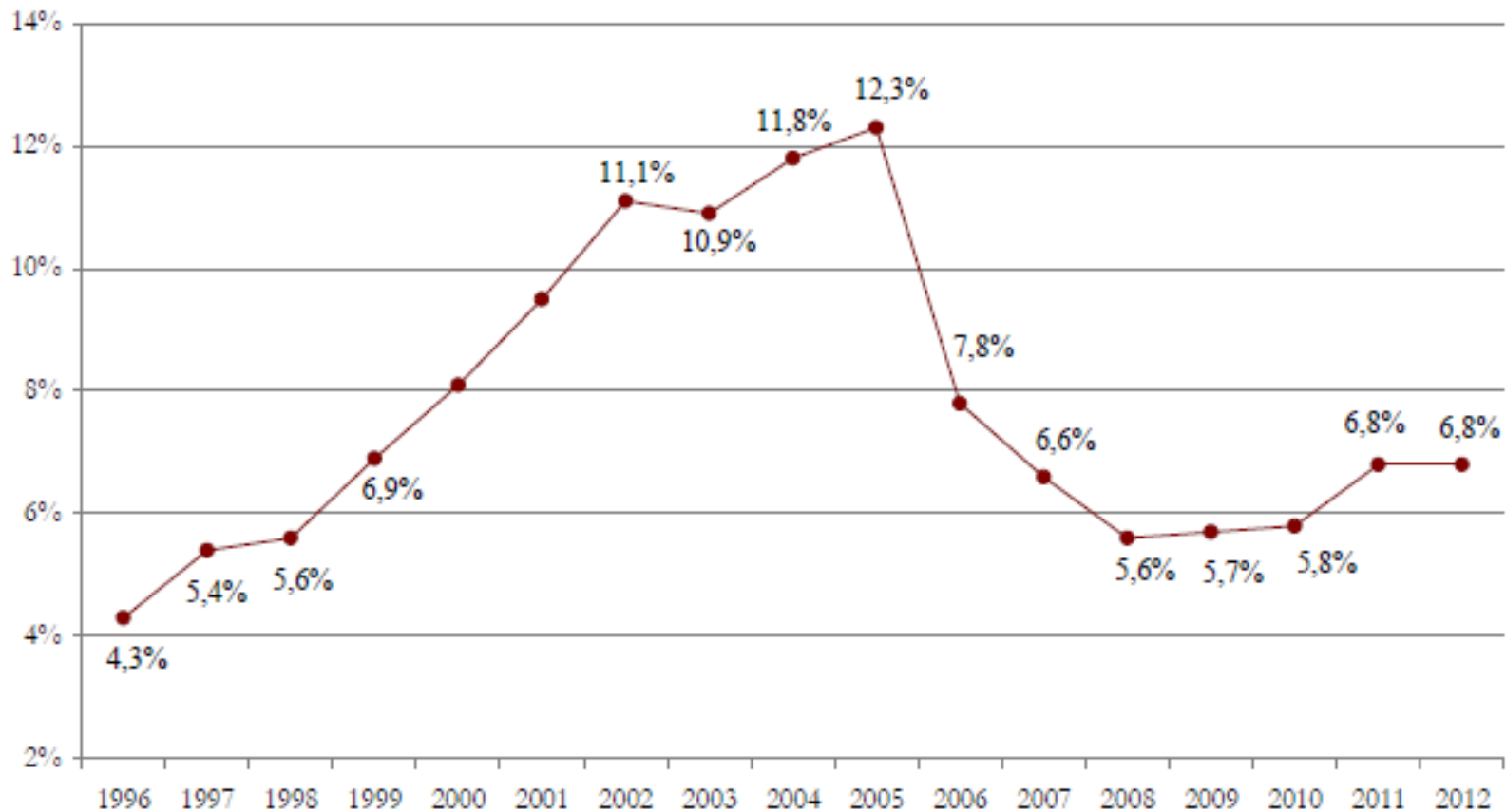
Poverty Lines, Poland, 2014-2016

<http://www.ipiss.com.pl> (Institute of Labour and Social Studies)

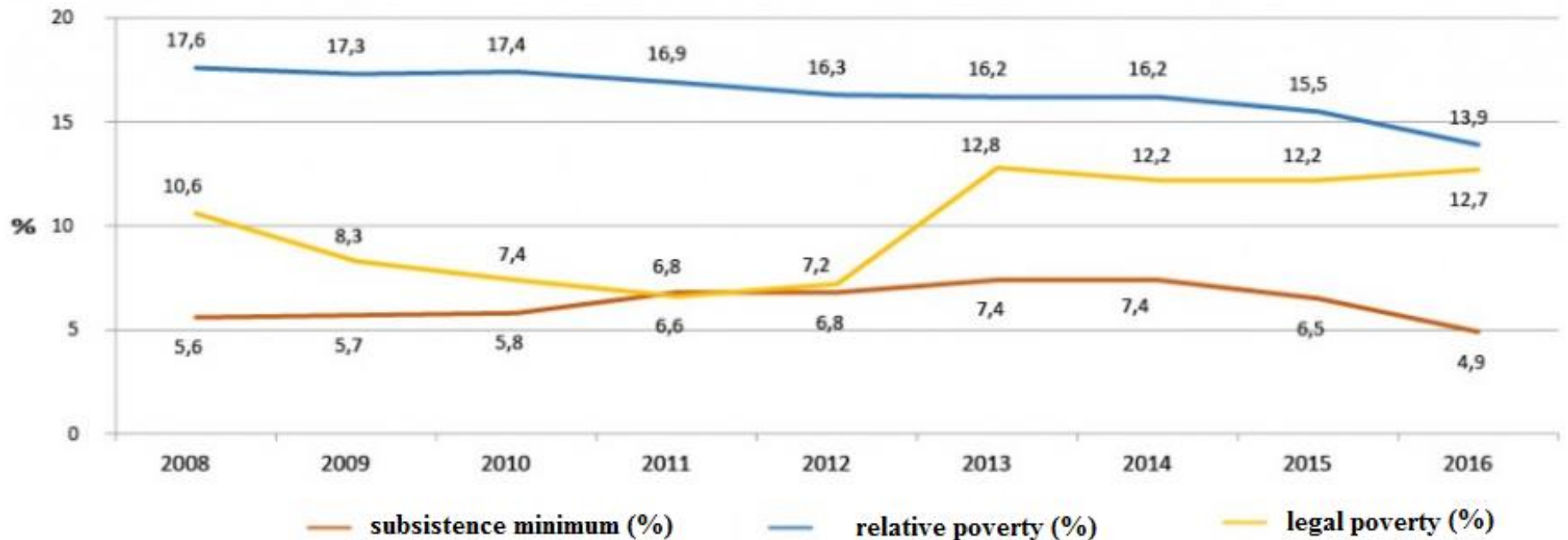
Specification	Subsistence minimum (per 1 person in PLN)			Social minimum (per 1 person in PLN)	
	2014	2015	2016	2016 (IX)	2017 (IX)
1-person employees' household	544.09	545.76	555.02	1084.71	1134.97
2 adults	456.82	457.79	467.27	894.66	938.32
2 adults, 2 children	463.79	464.11	472.04	861.24	908.62
1-person retirees' household	515.43	518.00	527.30	1082.59	1123.30

At-risk of Poverty Rates in Households - Subsistence minimum (%), Poland, 1996-2012,

<http://www.stat.gov.pl> (Central Statistical Office of Poland)



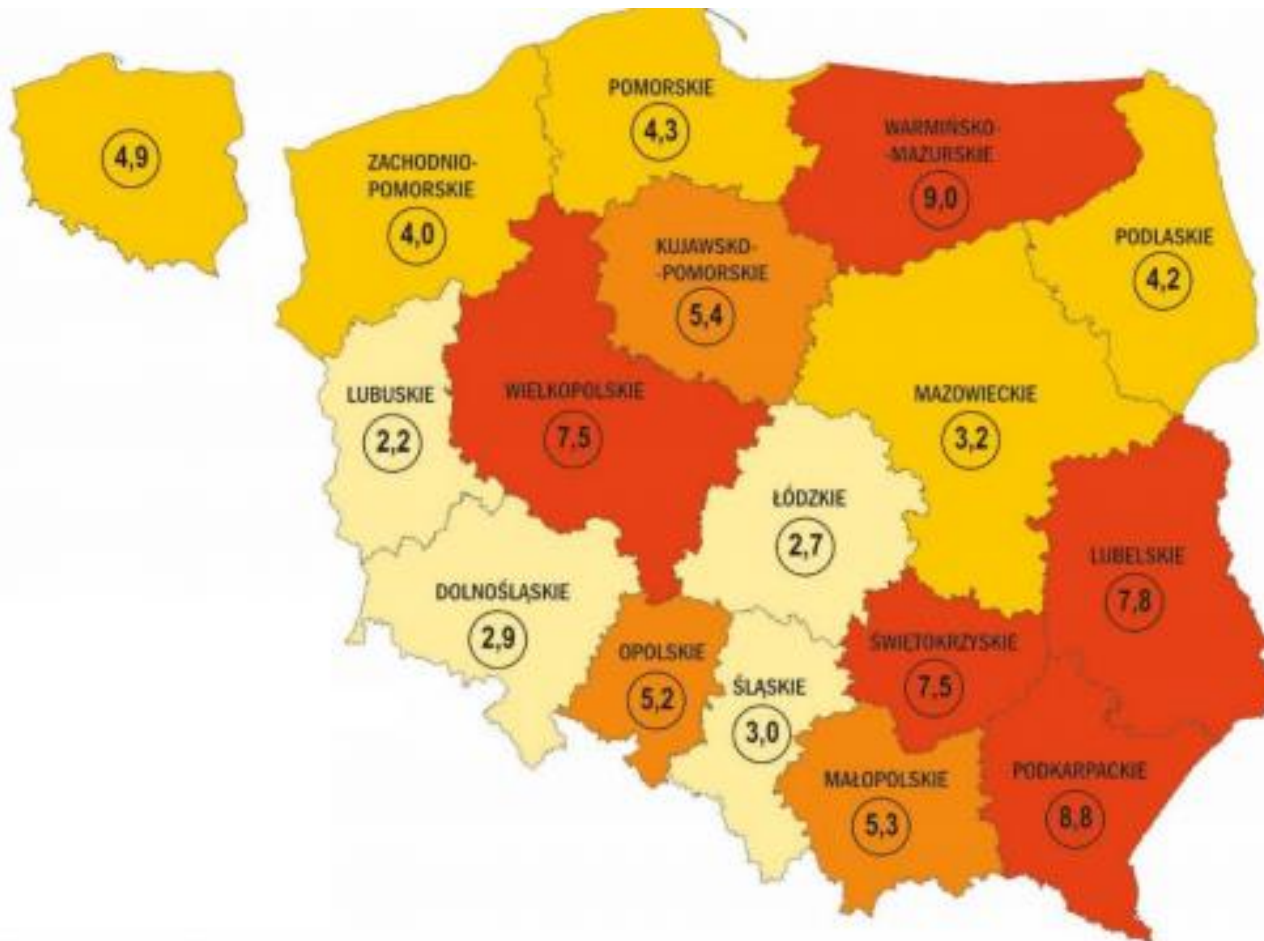
**At-risk of Poverty Rates in Households - Subsistence minimum (%),
Legal poverty (%), Relative poverty (%), Poland, 2008-2016,**
<http://www.stat.gov.pl>



At-risk of Poverty Rates in Households, Poland, 2016

<http://www.stat.gov.pl>

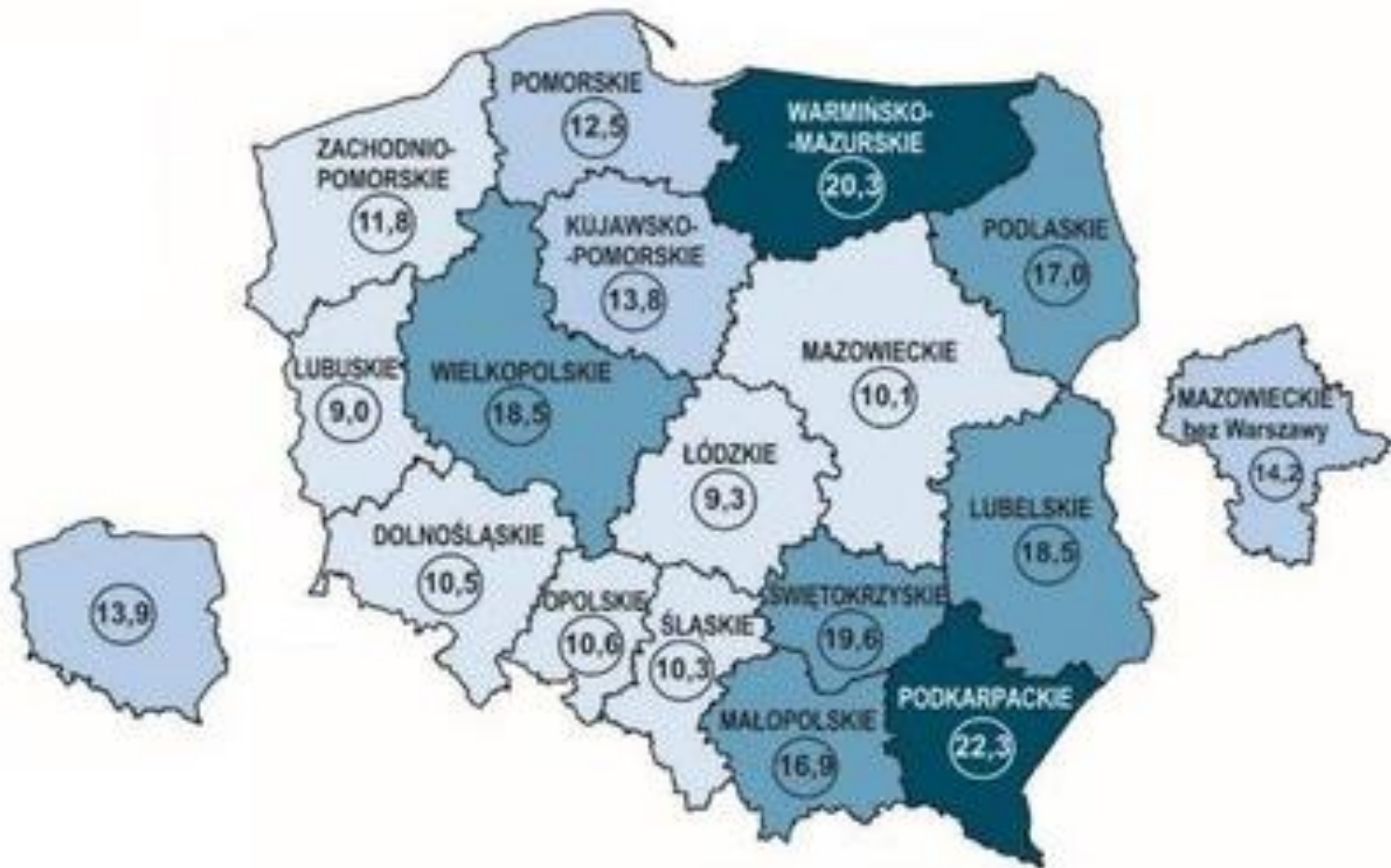
Subsistence minimum (%)



At-risk of Poverty Rates in Households, Poland, 2016

Relative poverty line (%)

<http://www.stat.gov.pl>

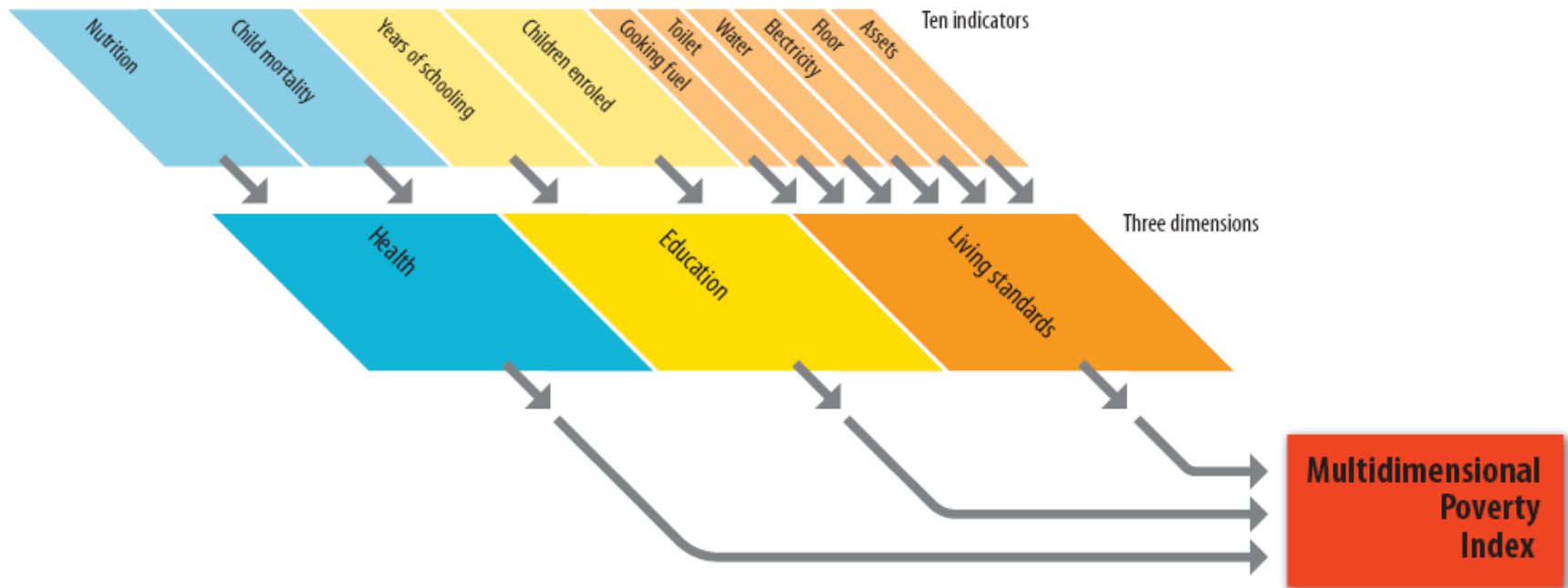


Multidimensional Poverty Index (MPI)

- The dimensions of poverty go far beyond inadequate income – to poor health and nutrition, low education and skills, inadequate livelihoods, bad housing conditions, social exclusion and lack of participation.
- The Multidimensional Poverty Index (MPI) identifies multiple deprivations at the individual level in health, education and standard of living.
- MPI replaces the Human Poverty Index (HPI), published since 1997.

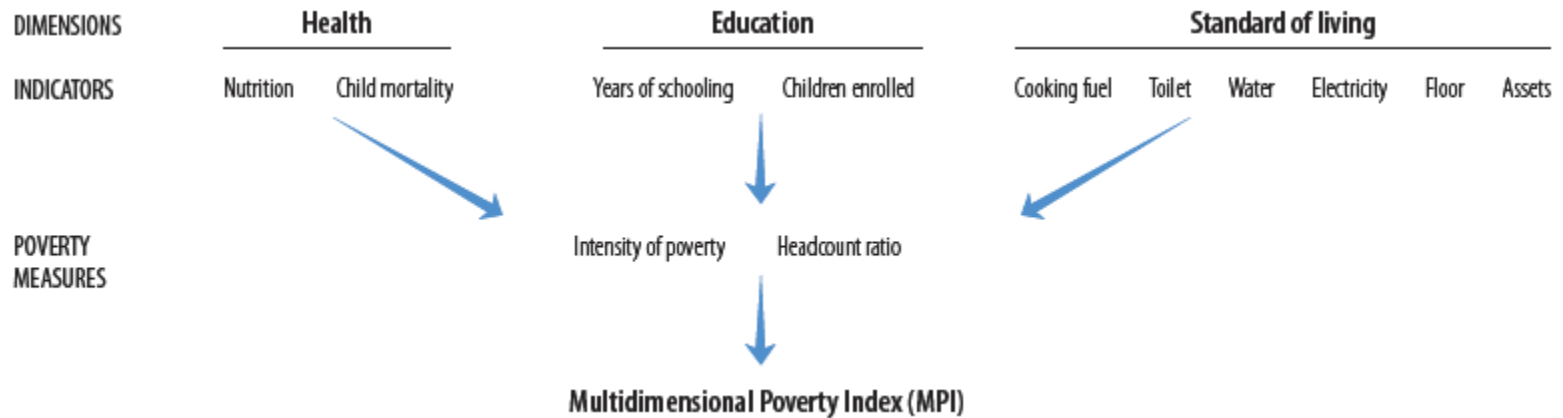
Components of the Multidimensional Poverty Index (MPI)

Source: Human Development Report 2010 (<http://hdr.undp.org>)



Multidimensional Poverty Index

Source: Human Development Report 2010 (<http://hdr.undp.org>)



Multidimensional Poverty Index

- MPI shows how many people experience overlapping deprivations and how many deprivations they face on average.
- The MPI is the product of the multidimensional **poverty headcount** (the share of people who are multidimensionally poor) and **the average number of deprivations** each multidimensionally poor household experiences (the intensity of their poverty).

		Household				
Indicators		1	2	3	4	Weighs
Health	At least one member is malnourished	0	0	1	0	$5/3=1.67$
	One or more children have died	1	1	0	1	$5/3=1.67$
Education	No one has completed five years of schooling	0	1	0	1	$5/3=1.67$
	At least one school-age child not enrolled in school	0	1	0	0	$5/3=1.67$
Living conditions	No electricity	0	1	1	1	$5/9=0.56$
	No access to clean drinking water	0	0	1	0	$5/9=0.56$
	No access to adequate sanitation	0	1	1	0	$5/9=0.56$
	House has dirt floor	0	0	0	0	$5/9=0.56$
	Household uses “dirty” cooking fuel (dung, firewood or charcoal)	1	1	1	1	$5/9=0.56$
	Household has no car and owns at most one of: bicycle, motorcycle, radio, refrigerator, telephone or television	0	1	0	1	$5/9=0.56$
Results	Weighted count of deprivation, c (sum of each deprivation multiplied by its weight)	2.22	7.22	3.89	5.00	
	Is the household poor ($c > 3$)?	no	yes	yes	yes	

Multidimensional Poverty Index

- 1 indicates deprivation in the indicator, 0 indicates non-deprivation.
- The maximum score is 10, with each dimension equally weighted (thus the maximum score in each dimension is $3\frac{1}{3}$).
- Multidimensionally poor, households must be deprived in at least six standard of living indicators or in three standard of living indicators and one health or education indicator.

Multidimensional Poverty Index (MPI)

$$MPI = H \cdot A$$

$$H = \frac{q}{n} \quad A = \frac{\sum_{i=1} c_i \cdot q_i}{10 \cdot q}$$

- H is the headcount ratio, A is the intensity of poverty
- q is the number of people who are multidimensionally poor and n is the total population.
- c_i – weighted count of deprivations in i -th household.
- q_i – the number of people in i -th household.
- 10 – the total number of component indicators considered.

Household				
Household size	1	2	3	4
	4	7	5	4

$$MPI = 0.80 \cdot 0.56 = 0.45$$

$$H = \frac{7 + 5 + 4}{4 + 7 + 5 + 4} = 0.80$$

$$A = \frac{7.22 \cdot 7 + 3.89 \cdot 5 + 5.00 \cdot 4}{10 \cdot (7 + 5 + 4)} = 0.56$$

- 80 percent of people live in poor households.
- The average poor person is deprived in 56 percent of the weighted indicators.
- 45 percent of people are multidimensionally poor, adjusted by the intensity of the deprivations suffered.

Source: Human Development Report 2010 (<http://hdr.undp.org>)

- An estimated one-third of the population in 104 developing countries, or about **1.75** billion people, experience multidimensional poverty.
- More than half live in South Asia, though rates are highest in Sub-Saharan Africa, with significant variation across regions, groups and indigenous peoples.
- The **1.44** billion people live on less than \$1.25 a day and the **2.6** billion people live on less than \$2 a day.
- Countries with higher multidimensional poverty headcounts tend to have more deprivations. (Outliers emerge)

Population in multidimensional poverty, 2007-2011

Source: Human Development Report 2013 (<http://hdr.undp.org>)

Country	MPI	Headcount (%)	Intensity of deprivation (%)	Population below poverty line (PPP \$1.25 a day) 2007-2011
Ethiopia	0.564	87.3	64.6	39.0
Burkina Faso	0.535	84.0	63.7	44.6
Liberia	0.485	83.9	57.7	83.8
Congo, Dem	0.392	74.0	53.0	87.7
Tanzania	0.332	65.6	50.7	67.9

Definition of foreign aid

- Foreign aid is a transfer of resources from governments or public institutions of developed countries to governments of developing ones.
- Foreign capital flows can be divided into official and private.
- Official are divided into bilateral and multilateral flows.

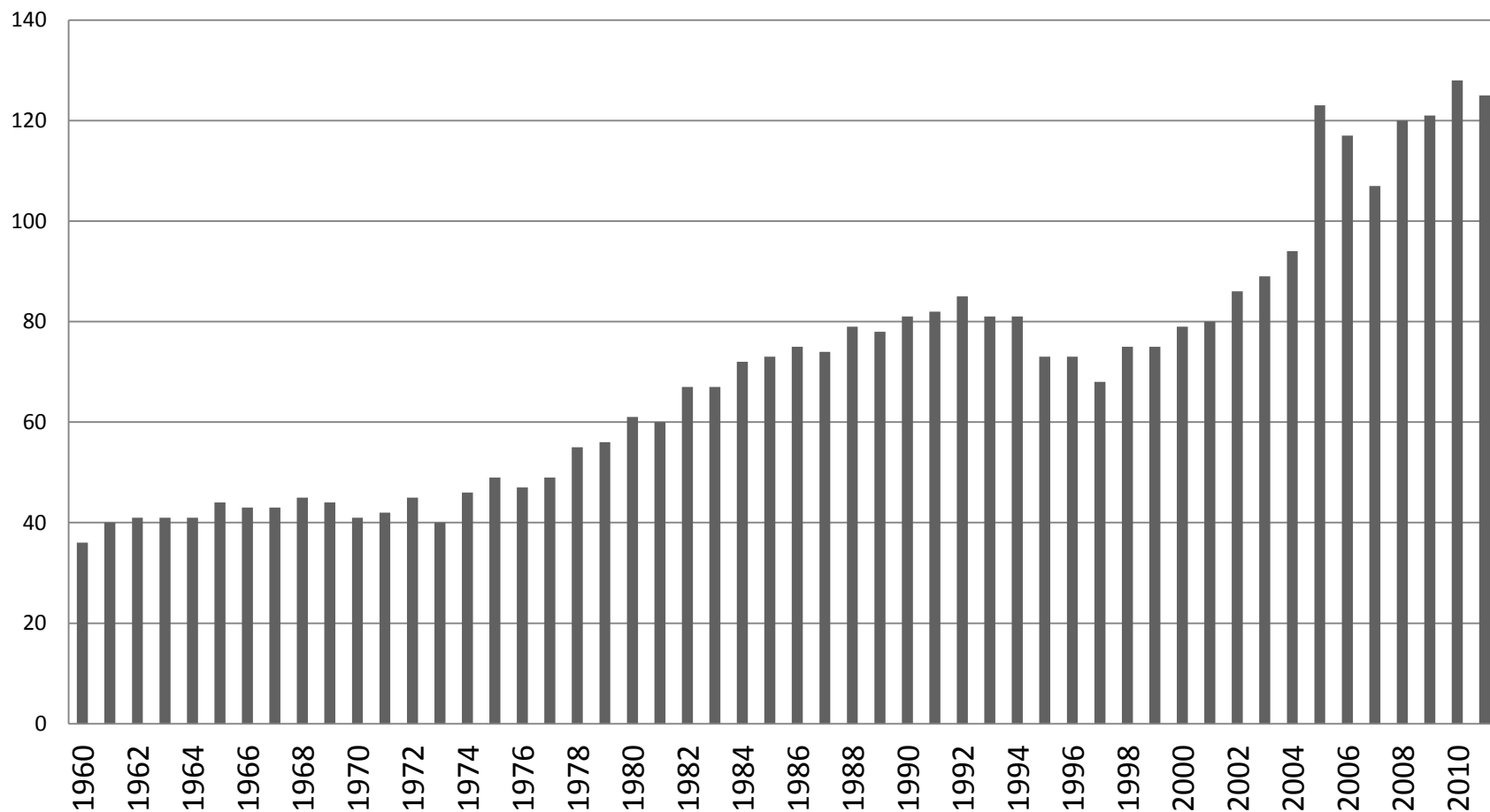
- Development Assistance Committee defines foreign aid as official development assistance (ODA) and technical aid.
- ODA flows must satisfy all three of the following criteria
 - their primary objective must be development, thus it excludes military aid and private investment,
 - the terms and conditions of the financial package must be softer than those available on a commercial basis,
 - the flows should come from governmental agencies and go to governments of developing countries.

Official Development Assistance (ODA)

- **DAC members (30):** Australia, Austria, Belgium, Canada, Czech Rep., Denmark, EU, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, the Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Rep., Spain, Sweden, Switzerland, United Kingdom, United States.
- **Other OECD donors:** Mexico, Turkey.
- **OECD members from 2010:** Chile, Estonia, Israel, Slovenia

Net ODA disbursement, Total DAC countries, 1960-2011, (constant prices 2010 USD, billion)

Source: <http://www.oecd.org>



Country and a year of its independence	Period	ODA as % GNI (average)	Number of years with ODA 10% of GNI or more (since the independence)
Benin, 1960	1986-2014	10.6%	17
Burkina Faso, 1960	1974-2014	12.8%	36
Burundi, 1962	1971-2014	19.1%	38
	1980-2014	21.3%	
Chad, 1960	1974-2014	10.5%	23
Congo, Dem. Rep., 1960	2002-2014	17.7%	13
Djibouti, 1977	1991-2005	16.5%	14 (1991-2005)
Eritrea, 1993	1993-2014	18.3%	16
Ethiopia, 1941	1985-2014	10.7%	16
Gambia, 1965	1966-2014	14.9%	33
Ghana, 1957	1986-2005	10.8%	16
Guinea, 1958	1986-2014	9.2%	13 (1986-2014)
Guinea-Bissau, 1974	1974-2014	34.7%	40

Country and a year of its independence	Period	ODA as % GNI (average)	Number of years with ODA 10% of GNI or more (since the independence)
Equatorial Guinea, 1968	1980-1996	38.0%	18
Comoros, 1975	1975-2014	20.0%	33
Lesotho, 1966	1966-2014	10.8%	30
Liberia	1997-2014	54.8%	18 (1997-2014)
Madagascar, 1960	1986-2014	11.5%	18
Malawi, 1964	1964-2014	18.6%	46
Mali, 1960	1968-1988	15.0%	40
	1990-2014	14.8%	
Mauritania, 1960	1968-2014	18.5%	36
Mozambique, 1975	1987-2014	31.6%	28 (1980-2014)
Niger, 1960	1974-2014	13.6%	34
Central African Rep., 1960	1964-2014	12.3%	38
Cabo Verde, 1975	1980-2014	25.7%	35 (1980-2014)

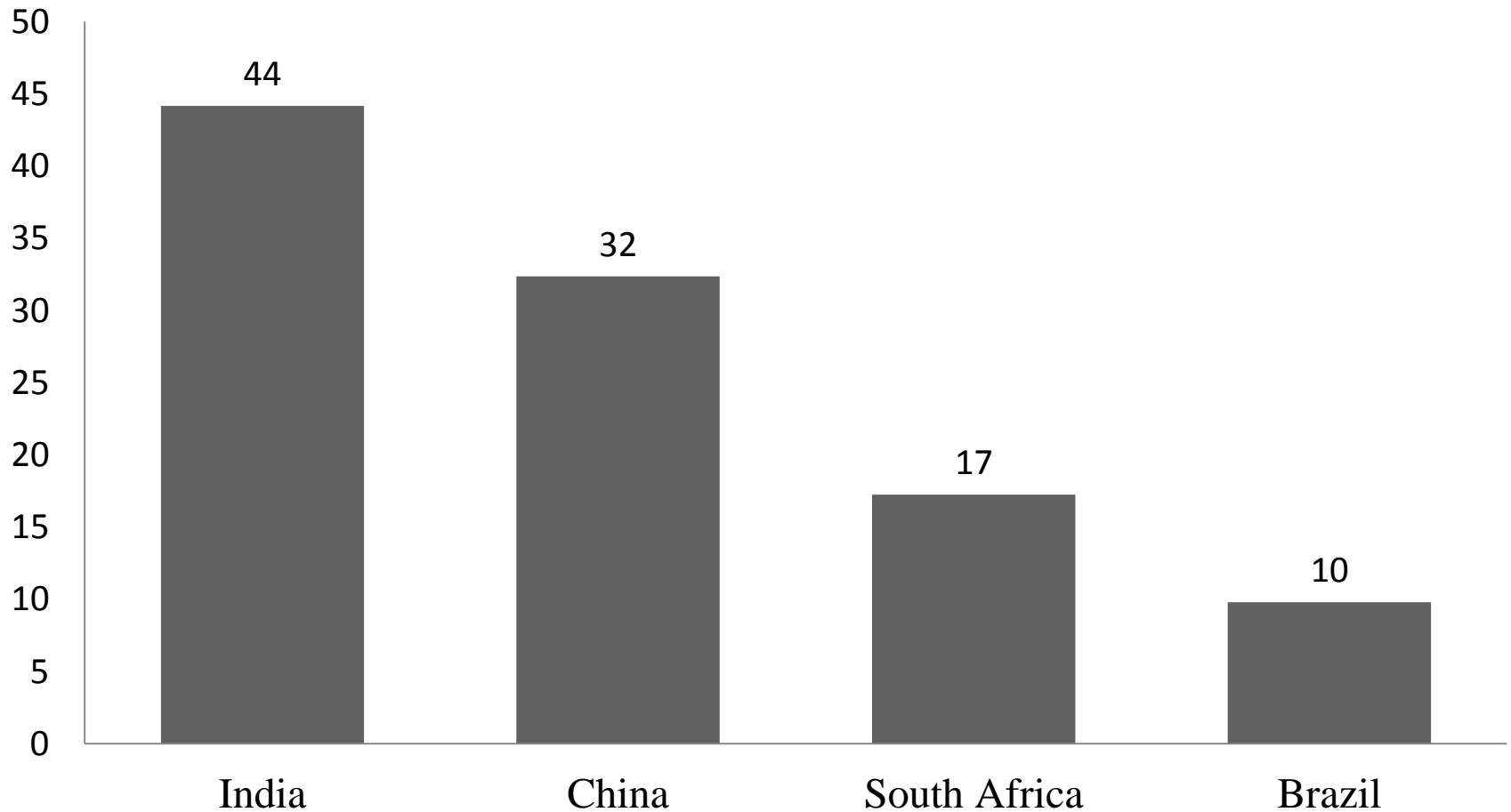
Country and a year of its independence	Period	ODA as % GNI (average)	Number of years with ODA 10% of GNI or more (since the independence)
Kiribati, 1979	1979-2014	25.2%	36
Micronesia, 1986	1993-2013	40.7%	21 (1993-2013)
Palau, 1994	1994-2014	39.4%	19
Papua-New Guinea, 1975	1975-2013	9.6%	19 (1975-2013)
Samoa, 1962	1997-2014	12.0%	14 (1997-2014)
Timor-Leste, 2002	2002-2014	13.8%	6
Tonga, 1970	1981-2014	16.9%	31 (1981-2014)
Tuvalu, 1978	2001-2013	35.5%	13 (2001-2013)
Vanuatu, 1980	1980-2013	21.3%	34
Marshall Islands, 1979	1995-2013	35.9%	19 (1995-2013)
Solomon Islands, 1978	1978-2014	26.4%	33
Guyana, 1966	1966-2014	12.7%	20
Haiti, 1804	2004-2014	16.6%	11 (2004-2014)

Emerging donors

- **BASIC (Brazil, South Africa, India, China)**
- BASIC group was created to coordinate position on the climate agreement at the Copenhagen Climate Summit, 2009
- **BRICS,**
- **CIVETS** (Colombia, Indonesia, Vietnam, Egypt, Turkey, South Africa),
- **MINT** (Mexico, Indonesia, Nigeria, Turkey)

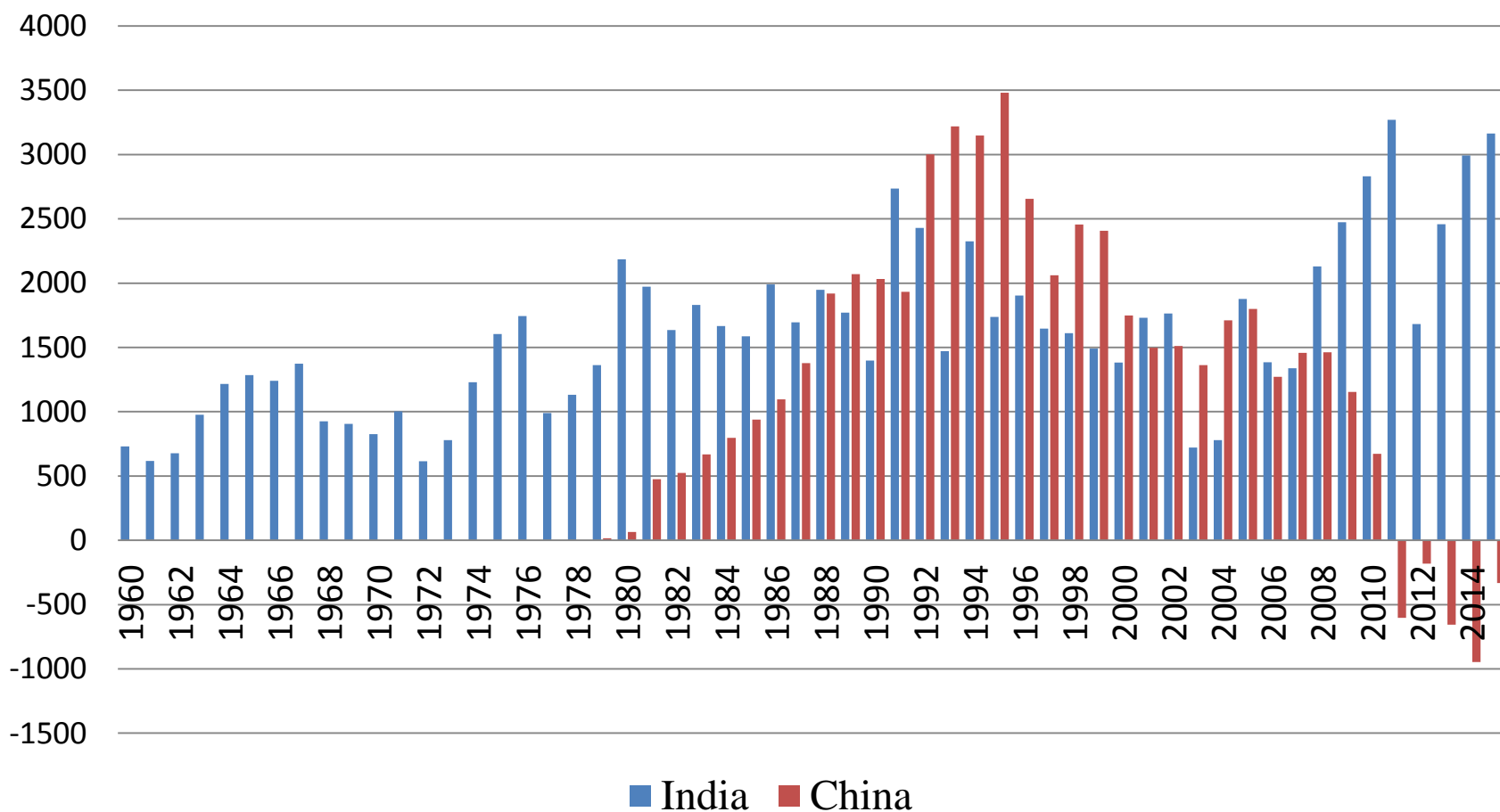
- BASIC countries as beneficiaries of foreign aid
- BASIC countries as emerging donors

Total net ODA disbursements to BASIC in the years 1993-2015 (in USD billion, current prices)



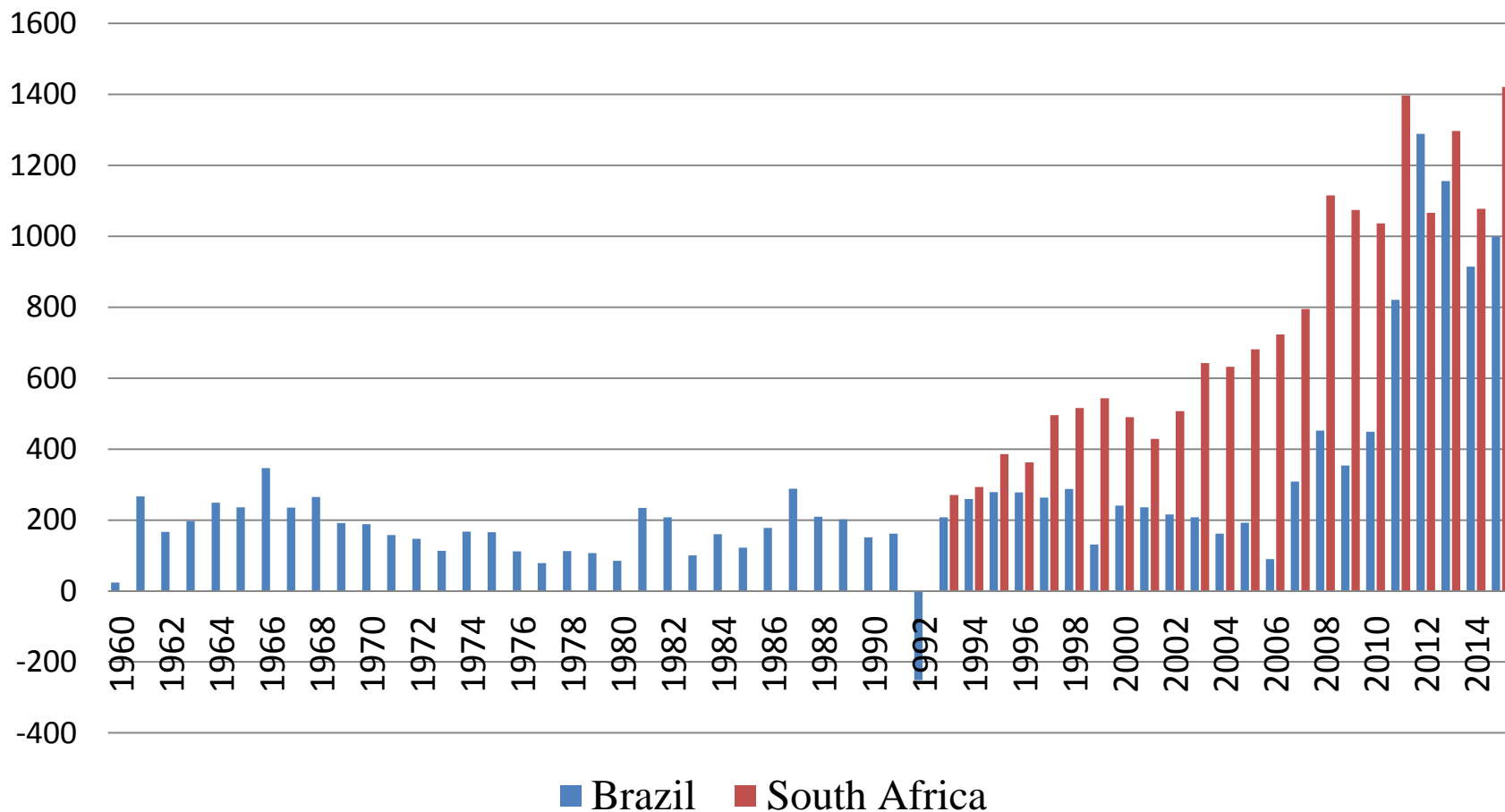
Total net ODA disbursements to India and China in the years 1960-2015 (in USD million, current prices)

Source: <http://stats.oecd.org>



Total net ODA disbursements to Brazil and South Africa in the years 1960-2015 (in USD million, current prices)

Source: <http://stats.oecd.org>



Main donors of BASIC countries (in USD million, current prices)

Source: <http://stats.oecd.org>

Donors	1960-1970	1971-1980	1981-1990	1991-2000	2001-2012
Brazil					
Germany	182.65	287.49	553.72	443.63	1303.06
France	13.3	61.86	336.19	112.74	1324.1
Japan	13.54	123.93	554.76	922.79	201.82
China					
Japan	—	—	4802.81	10438.19	4208.12
Germany	—	—	787.01	3213.52	3506.4
France	—	—	480.71	852.45	2165.03
United Kingdom	—	—	113.71	532.78	962.22

Main donors of BASIC countries (in USD million, current prices)

Source: <http://stats.oecd.org>

Donors	1960-1970	1971-1980	1981-1990	1991-2000	2001-2012
India					
Japan	403.86	473.14	1272.77	5583.33	5066.11
United Kingdom	786.41	1431.26	1226.35	1451.47	5467.21
Germany	725.95	650.62	1301.04	1242.97	1615.22
US	6964.39	1417	598	140.71	601.27
South Africa					
US	—	—	—	694.47	3361.72
Germany	—	—	—	244.58	792.26
United Kingdom	—	—	—	296.56	591.96
France	—	—	—	150.03	607.94

Evolution of China's foreign aid – Phase I (1950-1978)

- 1950-1955 – North Korea and Vietnam were the first beneficiaries of Chinese foreign aid. Relations with the communist countries on China's borders.
- 1960-1973 – sharp increase in terms of total amount and share in GNP, between 1971 and 1975 the share of aid in the state budget's expenditure reached on average above 5%.
- Diplomatic objectives, promotion of ideology, competition with the Soviet Union (after the Sino-Soviet Split).

Phase I (1950-1978)

- Be a truer ally of developing world than the Soviet Union, be the leader of world revolution.
- Chinese aid was offered grants or non-interest loans in contrast to the Soviet aid offered at rate 2.5%.
- To offer the most generous aid with the fewest strings.
- The Great Leap Forward (1958-1963), the People's Communes Movement, the Cultural Revolution (1966-1976) – limited applicability of Chinese model of development despite common socio-economic problems.

Phase I (1950-1978)

- After 1955 China provided aid to African countries.
- Egypt (1956, the Suez Canal), Guinea (1960, match plant and cigarette plant), Mali (1961-1962, sugarcane farms, sugar mills and tea).
- By 1965, China had aid programs in Central African Republic, Congo Rep., Ghana, Kenya, Somalia, Tanzania, and Uganda.

Political benefits of aid

- Prior to 1956 no African state recognized Communist China. Egypt (1956), Morocco and Algeria (1958), Sudan and Guinea (1959), 14 African countries in the 1960s, 22 in the 1970s.
- 1971 – the Government of People's Republic of China was recognized as the legal representative of China in the United Nations and was given the permanent seat in the UN Security Council (among the 76 countries casting affirmative votes 26 were from Africa).

Evolution of China's foreign aid – Phase II (1979-1995)

- More pragmatic than ideological.
- Launching market oriented reforms – foreign aid programme as a tool of supporting Chinese development.
- Economic cooperation rather than one-sided aid.
- Promotion of different types of economic cooperation undertaking construction projects, entering cooperative production and joint ventures, labour services.

Evolution of China's foreign aid – Phase II (1979-1995)

- The scale of individual projects was reduced, mutually advantageous programmes were promoted.
- South-South cooperation that respects sovereignty, does not interfere in recipients' internal affairs, attaches no political conditions, and asks for no privileges.

Evolution of China's foreign aid – Phase III (1995 - present)

- 1994 – the Grand Plan of Trade and Economic Cooperation launched by Minister of Foreign Trade and Economic Cooperation Wu Yi.
- Integration of aid and economic cooperation tools, including FDI, projects and labour services.
- Link aid, investment and trade for global economic cooperation.
- 1994 the Export-Import Bank of China (EXIM Bank) – 1995 – introduction of concessional loans.
- Internationalisation of Chinese companies.
- From 2004 to 2009 China's financial resource for foreign aid has increased rapidly, averaging 29.4%.

China's foreign aid policy

- Helping recipient countries build up their self-development capacity.
- Imposing no political conditions – respecting the choice of political system and development path and refraining from interfering in countries' internal affairs.
- Adhering to equity and mutual benefit.
- Remaining realistic while striving for the best.
- Keeping pace with the times and paying attention to reform and innovation.

- **Grants and interest-free loans** are used to promote diplomacy objectives. Tied-aid projects – Chinese state owned enterprises.
- **The concessional loans** are provided for development, business and diplomacy objectives. At least half of procurement from Chinese firms.

Management of China's foreign aid

Bilateral

Multilateral

The Ministry of Commerce
(Grants, interest-free loans)

The Ministry of Finance

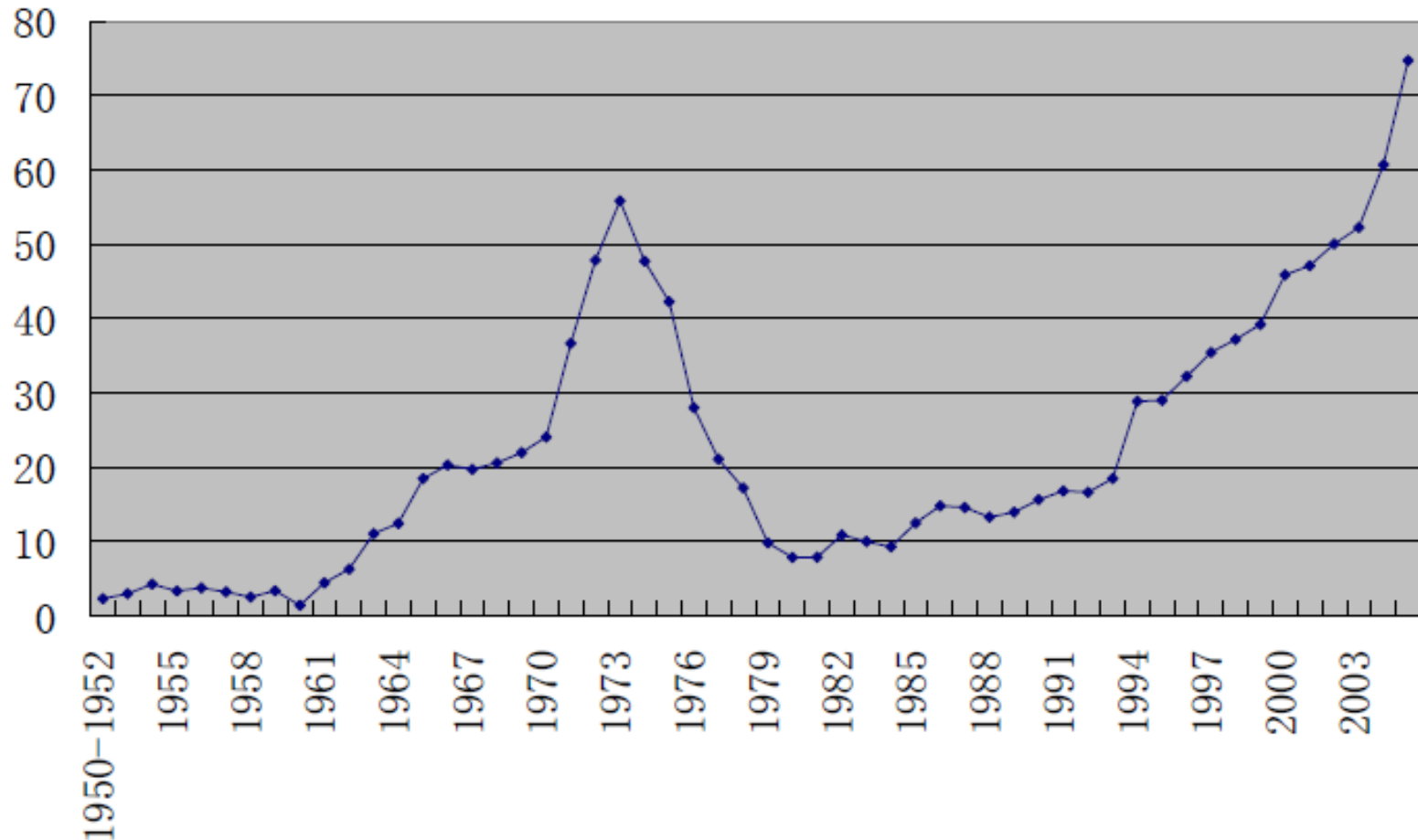
The Export-Import Bank
(Concessional loans)

Management of China's foreign aid

- Ministries which provide foreign assistance:
 - the Ministry of Agriculture,
 - the Ministry of Transport,
 - the Ministry of Science and Technology,
 - the Ministry of Health (dissolved in March 2013 became a part of the National Health and Family Planning Commission),
 - the Ministry of Education or the Ministry of Culture.
- The China Development Bank

Trend of China's foreign aid, 1950-2005 (100 mln RMB)

Source: Li X., *China's foreign aid and aid to Africa: overview* (<http://www.oecd.org/>)



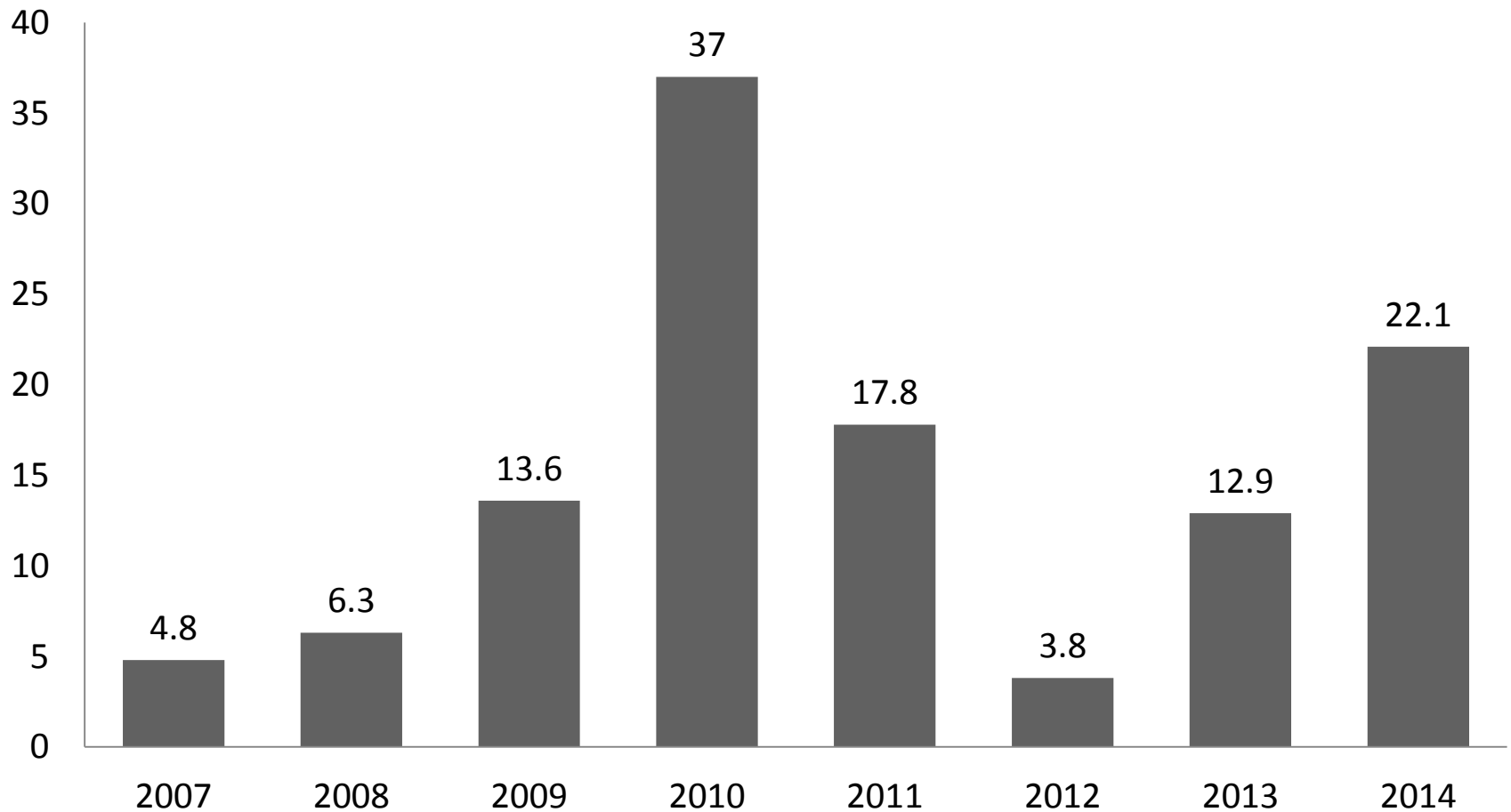
China's foreign aid to developing countries by the end of 2012 (billion yuan)

White Papers on China's Foreign Aid from 2011 and 2014

Form of aid	By the end of 2009		2010-2012	
	Aid volume	Percent of total aid	Aid volume	Percent of total aid
Grants	106.2	41.4%	32.32	36.2%
Interest-free loans	76.54	29.9%	7.26	8.1%
Concessional loans	73.55	28.7%	49.76	55.7%

China's lending to Latin America and the Caribbean in the years 2007-2014 (USD billion)

Source:<http://www.thedialogue.org/PublicationFiles/TheNewBanksinTown-FullTextnewversion.pdf>



China's foreign aid to Africa

- During the 1970s and 1980s, China provided assistance in the form of infrastructure projects, public works, technical and public health assistance, and scholarships to study in China.
- Its motivations were largely diplomatic: to forge friendships among “non-aligned” nations and to compete with Taiwan for recognition.
- Now China's aid to Africa is driven largely by its objective of securing access to oil and minerals for its growing economy.
- Aid in form of interest-free loans, credit lines, debt cancellation and subsidized export credits.

China's foreign aid to Africa in the 21st century

- **2000** – the First Ministerial Conference of FOCAC (Forum on China-Africa Cooperation) – Programme for China-Africa Cooperation in Economic and Social Development – cancellation of RMB 10 billion of debts of the heavily indebted poor countries and least developed countries in Africa (RMB 18.96 billion cancelled)
- **2003** – the 2nd Ministerial Conference of FOCAC, further increase assistance for Africa, zero-tariff treatment to products exported to China from some of Africa's LDC. Special economic zones in Africa.

China's foreign aid to Africa in the 21st century

- **2006** – the 3rd Ministerial Conference of FOCAC
- China EX-IM Bank, USD 2 billion in concessional loans and USD 3 billion in preferential export credits in 2007-2009
- **2009** – the 4th Ministerial Conference of FOCAC
- USD 10 billion in concessional/preferential credits was announced for Africa, committed in 2010-2012

China's foreign aid to Africa in the 21st century

- **2012** – the 5th Ministerial Conference of FOCAC
- China declared to provide USD 20 billion of credit line to African countries, train 30 000 personnel in various sector, offer 18000 government scholarships, send 1500 medical personnel, sponsor 100 projects of research.
- **2015** – the 6th Ministerial Conference of FOCAC
– China's declaration of a further assistance of USD 60 billion for African countries in the years 2016-2018.

Political benefits

- 1989 – after the Tiananmen Square incident – a lack of critics from African countries
- 1997 – 14 out of 27 countries casting affirmative votes to support China at the UN Commission on Human Rights.
- Countries that switched recognition from ROC to PRC: South Africa, Guinea-Bissau, Central African Rep. (1998), Liberia (2003), Senegal (2005), Chad (2006), Malawi (2008).

China's foreign aid to Asia

- Objectives: long-term diplomatic benefits, strategic interests (balancing the power among South Asian countries), improvement in bilateral relationships, access to natural resources (ores, copper, rubber, wood, oil).
- Primary supplier of economic assistance to Myanmar, Cambodia, and Laos – infrastructure, energy-related (especially hydro power), agricultural development projects; China provides construction materials, equipment, technical expertise, and labour.

China's foreign aid to Asia

- Vietnam – railway construction, hydro power development, and ship building facilities.
- Philippines – China a major financier and investor in infrastructure, energy, agriculture, and mining.
- Pakistan, India, Sri Lanka – power plant projects.
- Kyrgyzstan, Uzbekistan, Kazakhstan, Tajikistan, and Turkmenistan – oil, natural gas, and mining projects.

China's foreign aid to the Pacific Islands

- China-Taiwan diplomatic competition.
- China-Taiwan rivalry corrupts and destabilizes the South Pacific.
- Taiwan currently maintains official relations with **six** Pacific Islands countries – Kiribati, Marshall Islands, Nauru, Palau, Solomon Islands and Tuvalu.
- China has the recognition of **eight**: Cook Islands, Federated States of Micronesia, Fiji, Niue, PNG, Samoa, Tonga and Vanuatu.

Foreign aid to Latin America and Caribbean

- Objectives of Chinese aid:
 - gaining broader access to natural resources and agricultural commodities,
 - isolation of Taiwan (12 nations still maintain diplomatic relations with Taiwan),
 - opening up alternative markets and opportunities for Chinese goods and investment – second trading partner (commodities and goods)
 - bolster China's diplomatic presence in the region.
- Countries more developed – natural resources extraction/production, infrastructure/public works.

Foreign aid to Latin America and Caribbean

- Aid for a multi-country natural resource program that included projects in Venezuela, Brazil, Chile, Columbia, Ecuador and Argentina.
- Before 2005, many of the regional programs focused on infrastructure, including power plants, transportation projects, and housing and telecommunications development.
- Aid to Dominica (2005) and Costa Rica (2007) after establishing diplomatic relations.

- China provides assistance for securing access to natural resources and agricultural products, and to increase trade and facilitate investments.
- Depending on the region, the assistance is directed to large-scale infrastructure projects, energy facilities or natural resource development activities.
- The aid is combined with commercial investments and trade arrangements.
- Generally, China's aid programme is driven by economic, diplomatic and strategic objectives.

Sino-Latin American relations in the 21st century

- China signed free trade agreement (FTA) with Chile (2005), Peru (2009), and Costa Rica (2010).
- 2007-2015 – nine China-Latin America business summits were held
- 2015 – the China-CELAC (the Community of Latin American and Caribbean States) Forum was set up.
- USD 120 billion in the form of low-interest loans to Latin American countries since 2005.
- China-Latin America trade relations are strengthened during high-level visits.

India's foreign aid

- Jawaharlala Nehru (1947-1964) – the economic development of all countries is an obligation of the whole international community
- 1949 – Bhutan (small countries in the region) – manpower training programmes
- 1950 – Colombo Plan for Cooperative Economic Development in South and Southeast Asia, aid for other Asian countries (Nepal)
- The 1960s – SCAAP (*Special Commonwealth African Assistance Programme*) – aid for Africa (technical assistance)
- 1964 – ITEC (Indian Technical and Economic Cooperation Programme) was launch.

India's foreign aid

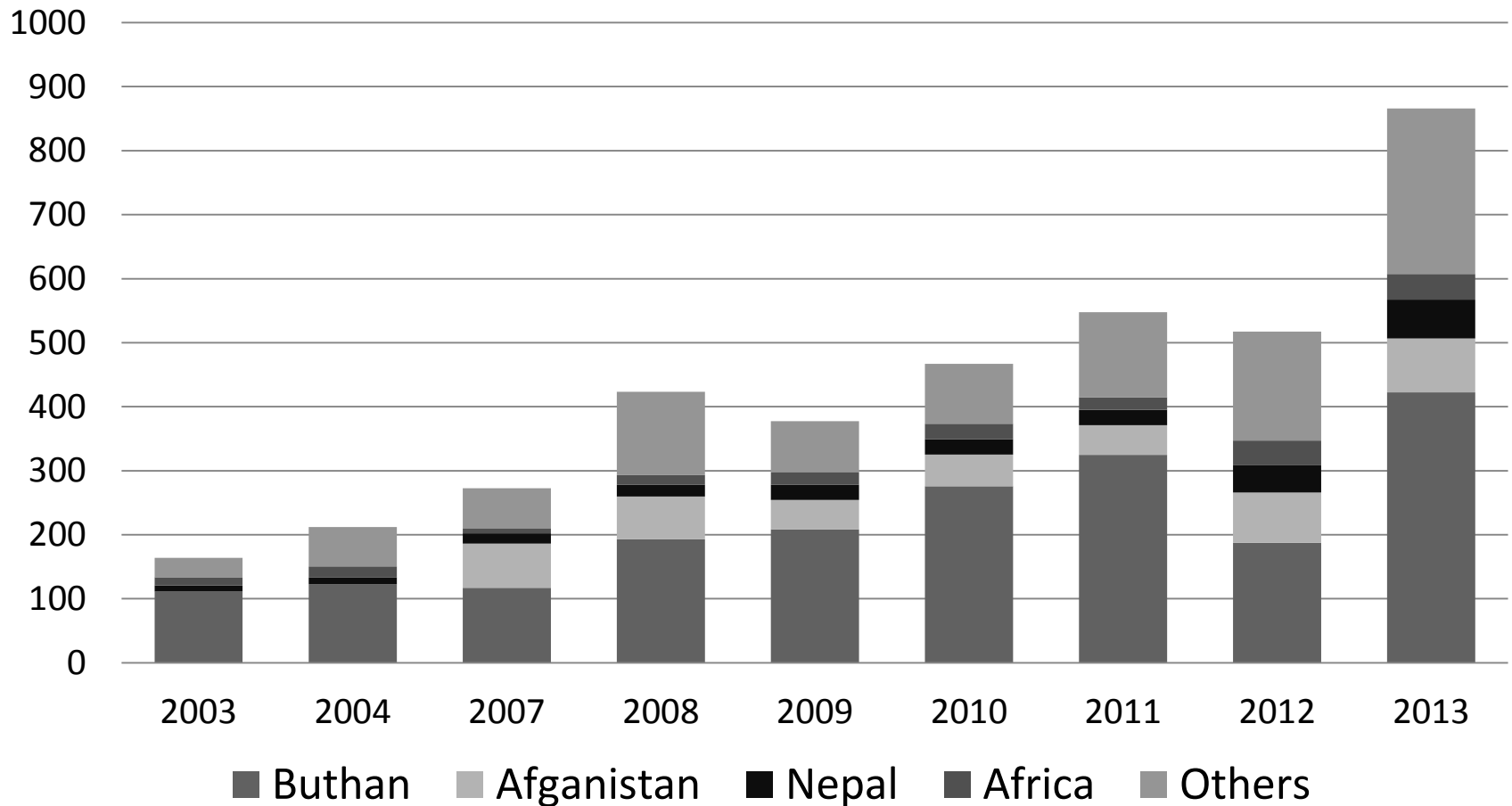
- **The ITEC/SCAAP** Programme has the following components:
- Training in India of nominees from ITEC partner countries,
- Projects and project related activities such as feasibility studies and consultancy services,
- Deputation of Indian experts abroad,
- Study Tours,
- Gifts/Donations of equipment at the request of ITEC partner countries
- 2014 – aid to 161 countries

India's foreign aid

- 2003 – India Development Initiative (IDI) – grants and loans for developing countries
- 2004 – IDEAS (Indian Development and Economic Assistance Scheme) – credit line for developing countries
- 2012 – DPA (Development Partnership Administration)

India's foreign aid, 2003-2013 (USD million)

Annual Reports: 2003/04 – 2013/14, Ministry of External Affairs,
Government, New Delhi



- India stresses importance of partnership and solidarity with developing countries
- Replaces development assistance by development cooperation
- Partner in development not donor

India's aid to Africa in the 21st century

- The 2000s – India extended lines of credit and grants for Africa.
- 2004 – African countries have been beneficiaries of Indian Development and Economic Assistance Scheme.
- Special Commonwealth African Assistance Programme (SCAAP); Indian Technical and Economic Cooperation Programme (ITEC).

India's aid to Africa in the 21st century

- In the late 2000s economic and trade relations between India and Africa were strengthened during the India-Africa Forum Summits.
- 2008 – the First India-Africa Forum Summit (India committed USD 5.4 billion)
- 2011 – the Second India-Africa Forum Summit (USD 5 billion)
- 2015 – the Third India-Africa Forum Summit (USD 10.6 billion)

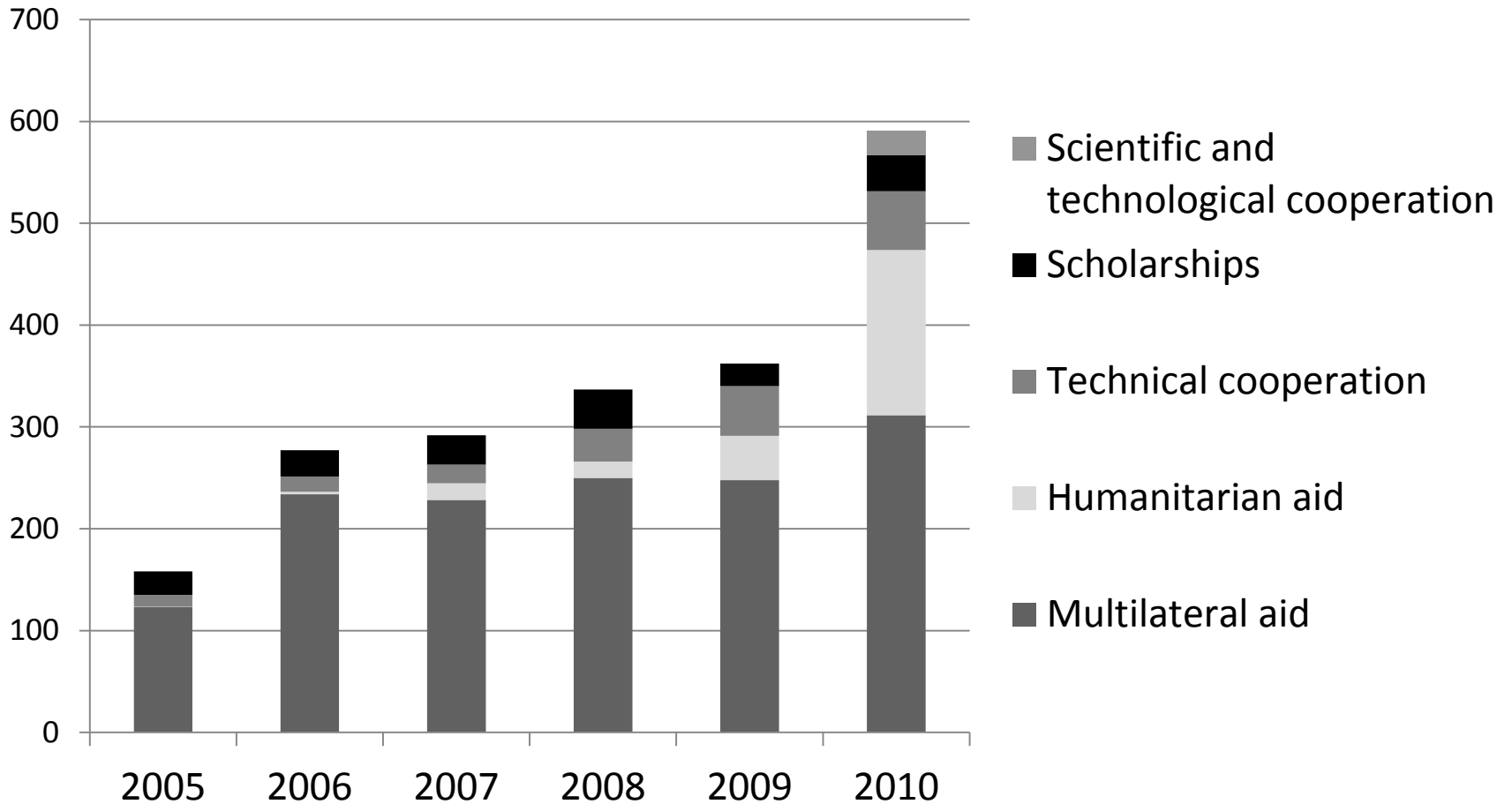
Brazil's foreign aid,

- The origins of Brazil's international cooperation policies date back to the 1950s.
- **1969-1978** – the first attempt to create a national system to coordinate technical cooperation and the first agreements with other developing countries
- **1978-1987** – increase in the number of Brazilian external aid projects and activities in other developing countries
- Brazil – a provider of technical cooperation (1978 - the Buenos Aires Plan of Action for Promoting and Implementing Technical Cooperation among Developing Countries)

Brazil's foreign aid,

- **1987-2003** – the creation of the Brazilian Cooperation Agency (ABC),
- **2003-2010** – Luiz Inácio Lula da Silva's presidency (Lula visited 80 countries, 12 times in Africa)
- 2003 – 23 projects in 21 countries
- 2009 – 489 projects in 56 countries
- **2011-2014** – President Dilma Rousseff, reduction of technical cooperation

Brazil's foreign aid, 2005-2010 (USD million)



Brazil's foreign aid,

- Technical cooperation, South-South technical cooperation
 - in the field of agriculture – farming of genetically modified crops, biological pest control, irrigation systems, more efficient harvesting methods, use of agricultural equipment, meat processing, biofuels
 - Health – HIV/AIDS and tropical diseases
- Brazil sends own experts and advisers, know-how
- Education (provision of scholarships)
- Implementation of programmes tested in Brazil (social welfare programme Family Allowance – Bolsa Familia)

Brazil's foreign aid,

- Beneficiaries – Latin American countries and the Caribbean (Haiti, Peru, Jamaica)
- Portuguese-speaking countries in Africa (Mozambique, São Tomé and Príncipe)

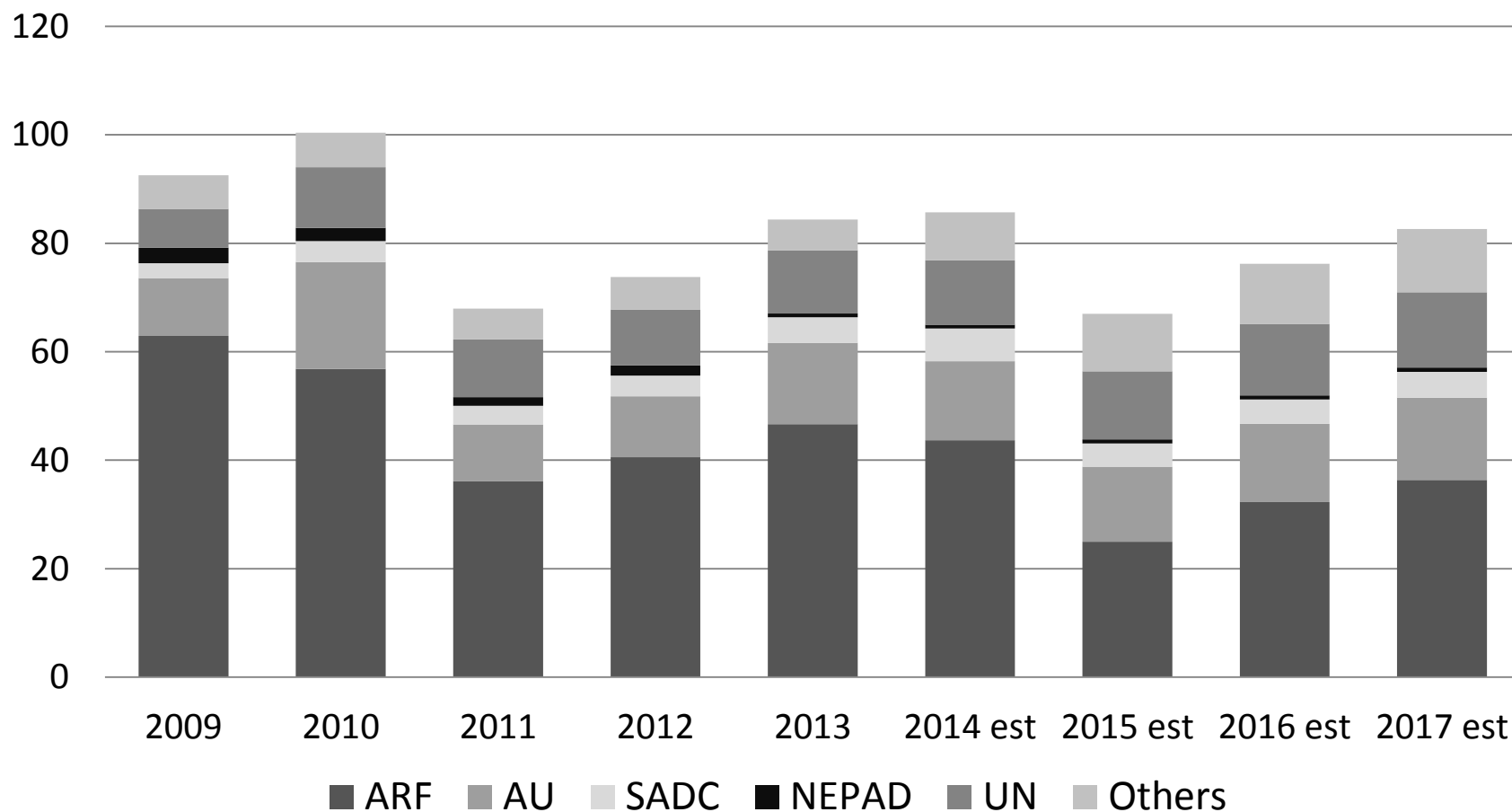
South Africa's foreign aid

- From the 1960s until the 1980s assistance to a range of countries with strong links to South Africa, including Lesotho, Gabon, Ivory Coast, Equatorial Guinea, Comoros and Paraguay.
- 1994 – political transition – new opportunities for South-South development cooperation.

South Africa's foreign aid – objectives

- cooperation between South Africa and other countries
- preventing conflict and assisting with conflict resolution
- promoting democracy and good governance
- socioeconomic development and integration
- technical assistance and capacity-building, specifically in terms of human
- resource development, management training and scholarships
- humanitarian assistance and disaster relief in Africa

South Africa's foreign aid, 2009-2017 (USD million)



- ARF – African Renaissance and International Cooperation Fund, 2001
- AU – African Union, 2002
- SADC – Southern African Development Community, 1992
- NEPAD – New Partnership for Africa's Development, 2001 (South Africa, Nigeria, Algeria, Senegal)

South Africa's foreign aid

- South Africa's support ranges from peacekeeping, electoral reform and post-conflict reconstruction to support for strengthening Africa's regional and continental institutions, implementing the New Partnership for Africa's Development (NEPAD) and improving bilateral political and economic relations through dialogue and cooperation.
- Beneficiaries: Burundi, Democratic Republic of Congo, Comoros, South Sudan

Bank for the Poor

- The Grameen Bank was set up in 1976
- Dr. Muhammad Yunus – founder of the GB
- 2006 – Nobel Peace Prize
- The GB offers small loans (microcredit) to the impoverished without requiring collateral.

Bank for the Poor

- It promotes credit as a human right.
- Its mission is to help the poor families to help themselves to overcome poverty. It is targeted to the poor, particularly poor women.
- Most distinctive feature of Grameencredit is that it is not based on any collateral, or legally enforceable contracts. It is based on “trust”, not on legal procedures and system.
- It is offered for creating self-employment for income-generating activities and housing for the poor, as opposed to consumption.

Bank for the Poor

- It was initiated as a challenge to the conventional banking which rejected the poor by classifying them to be “not creditworthy”. As a result it rejected the basic methodology of the conventional banking and created its own methodology.
- It provides service at the door-step of the poor based on the principle that the people should not go to the bank, bank should go to the people.

Bank for the Poor

- In order to obtain loans a borrower must join a group of borrowers.
- Loans can be received in a continuous sequence. New loan becomes available to a borrower if her previous loan is repaid.
- All loans are to be paid back in instalments (weekly, or bi-weekly).
- Simultaneously more than one loan can be received by a borrower
- It comes with both obligatory and voluntary savings programmes for the borrowers.

Bank for the Poor

- Grameencredit gives high priority on building social capital. It is promoted through formation of groups and centres, developing leadership quality through annual election of group and centre leaders, electing board members when the institution is owned by the borrowers.
- The “sixteen decisions”.

The “sixteen decisions”



- We shall follow and advance the four principles of Discipline, Unity, Courage, and Hard work in all walks of our lives.
- We shall bring prosperity to our families.
- We shall repair our homes and work towards constructing new houses.
- We shall grow vegetables all year round. We shall eat plenty of them and sell the surplus.

The “sixteen decisions”



- We shall plant as many seedlings as possible during the plantation seasons.
- We shall plan to keep our families small, minimize our expenditures, and look after our health.
- We shall educate our children and ensure that they can earn to pay for their education.
- We shall keep our children and our environment clean.

The “sixteen decisions”

- We shall build and use latrines.
- We shall drink water from tubewells. If they are not available, we shall boil water or use alum.
- We shall not take any dowry at our sons' weddings, nor shall we give any dowry at our daughters wedding. We shall not practice child marriage.
- We shall not inflict any injustice on anyone, nor shall we allow anyone to do so



The “sixteen decisions”



- We shall collectively undertake bigger investments for higher incomes.
- We shall always be ready to help each other. If anyone is experiencing difficulty, we shall all help him or her.
- If we come to know of any breach of discipline in any centre, we shall all go there and help restore discipline.
- We shall take part in all social activities collectively.

Sustainable development goals

- In 2015, countries adopted **the 2030 Agenda for Sustainable Development** and its **17 Sustainable Development Goals**.

Sustainable development goals

- Goal 1: End poverty in all its forms everywhere
- Goal 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture
- Goal 3: Ensure healthy lives and promote well-being for all at all ages
- Goal 4: Ensure inclusive and quality education for all and promote lifelong learning
- Goal 5: Achieve gender equality and empower all women and girls
- Goal 6: Ensure access to water and sanitation for all

Sustainable development goals

- Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all
- Goal 8: Promote inclusive and sustainable economic growth, employment and decent work for all
- Goal 9: Build resilient infrastructure, promote sustainable industrialization and foster innovation
- Goal 10: Reduce inequality within and among countries
- Goal 11: Make cities inclusive, safe, resilient and sustainable
- Goal 12: Ensure sustainable consumption and production patterns

Sustainable development goals

- Goal 13: Take urgent action to combat climate change and its impacts
- Goal 14: Conserve and sustainably use the oceans, seas and marine resources
- Goal 15: Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss
- Goal 16: Promote just, peaceful and inclusive societies
- Goal 17: Revitalize the global partnership for sustainable development

The Millennium Development Goals

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

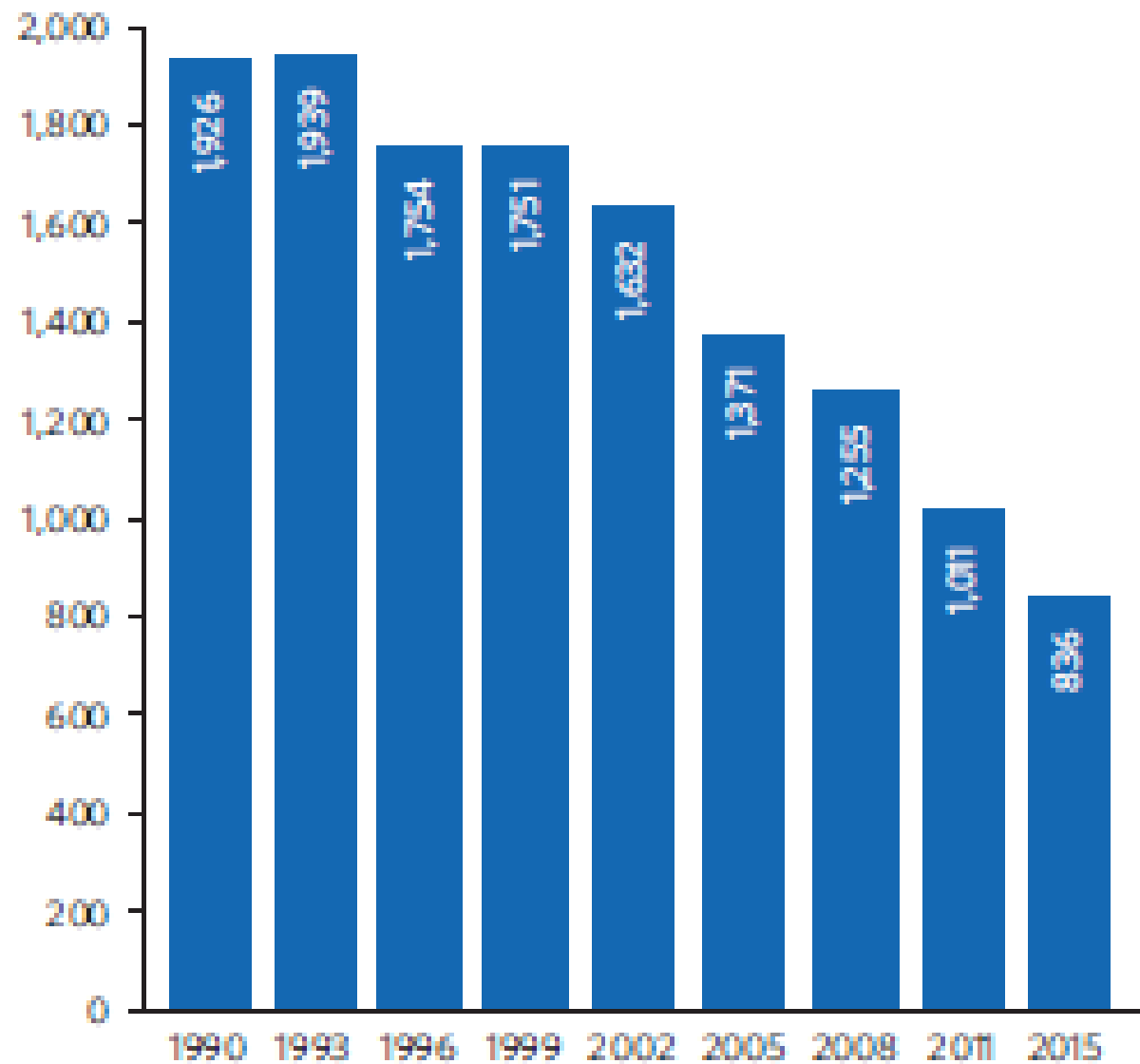
Goal 1: Eradicate extreme poverty and hunger

Source: <http://www.un.org/millenniumgoals>

Targets:

- Halve, between 1990 and 2015, the proportion of people whose income is less than \$1 a day.
- Achieve full and productive employment and decent work for all, including women and young people.
- Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

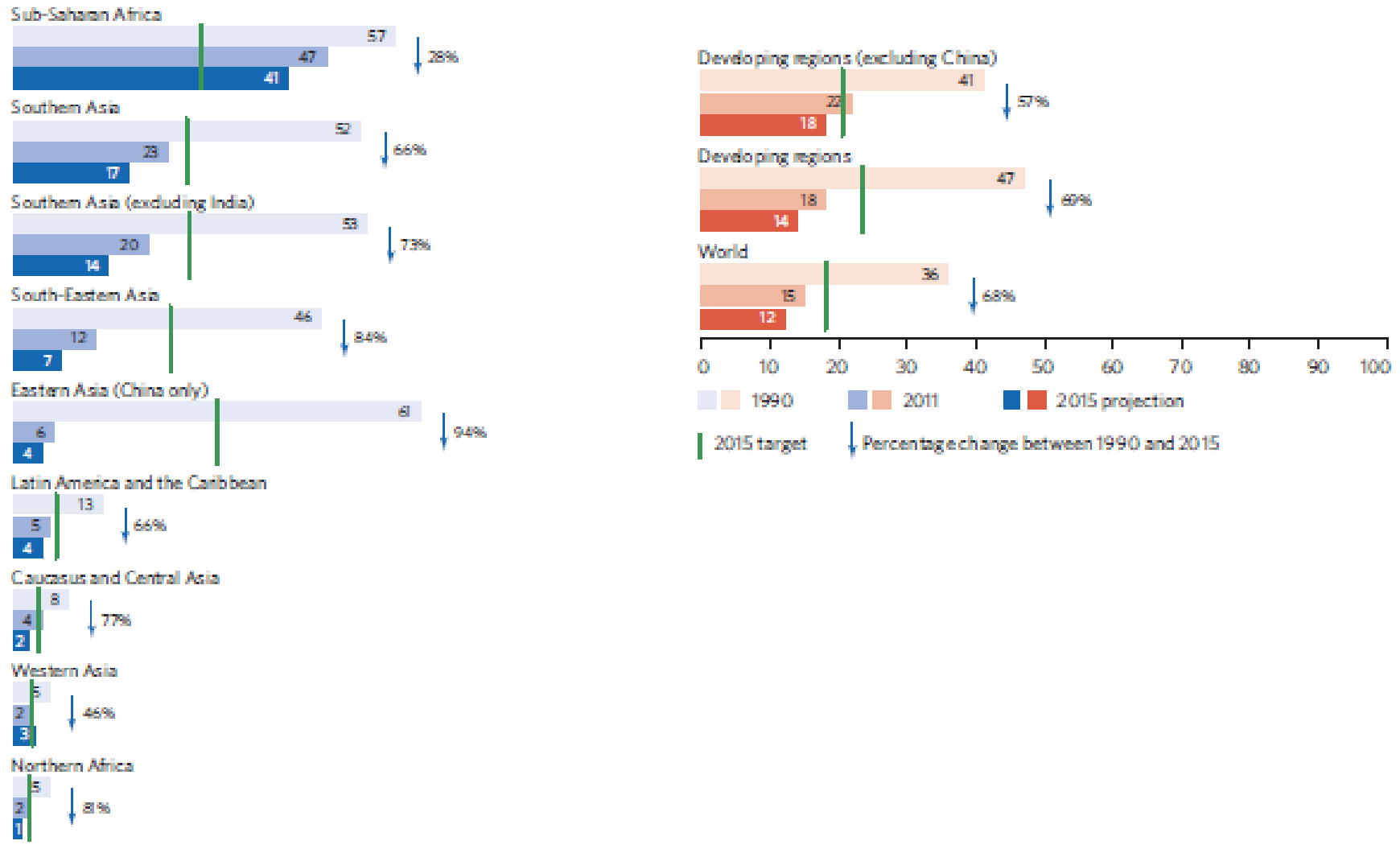
Number of people living on less than \$1.25 a day worldwide, 1990–2015 (millions)



Goal 1: Eradicate extreme poverty and hunger

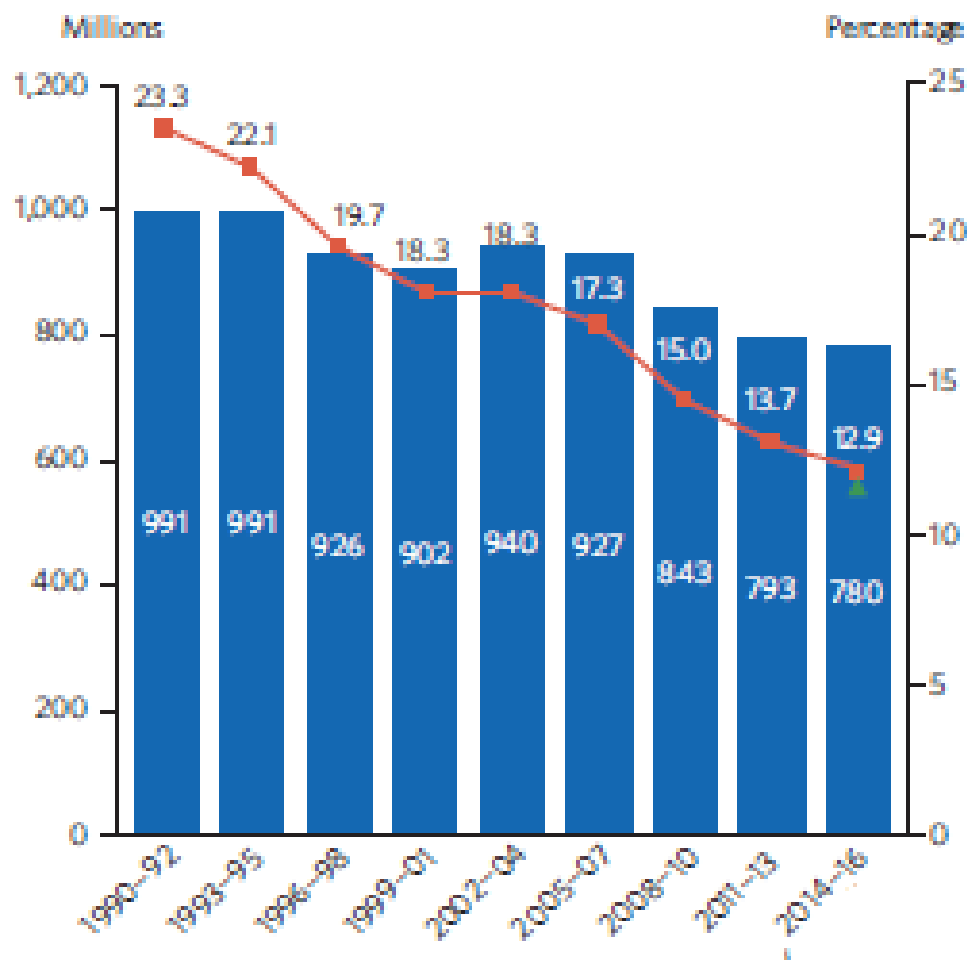
Source: The Millennium Development Goals, Report 2015

Proportion of people living on less than \$1.25 a day, 1990, 2011 and 2015 (percentage)



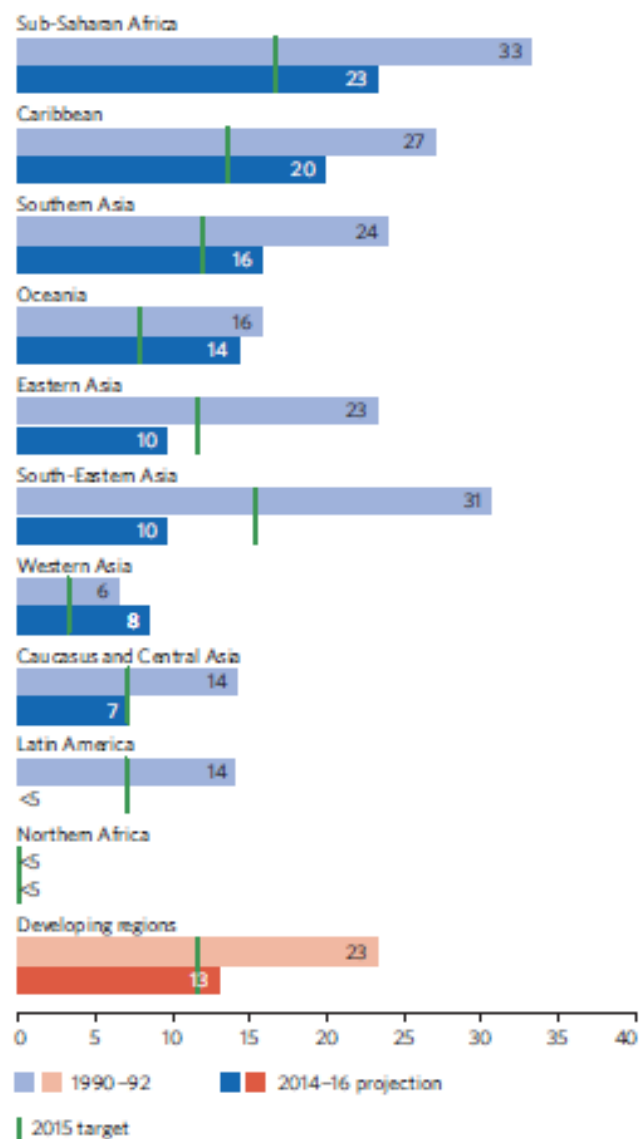
- More than 1 billion people have been lifted out of extreme poverty since 1990.
- In 1990, nearly half of the population in the developing regions lived on less than USD 1.25 a day. This rate dropped to 14 per cent in 2015.
- 836 million people still live in extreme poverty
- About one in five persons in developing regions lives on less than \$1.25 per day
- The overwhelming majority of people living on less than \$1.25 a day belong to two regions: Southern Asia and sub-Saharan Africa
- High poverty rates are often found in small, fragile and conflict-affected countries

Number and proportion of undernourished people in the developing regions, from 1990–1992 to 2014–2016



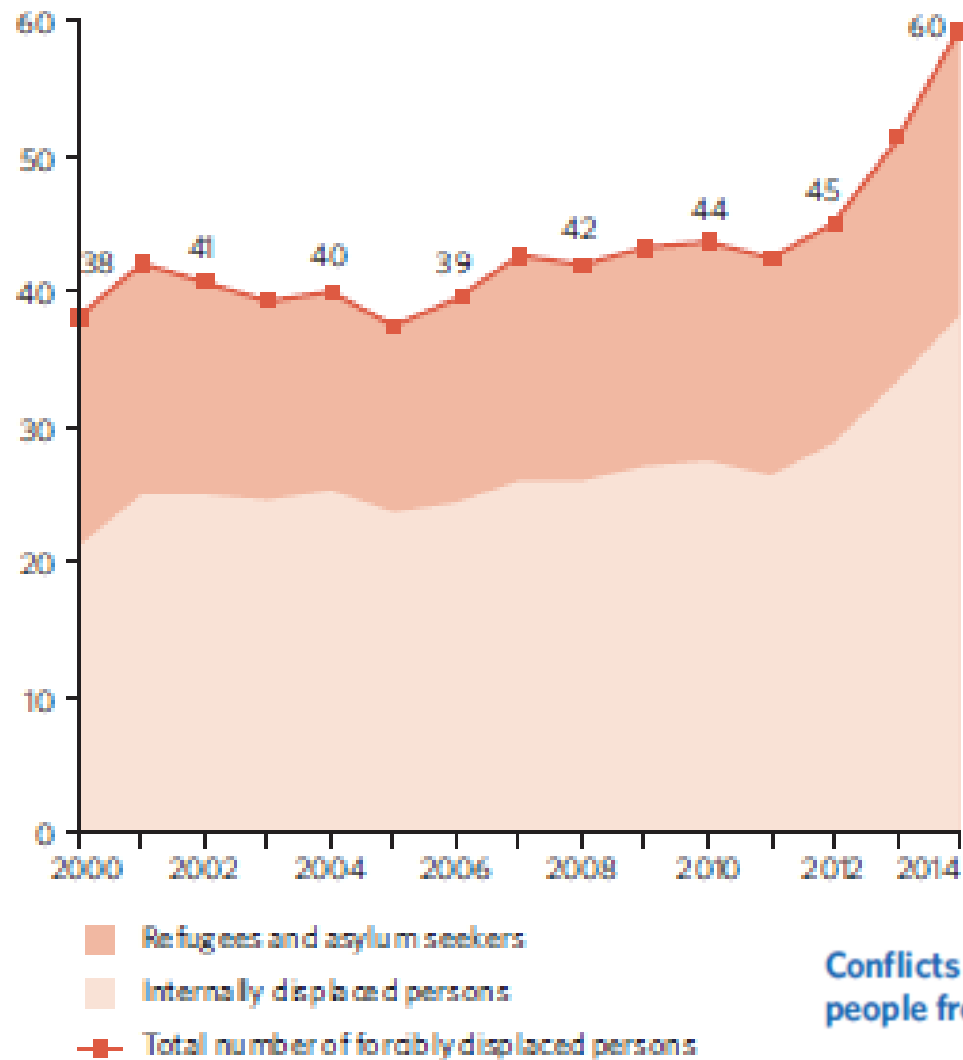
- Left axis: number of undernourished people
- Right axis: proportion of undernourished people
- ▲ Right axis: 2015 target

Proportion of undernourished people,
1990–1992 and 2014–2016 (percentage)



- The proportion of undernourished people in the developing regions has fallen by almost half since 1990.
- Globally, about 795 million people are estimated to be undernourished.
- One in four children under age five in the world has inadequate height for his or her age
- Every day in 2014, 42,000 people had to abandon their homes to seek protection due to conflict

**Number of forcibly displaced persons, 2000–2014
(millions)**



Conflicts have forced almost 60 million people from their homes

Goal 2: Achieve universal primary education

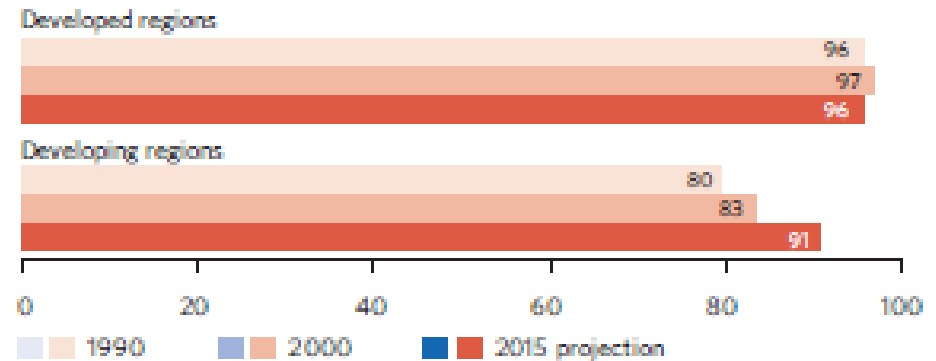
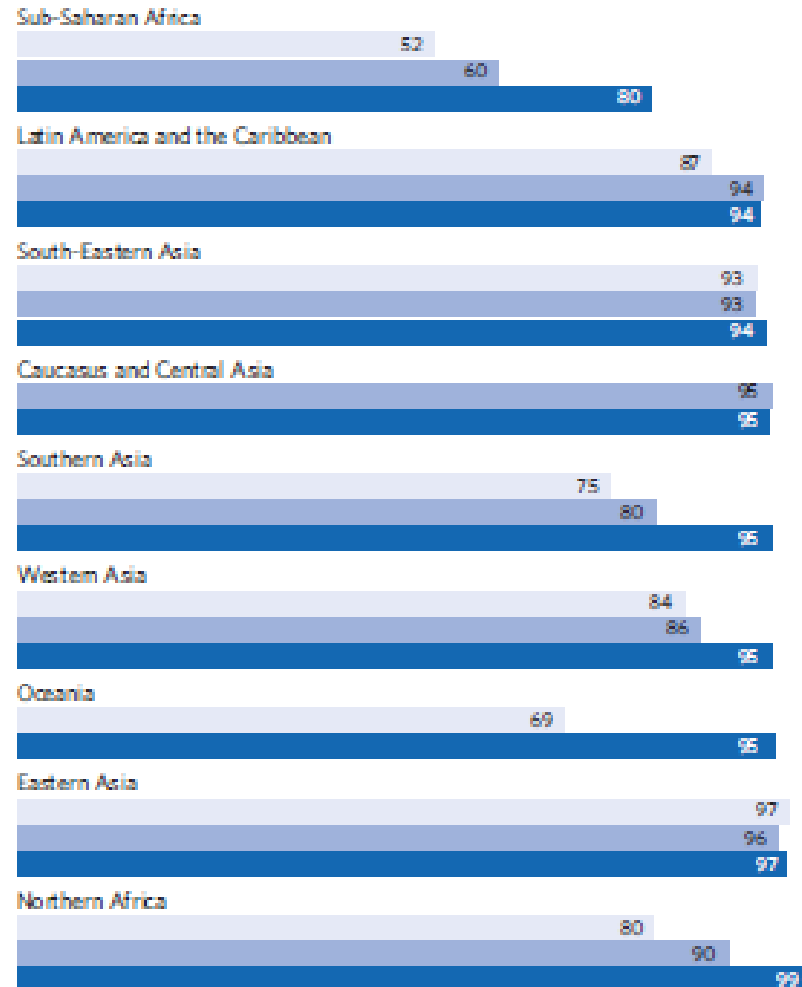
Source: <http://www.un.org/millenniumgoals>

- Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

Goal 2: Achieve universal primary education

Source: <http://www.un.org/millenniumgoals>

Adjusted net enrolment rate in primary education, 1990, 2000 and 2015 (percentage)

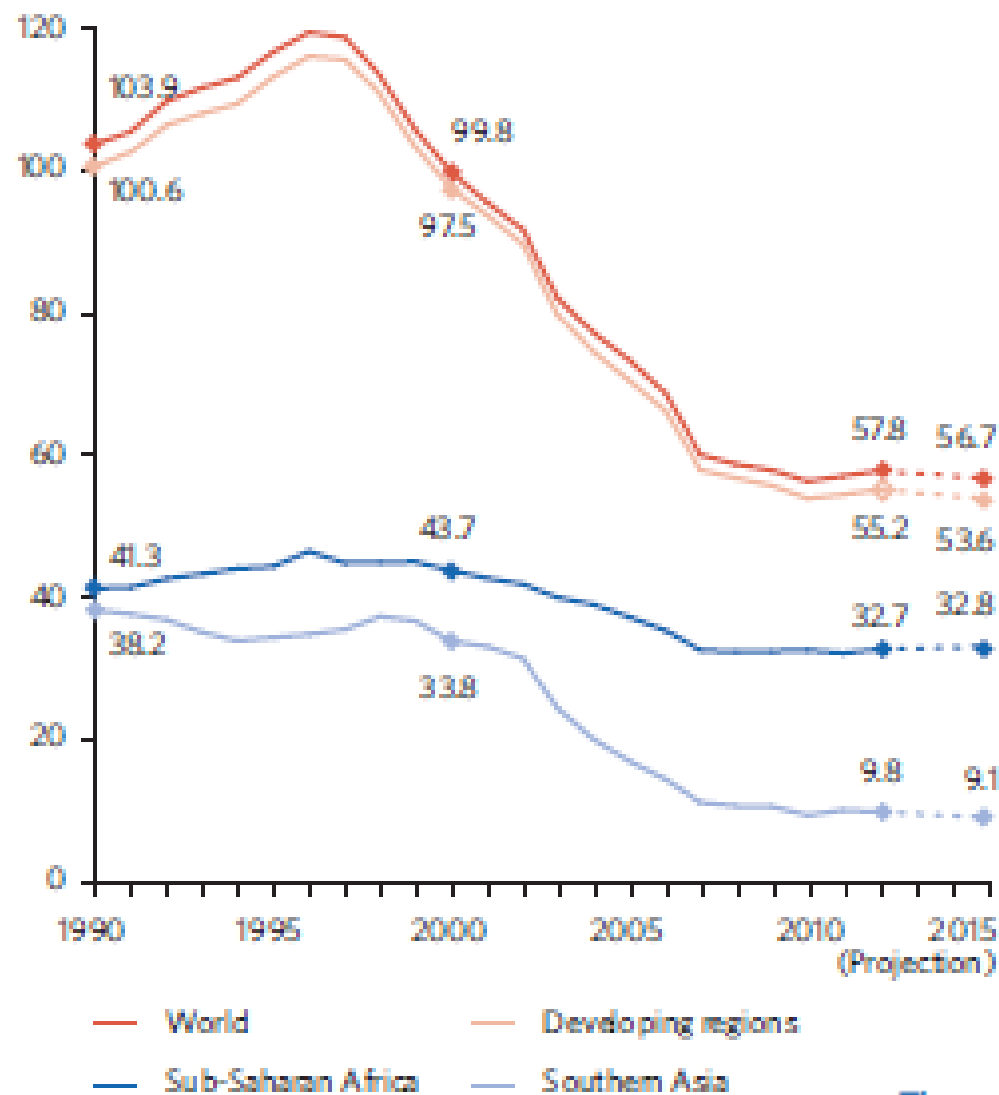


Goal 2: Achieve universal primary education

Source: The Millennium Development Goals, Report 2015 (<http://www.un.org/millenniumgoals>)

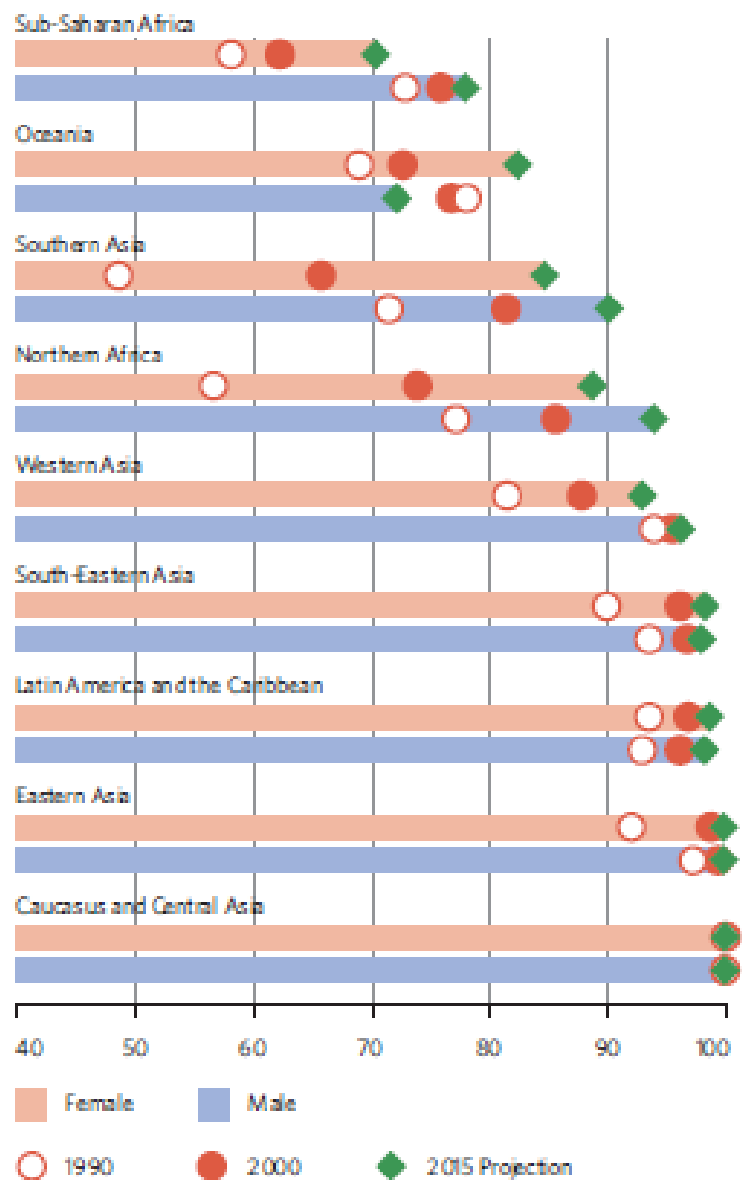
- Enrolment in primary education in developing regions reached 91 per cent in 2015, up from 83 per cent in 2000.
- In 2015, 57 million children of primary school age were out of school (100 million in 2000).
- Among youth aged 15 to 24, the literacy rate has improved globally from 83 per cent to 91 per cent between 1990 and 2015, and the gap between women and men has narrowed.

Number of out-of-school children of primary school age, selected regions, 1990–2015 (millions)



The number of out-of-school children has been cut almost in half since 2000

Literacy rate among youth aged 15 to 24 by sex and region, 1990, 2000 and 2015 (percentage)

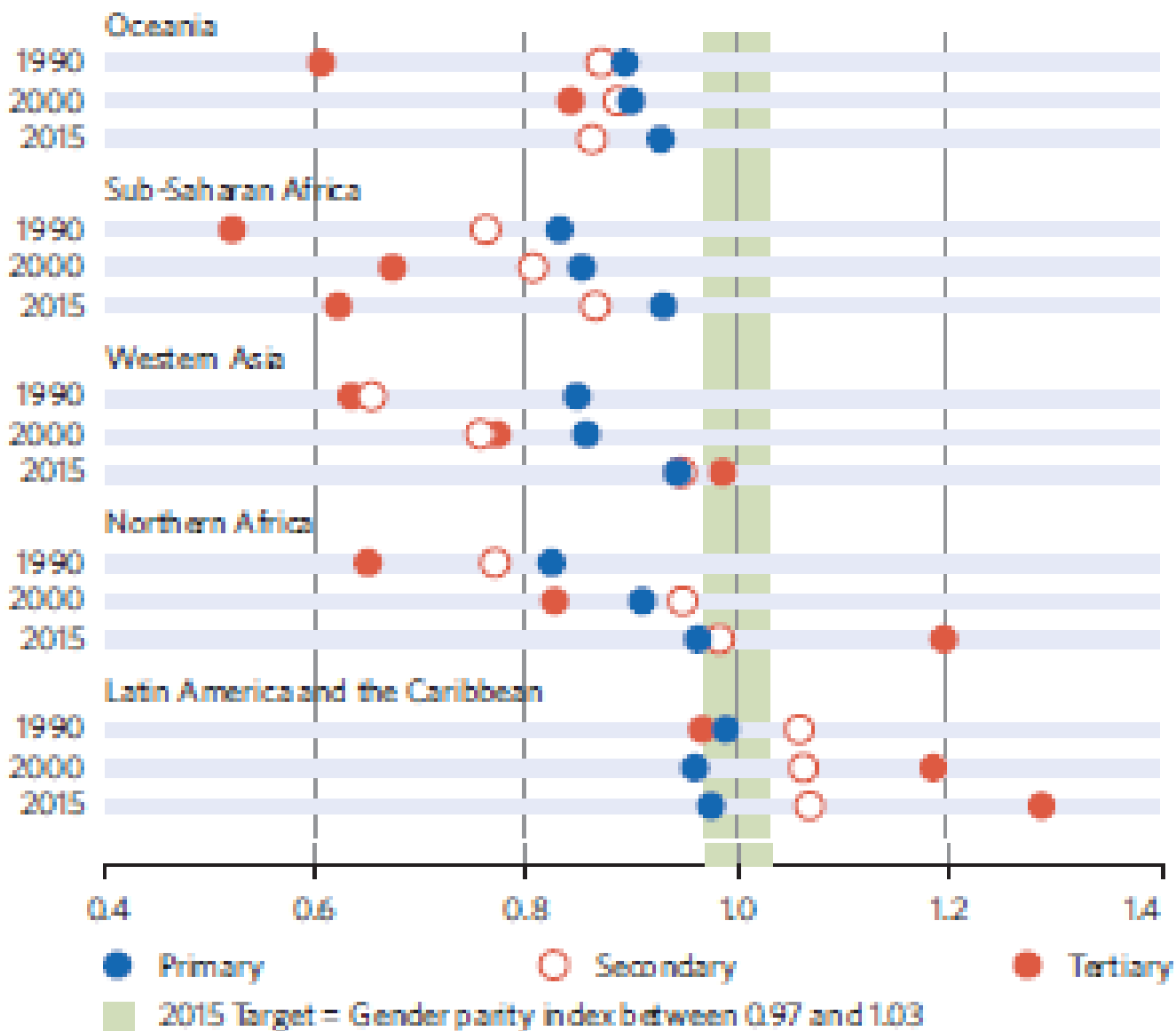


Goal 3: Promote gender equality and empower women

Source: <http://www.un.org/millenniumgoals>

- Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015.

Gender parity index for gross enrolment ratios in primary, secondary and tertiary education in developing regions, 1990, 2000 and 2015





The Social Institutions and Gender Index Ranks, 2014

Source: <http://www.oecd.org>

VERY LOW

Argentina
Belarus
Belgium
Bosnia and Herzegovina
Cuba
Czech Republic
Dominican Republic
France
Italy
Mongolia
Panama
Serbia
Slovenia
Spain
Trinidad and Tobago
Venezuela

VERY HIGH

Bangladesh
Chad
Democratic Rep. of
the Congo
Egypt
Gabon
Gambia
Liberia
Mali
Mauritania
Niger
Nigeria
Sierra Leone
Somalia
Sudan
Syrian Arab Rep.
Yemen
Zambia

Goal 4: Reduce child mortality

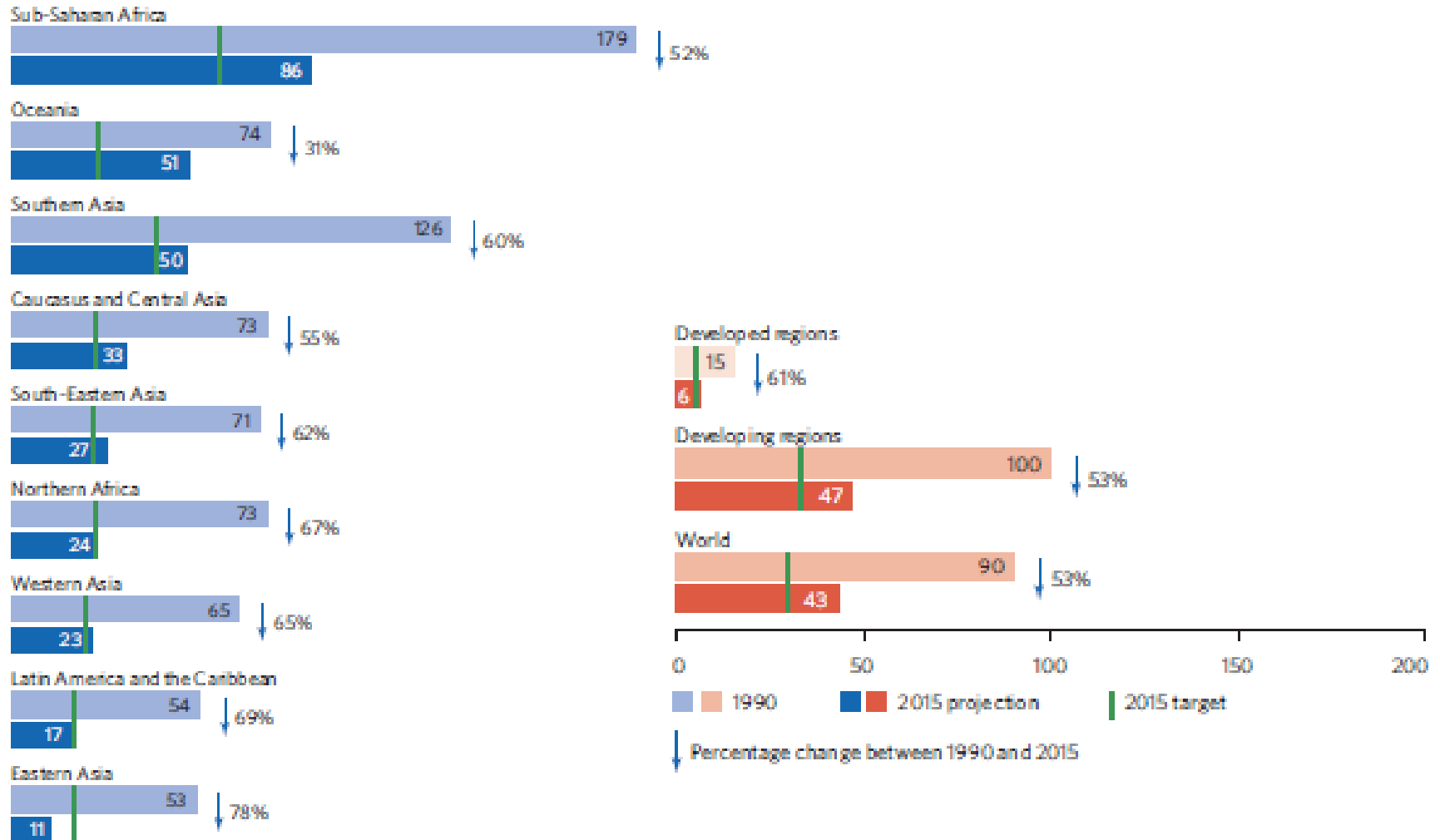
Source: <http://www.un.org/millenniumgoals>

- Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.

Goal 4: Reduce child mortality

Source: <http://www.un.org/millenniumgoals>

Under-five mortality rate, 1990 and 2015
(deaths per 1,000 live births)



Goal 4: Reduce child mortality

Source: <http://www.un.org/millenniumgoals>

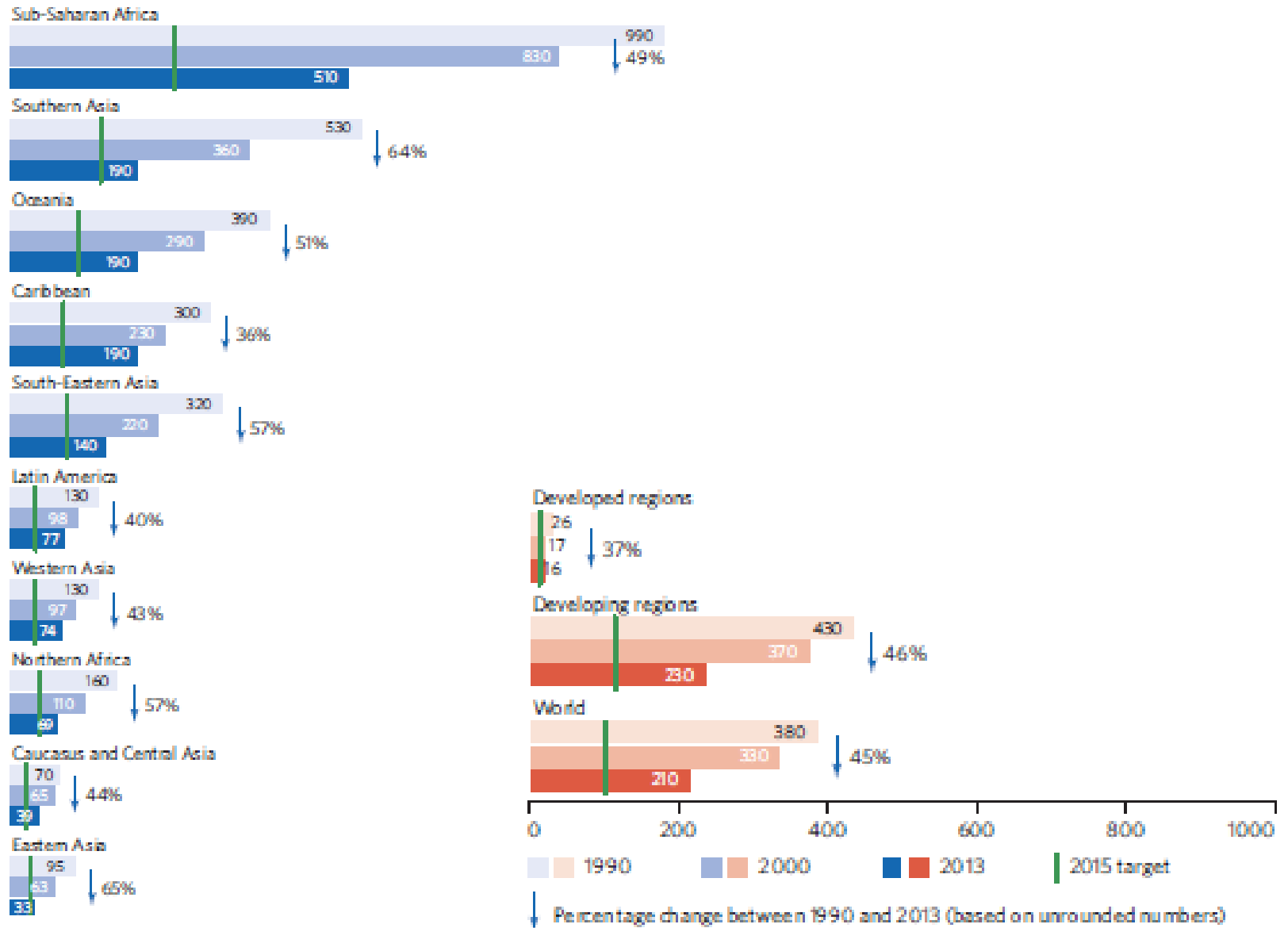
- Between 1990 and 2015, the global under-five mortality rate has declined by more than half, dropping from 90 to 43 deaths per 1000 live births.
- Between 1990 and 2015, the number of deaths in children under five worldwide declined from 12.7 million in 1990 to almost 6 million in 2015.
- Children in rural areas are about 1.7 times more likely to die before their fifth birthday as those in urban areas.
- Every day in 2015, 16,000 children under five continue to die, mostly from preventable causes.

Goal 5: Improve maternal health

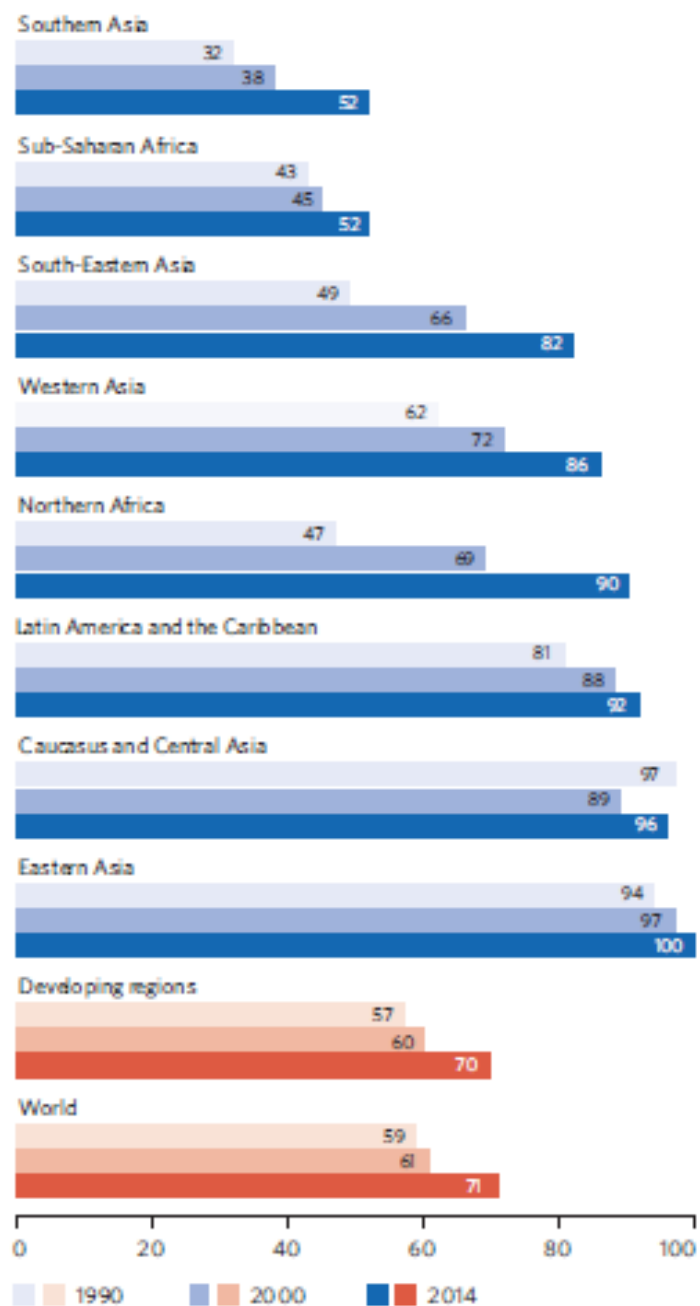
Source: <http://www.un.org/millenniumgoals>

- Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio.
- Achieve, by 2015, universal access to reproductive health.

Maternal mortality ratio, 1990, 2000 and 2013
 (maternal deaths per 100,000 live births, women aged 15–49)



Proportion of deliveries attended by skilled health personnel, 1990, 2000 and 2014 (percentage)



Goal 5: Improve maternal health

Source: <http://www.un.org/millenniumgoals>

- Since 1990, the maternal mortality ratio has been cut nearly in half, and most of the reduction occurred since 2000.
- More than 71 per cent of births were assisted by skilled health personnel globally in 2014, an increase from 59 per cent in 1990.
- In the developing regions, only 56 per cent of births in rural areas are attended by skilled health personnel, compared with 87 per cent in urban areas.
- Only half of pregnant women in the developing regions receive the recommended minimum of four antenatal care visits.

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

Source: <http://www.un.org/millenniumgoals>

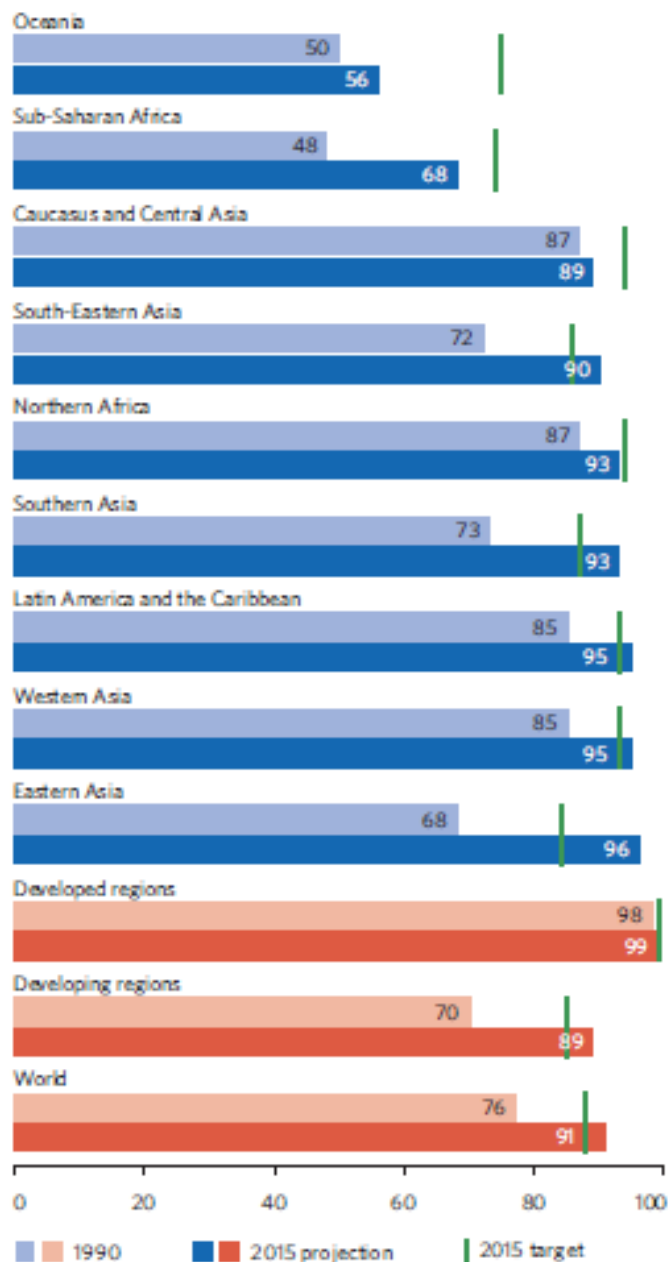
- New HIV infections fell by approximately 40 per cent between 2000 and 2013.
- Globally, an estimated 35 million people were still living with HIV in 2013.
- Between 2000 and 2015, the substantial expansion of malaria interventions led to a 58 per cent decline in malaria mortality rates globally.
- Since 2000, over 6.2 million deaths from malaria were averted, primarily in children under five years of age in Sub-Saharan Africa.
- Tuberculosis prevention, diagnosis and treatment interventions have saved some 37 million lives between 2000 and 2013.

Goal 7: Ensure environmental sustainability

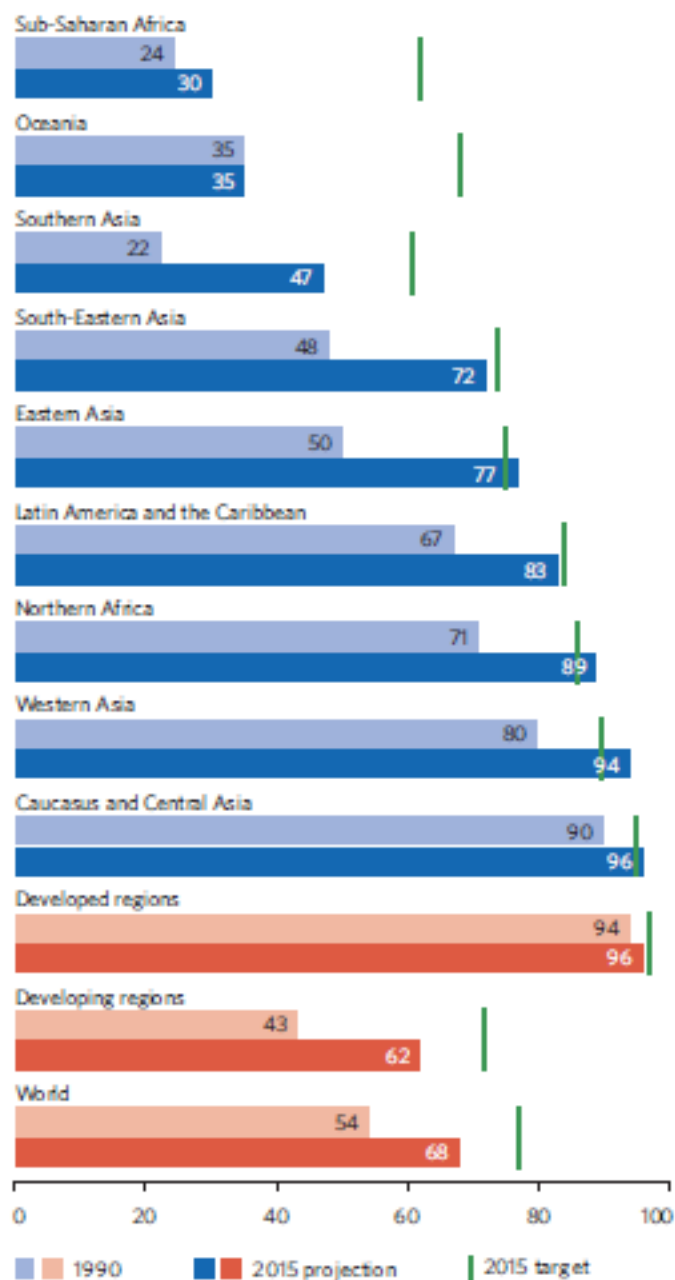
Source: <http://www.un.org/millenniumgoals>

- Integrate the principles of sustainable development into country policies and programmes; reverse loss of environmental resources.
- Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss.
- Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation.
- By 2020, to have achieved a significant improvement in the lives of at least 100 million slum-dwellers.

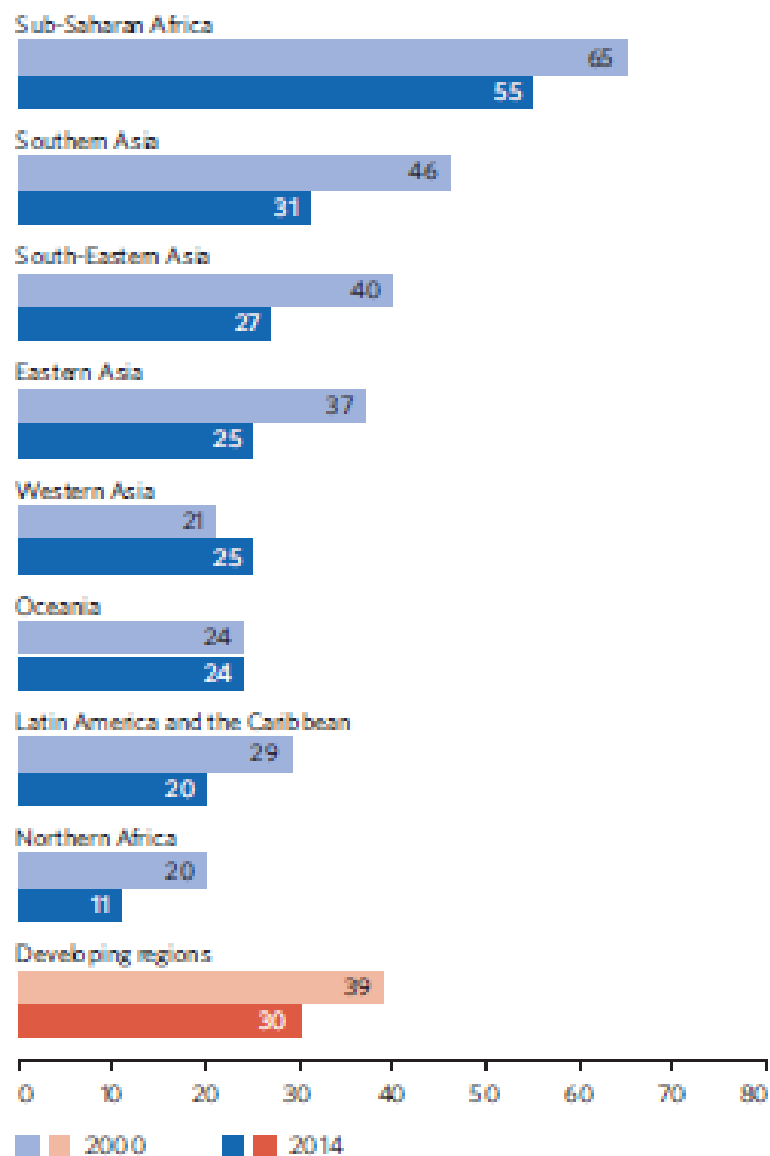
Proportion of population using an improved drinking water source, 1990 and 2015 (percentage)



Proportion of population using an improved sanitation facility, 1990 and 2015 (percentage)



Proportion of urban population living in slums, 2000 and 2014 (percentage)



- Between 1990 and 2015, 2.6 billion people gained access to improved drinking water sources.
- Worldwide 2.1 billion people have gained access to improved sanitation. Despite progress, 2.4 billion are still using unimproved sanitation facilities, including 946 million people who are still practicing open defecation.
- More than 880 million people are estimated to be living in slums today, compared to 792 million in 2000 and 689 million in 1990.

Goal 8: Develop a global partnership for development

Source: <http://www.un.org/millenniumgoals>

- Develop further an open trading and financial system that is rule-based, predictable and non-discriminatory. Includes a commitment to good governance, development and poverty reduction – nationally and internationally.
- Address the special needs of the least developed countries. This includes tariff and quota free access for their exports; enhanced programme of debt relief for heavily indebted poor countries; and cancellation of official bilateral debt; and more generous official development assistance for countries committed to poverty reduction.

Goal 8: Develop a global partnership for development

Source: <http://www.un.org/millenniumgoals>

- Address the special needs of landlocked and small island developing states.
- Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term.
- In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries.

- Official development assistance from developed countries increased by 66 per cent in real terms between 2000 and 2014.
- In 2014, 79 per cent of imports from developing to developed countries were admitted duty free.
- The proportion of external debt service to export revenue in developing countries fell from 12 per cent in 2000 to 3 per cent in 2013.
- As of 2015, 95 per cent of the world's population is covered by a mobile-cellular signal.
- Only one third of the population in the developing regions use the Internet, compared to 82 per cent in the developed regions.