

**Research Report**  
**Committee; Economic and Social**  
**Topic; The Question of the Provision of Aid to Developing Countries**

**Introduction:**

Foreign aid has been used as a method to help developing countries for decades, and could be key in reaching the UN's goals for sustainable development. Despite this there still remains many unanswered questions within the deliverance of aid; is tied aid still effective? Does aid create a dependency of developing countries on developed countries? In what area is aid most effective? In order truly help developing countries solutions to these questions, and others surrounding foreign aid, must be answered.

**Definition of Key Terms:**

**Foreign aid** - resources given from one country to another without the expectation of a direct return i.e. not motivated by profit. This can be in response to an emergency or planned out in advance.

**Developing countries** - countries with a relatively low score on the Human Development Index (HDI), lower levels of economic activity and industrialisation, as well as generally lower living standards.

**Official Development Assistance (ODA)** - aid usually planned in advance that comes from governments or their official bodies in the form of a grant or a loan at a rate less than market interest rates that is targeted at improving the economic development and welfare of developing countries.

**Bilateral Aid** - aid given directly by the donor country to people or institutions in the recipient country

**Multilateral Aid** - aid given by the donor country to an international agency

**Tied/Conditional Aid** - aid that must be spent in the donor country or in a group of selected countries, often in a specific way.

**Contextual information:**

Foreign aid can play a crucial part in the development of countries. Planned aid often goes towards infrastructure projects that allow access to basic necessities such as electricity and running water. It can also improve health (e.g. by providing vaccinations, safe drinking water, or mosquito nets) and education services (e.g. by providing classrooms, or teacher training). Agricultural technology improvements because of aid can help boost the economy, by

assisting businesses, as well as widen access to food. Additionally, planned aid can help governments run more efficiently by strengthening systems of good governance and transparency, and boost the economy. Emergency aid in response to humanitarian issues or natural disasters can drastically reduce the short as well as long-term impacts of unexpected events. Traditionally aid mostly went toward physical projects that lacked the follow up required for them to be successful. However, since the 1980s, foreign aid has begun to be delivered in a way that better fits the needs of the developing world.

Aid that requires people to deliver it usually takes one of two forms - paying for the training of people within the recipient country, or supplying labour from outside the country. The latter, although it often provides much needed expertise/experience, has come under much criticism as those employed as a result of the aid are often overpaid and don't necessarily understand the situation.

Another criticism of foreign aid is of the conditions that often accompany it. These might outline a specific way in which the money must be used - regardless of how much this actually helps the recipient country. Sometimes the conditions require that country to buy goods or services of the donor country even if they are more expensive than buying them elsewhere. This sort of tied aid raises the cost of many goods and services by between 15% and 30% and food aid by as much as 40%. Most aid doesn't actually go to the poorest who need it the most. Large projects often fail to help the vulnerable as they are left unfinished or money is embezzled away. In some countries the government is corrupt or too inefficient to use the aid in a practical way, meaning it goes to waste or is used to benefit individual politicians/political figures. Conditions on aid have been said to make it less effective. However, in the past this practice was defended as it built support for aid programmes.

On the back of criticisms like this there has been arguments put forward for not giving foreign aid. It has been suggested that in some cases aid doesn't promote growth but instead can hold it back by acting as a substitute to domestic savings and investment. In many cases the modern sector is the focus of aid meaning the gap between rich and poor in developing countries is widened. If aid is put into unproductive fields it can have the effect of increasing inflation in that country. In some cases aid can give way to an over reliance on the donor country by the recipient. The most prominent argument is that donor countries interfere with the economic and political activities of the recipient country.

### Major Countries and Organisations Involved:

**The World bank** - an international organisation that provides loans to developing countries.

**International Monetary Fund (IMF)** - organization of 189 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.

**Organisation for Economic Co-operation and Development (OECD)** -intergovernmental economic organisation with 36 member countries, founded in 1961 to stimulate economic progress and world trade.

**Médecins sans frontières (Doctors without Borders)** - an independent, international organisation that aims to provide healthcare to all regardless of their identities.

**World Health Organization (WHO)** - the branch of the UN in charge of global health.

**Asian Development Bank** - independent, international organisation that aims to aid development in Asia through loans.

**International Development Association (IDA)** - branch of the World Bank that helps the World's poorest countries.

**OECD's Development Assistance Committee (DAC)** - an international forum where the world's largest providers of aid (23 developed countries) discuss its destination and purpose..

**Bill Gates, Warren Buffett, Andrew Carnegie, and other individual philanthropist** - donate large sums of money to aid developing countries.

**The United States** - is the world's largest provider of aid in nominal terms, around \$50 billion in 2017. However, this is only around 1% of their total budget

**Denmark, Luxembourg, Norway, Sweden, and the Netherlands** - where the only countries to exceed the target of giving 0.7% GNI. (in 2017)

**Sub-Saharan Africa** - is the largest recipient of aid.

### Timeline of Events;

| <b>Date;</b> | <b>Event;</b>   |
|--------------|---|
| 1929         | British Parliament passed the Colonial Development Act; first legal statute that dealt with official aid. It established an annual budget of £1 million to improve infrastructure in Britain's colonies |
| 1944         | The World Bank founded  |
| 1961         | OECD founded  |
| 1969         | Pearson Commission first suggested that a target of countries giving 0.7% of their GNI  |

1970

as ODA needed to be reached by 1975 and no later than 1980

Target of developed countries raising their ODA to 0.7% of their GNI was agreed upon in a UN resolution

### Relevant UN Treaties and Events:

UN resolution agreed upon a target of countries raising their ODA to 0.7% of their GNI (October 1970)

The eight Millennium Development Goals were adopted by the UN in 2000, with the aim of achieving them by 2015; foreign aid played a large part in working towards them

Foreign aid may help achieve the UN goals for sustainable development (2015)

### Possible Solutions:

One debate that must be solved in order to improve the quality of foreign aid is whether conditions on aid should be supported. Conditions on aid might increase incentives for governments within recipient countries to use the resources effectively. Additionally allocating aid to countries who meet conditions may increase the impact of the spending. Conditional aid could also increase the ease with which the effects of aid can be evaluated. On the other hand, conditions increase transaction costs both for the donor and, especially for, the recipient. Conditions also give way to manipulation of aid to help the donor countries more than the recipients, by not truly reflecting their national interests. This means that conditional aid may also add to the issue of aid not actually helping those who need it the most.

The Centre for Global Development suggested the idea of 'Cash on Delivery'. Instead of a donor paying for a specific project beforehand, they only give money to the developing country when there are measurable, provable results. This may help to make foreign aid more efficient. However, some countries may struggle to achieve results without an initial input of aid.

Other potential solutions may involve a focus on job creation as a result of foreign aid in order to help developing economies into the long-term - encouragement of trade may also help with this. Additionally, data science could be utilised to effectively identify the problems and other new technologies could be used to solve them. On a more international level, foreign aid may be more useful if duplicate aid programmes are combined, or eliminated alongside programmes that simply don't work - again data science could be used to evaluate current and future programmes.

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