

Committee: General Assembly 2 - Economic and Financial

Issue: The question of overseas aid to lower income countries

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Introduction

The impact of overseas aid transfer in the globalised world has for long been a topic of discussion amongst economists. There is no doubt that overseas aid brings benefits to recipient nations; however, the true intent of donor countries is often obscured in this seemingly innocuous act of altruism. Overseas aid comes in many different forms and quantities – emergency aid, tied aid, development aid, multilateral aid, etc. Many forms of aid, such as emergency aid, are given to countries from a humanitarian point of view; it is an expression of condolences and sympathy to the victims of war or natural disasters. However, there are a multitude of issues regarding overseas aid to lower income countries. Tied aid tends to be based on the political motives of the donor country, used as a means to strengthen the donor country's economy, yearning for world influence by acting in self-interest. Additionally, affluent nations continue to dispense resources into infeasible objectives, clouding the original intent of the aid. Along with this, there is an inadequacy of feedback regarding the practicality and accountability of development initiatives – in most cases, recipients of aid do not substantiate the usefulness of such. This inefficiency not only fuels the repetition of unfruitful plans, but also gives rise to corruption, making the recipient country dependent on foreign aid as a source of income.

Definition of Key Terms

Low-Income Countries (LIC) & Lower Middle-Income Countries

Low-income economies are those with a GNI per capita, calculated using the World Bank Atlas method, of \$1,005 or less; lower middle-income economies are those with a GNI per capita between \$1,006 and \$3,955.

Emergency aid

Rapid assistance given to a people in immediate distress by individuals, organisations or governments to relieve suffering caused by man-made emergencies or natural disasters.

Tied aid

Aid that is given under the condition that part or all of it must be spent on goods and services provided by the donor country.

Development aid

Financial aid given by governments and other agencies to support the economic, environmental, social and political development of LICs and to provide local communities with education and skills for sustainable development.

Multilateral aid

Aid provided by a group of donor countries, or international institutions representing a group of countries such as the World Bank, to one or more recipient countries, usually LICs.

Donor (country)

A country which provides aid to a developing country.

Recipient (country)

A country which receives aid, usually a developing country.

Official Development Assistance (ODA)

A term invented by the Development Assistance Committee of the Organisation for Economic Co-operation and Development Government measuring “flows of official financing with the promotion of the economic development and welfare of developing countries as the main *objective*” (*OECD glossary of statistics terms*).

Aid dependence

Refers to a situation in which the recipient country abdicates its own management strategy to the donors; it is measured by ODA/GDP, or ODA as a proportion of government expenditure.

Political interest

Any motive by a person or nation to get involved in any political process, working independently on one’s credibility and political efficiency (Horner, 2004).

Background Information

Origins

No single event can be attributed to be the stimulus behind the commencement of overseas aid. However, many argue that foreign aid structures and development strategies began to evolve with European colonialism, and by the 1930s, nations like Britain, France and Germany were regularly providing their colonies in Africa, South America and Asia with economic assistance. Such colonial powers used this money to develop the infrastructure by building necessary ports, railways and roads to enhance the economy.

Point Four Program

The fourth point of United States President Truman's inaugural address in 1949, this U.S. policy of technical and economic assistance to 'underdeveloped' countries is widely considered to be the foundation of modern forms of overseas aid. In his inaugural address, Truman called for "a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas".

Cold War

The United States became the biggest aid donor during the post-war decades, consolidating their political standpoint through initiatives such as the Marshall Plan which rebuilt Western European economies to prevent the spread of Communism. However, the use of aid as a method to gain political influence became apparent during the Cold War, in which dramatic shifts in economic and political alliances occurred. Humanitarian aid programs also started to formulate during the 1960s and ideas revolving the purpose of aid began to change when Robert McNamara was appointed as the head of the World Bank. He promoted the idea of donor-funded programs and the need for aid on humanitarian grounds to assist nations that were lacking resources to meet their citizens' basic needs in education and health.

Key Issues

Corruption

One of the primary concerns of governments when providing ODA to lower income countries revolves around the impact of foreign aid on corruption, and vice versa. It is difficult to acquire statistics on corruption, let alone to detect and verify them. Several analysts claim that excessive volumes of ODA essentially compensates for poor economic policies and hence, promotes bad governance. Thus, it is of paramount importance that donor countries utilise

indicators of corruption to assess the extent to which the aid is being used purposefully.

Aid dependency

Another key problem with foreign aid is that it causes recipients to become reliant on flows of aid to support their expenditures. It undermines the sovereignty of countries and their ability to plan development strategies; such governments can easily lose policy autonomy because donors may insist on recipients to implement the donor's priorities. When aid dependence increases, recipient states become less accountable for their actions, consequently incentivising domestic corruption by exacerbating disputes over aid funds. Furthermore, aid flows are extremely volatile and depend heavily on the economic situation of the donor, making it practically impossible for governments of LICs to make long-term plans. As Donald Kaberuka, President of the African Development Bank, stated: "Aid is only a means to an end. Indeed, if aid is truly effective, it will progressively do itself out of a job. Effective aid should not foster dependence."

Timeline of Events

Date	Description of event
20 January, 1949	President Truman announced his Point Four Program in his inaugural address, serving as the backbone for future strategies and initiatives of ODA.
1984 - 1986	Considered the international benchmark for Ethiopian suffering and famine, this period of distress called upon a massive relief response by several nations, primarily the United States.
19 December, 1991	Resolution 46/182 was approved by the United Nations General Assembly, establishing the importance of humanitarian assistance and the need to support lower income countries in their efforts to achieve economic growth and sustainable development.
22 March, 2002	The Monterrey Consensus of the International Conference on Financing for Development was adopted by more than 50 heads of state and government, aiming to address key financial and other relevant issues pertaining to global development.
2-3 February, 2016	The first annual Aid & Development Africa Summit was held, gathering more than 250 government representatives, UN agencies, non-governmental organisations (NGOs). The agenda was developed by key organisations and UN entities, combining high level strategic information to devise pragmatic methods to improve aid delivery in East Africa.

UN Involvement, Relevant Resolutions, Treaties and Events

The issue of humanitarian assistance and relief is of paramount importance to the United Nations, taking into consideration that one of its purposes, as stated in its Charter, is “to achieve international co-operation in solving international problems of an economic, social, cultural, or humanitarian character.” The Office for the Coordination of Humanitarian Affairs (OCHA) is responsible for coordinating international operations in response to emergencies and working in collaboration with other UN entities such as the World Food Programme (WFP) and the World Health Organisation (WHO). Relevant UN articles and resolutions in this regard include:

- International development strategy for the Second United Nations development decade, 24 October 1970 (A/RES/25/2626)
- Strengthening of the coordination of humanitarian emergency assistance of the United Nations, 19 December 1991 (A/RES/46/182)
- Strengthening of the coordination of humanitarian emergency assistance of the United Nations, 20 December 1994 (A/RES/49/139)
- Strengthening of the coordination of humanitarian emergency assistance of the United Nations, **26 July 2002 (ECOSOC Resolution 2002/32)**
- MDG Gap Task Force Report: “The Global Partnership for Development: Making Rhetoric a Reality”, September 2012

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