



FORUM: Second Committee of the General Assembly (DISEC)

QUESTION OF: Establishing Guidelines on the transparent Allocation of Development Aid and finding regulations to monitor its Use

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POSITION: Deputy Chair

Development aid, in some instances also *foreign aid*, is a system firstly established by the British Empire in relation to its colonies. After a period of a laissez – faire economy, e. g. Britain does not interfere with the colony's economy the moral direction of the Empire was altered and developmental assistance was introduced as a means to influence the economy and therefore produce wealth.

Modern development aid was established post World War 2 and after the Cold War, famously the Marshall – Plan. Establishing allies in western Europe as well as restricting the Soviet Union's influence, the US program financially aided reconstruction in asian countries.

1. What is development aid?

Development aid are means of support in order to enhance infrastructure, wealth, health, general living standards and conditions and the development of the country in environmental, economic, social and political aspects. These means, in the majority of cases, are financial, although sometimes military aid is also considered as such.

Development aid is given with the intention of accelerating and supporting the receiving country's progression. Contrary to humanitarian aid, development aid aims to solve issues, especially poverty, in the long term.

2. Which countries are involved?

Since aid is usually given to LEDCs (less economically developed countries) the means need to originate from wealthier places. In effect, economically developed countries give aid to the receiving LEDCs.

There is further a list created by the Development Assistance Committee stating the recipients. Other receiving countries are sub-sahara states and authoritarian states, while the highest donating countries are the United States, the United Kingdom and Germany.

The greatest donors by percentage of its GNI are Sweden, Norway and Denmark.

3. Forms of development aid

Generally, development aid has several manifestations, which in turn affect receiving countries in various ways.

3.1 Foreign direct investment (FDI)

The first primary type of foreign aid revolves around the primary sector. Multi- or transnational companies invest directly into the receiver's economy through stocks etc. In 2007 FDI rates reached an all time high of \$3 trillion.

3.2 Foreign aid from governments or non-profit organizations

The typical second primary type of development aid is the best-known one. Characteristic to this type are several distinctions: First of all the aid is provided by governments or non-profit organizations as well as NGOs. This results in official development programs and tools. Such humanitarian help is centered around the alleviation of poverty and is a trademark of wealthy industrialized nations. Further there is the OECD (Organization for Economic Co-operation and Development), an organization under the UN, which contributes \$100 billion to \$150 billion to global foreign aid annually.

3.3 Foreign trademark

In some cases, foreign trade can also achieve the goals set for development aid. This third primary type is much more extensive as the other two, while not complying to the original meaning of development aid. Nonetheless, openness to foreign trade is the single most effective way to spark the progress of development in a country as this incentivizes corporations and governments to invest.

4. Different approaches to development aid

In order to distribute development aid fairly as well as according to the wishes of both, the giving and the receiving entity, there are several approaches to development aid.

4.1 Bilateral aid

Of all approaches, bilateral aid is performed the most. It is given when direct payment or other assets are being transferred to a receiving end. Nonetheless issues regarding allocation and intention can come up.

4.2 Multilateral aid

Multilateral aid is essentially the same as bilateral aid as intentions and approaches are similar to this aid's counterpart. The notion differentiating between multilateral aid and bilateral aid are the providers. Multilateral aid is given by multiple nations through international organizations. But since strategic allocation decisions are increasingly difficult with an increasing number of donors governments might shy away from this form of development aid.

4.3 Military aid

Although many NGOs do not accept military aid as a form of development aid, in other regards it is accepted and meant as such. It is performed through the transport of arms or the agreement to defense contracts. Military aid is popular with the United States of America.

4.4 Humanitarian assistance

Similar to bilateral aid in intention humanitarian assistance aims to improve living conditions and to resolve humanitarian crises. In contrast to bilateral aid though, humanitarian assistance embodies short-term and more specific solutions.

Due to it being more acknowledged and prestigious humanitarian assistance collects more private investments and donations.

4.5 Dead aid

Coined by zambian author Dambisa Moyo, the phrase describes developmental aid, which did not fulfill the expectations due to for instance corruption and ineffective approach and allocation.

4.6 Official development assistance

The Development Assistance Committee (DAC) issued a definition of official development assistance, applicable until 2017.

This definition states “ those flows to countries and territories on the DAC List of ODA Recipients and to multilateral institutions which are:

- i. provided by official agencies, including state and local governments, or by their executive agencies; and
- ii. each transaction of which:
 - a. is administered with the promotion of the economic development and welfare of developing countries as its main objective; and
 - b. is concessional in character and conveys a grant element of at least 25 per cent (calculated at a rate of discount of 10 per cent).“

5. Issues occurring with development aid

In general it is the goal of development assistance to resolve social deficiencies, weak economy and several other problems occurring in our globalized world.

Yet it needs to not be forgotten that development aid also has and creates issues around the globe. Many issues surfacing due to development aid are intertwined and fuel each other.

5.1 Disguising aid

When development aid is given from one country to another one most likely some sort of payment is involved. This flow of money is dangerous, especially when the rereciving country is in an authoritarian state. Authoritarian leaders are likely to take advantage of the money induced into the economy by decreasing the financial output, richening themselves and making the social and living conditions stagnate. Some countries further tax or fee any financial flow into their country, thereby receiving more money than the intended amount.

5.2 Corruption

Previously mentioned disguising aid might also be called corruption, depending on the intention of the donor. If this party would want to keep something from the public or take part in under-the-hand deals, development aid can serve as a tool to corrupt governments and their officials. In doing this the donated aid is converted into means of corruption. A second possible way of corruption regarding development aid is the influence of other interests into official transactions.

Development aid is often given to countries where a corporation of the donating country has a close grip on a leading position in that country's economy.

Thereby the donating government ensures economical advantages for its economy.

It is due to these and several other reasons that zambian Dambisa Moyo, World Bank consultant and economist writes in her book that such development assistance to Africa has been "an unmitigated economic, political, and humanitarian disaster,".

Through the intransparent process of said money transfers the allocation of development aid is also endangered.

5.3 Ineffective allocation

This issue can occur organically through mistakes in strategy or because of corrupted government officials leading the aid to a different institution than priorly intended.

This can have fatal consequences as the aid, although provided, does not arrive at the needy..

6. Useful sources

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

DAC: <http://www.oecd.org/dac/development-assistance-committee/>

For data on your country:

https://en.wikipedia.org/wiki/List_of_development_aid_country_donors

<https://data.worldbank.org/indicator/DT.ODA.ALLD.CD>