

Research Report

Issue: Creating an effective system for developmental aid

Forum: Human Rights Council

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Introduction

Developmental aid is money provided by a country or organization to another country. Often, the country that provides money and other forms of aid is rich and the country receiving aid is poor. Poor countries usually deal with a lot of problems in many ways. Developmental aid is meant to be part of a long term solution for these problems.

Development aid can be distinguished in bilateral and multilateral aid. Bilateral is nothing more than aid given from one country, the donor, to another, the recipient. Multilateral aid is aid given by a donor to an international organization such as the World Bank or the United Nations Agencies, e.g. UNICEF. The organization provides the aid to the recipient.

Though the aid provided is meant for good purposes, it doesn't always end up in the right hands. Peter Bauer, development economist, once described development aid as '... an excellent method for transferring money from the poor people in rich countries to the rich people in poor countries.' He was referring to the big amount of money that never arrived at its destination, but vanished because of corruption. Therefore, the way aid is provided has changed the last decades. Nowadays, aid does not only include money, food, medicines, etc. anymore, but more often means helping people in development countries by sharing knowledge. For example, instead of giving a farmer a certain amount of money to buy farm equipment, agriculture specialists help farmers by teaching them the most effective ways to grow crops.

For now, still many people need development aid. The effectiveness of aid still could improve a lot. The UN has a lot of work to do.

Definition of key terms:

Development aid:

Development aid is financial aid given by governments and other agencies to support the economic, environmental, social, and political development of developing countries.

Bilateral aid:

A donor country gives aid to another country, the recipient.

Multilateral aid:

Aid given by a donor country to an international organization. The international organization distributes it among developing countries.

Tied aid:

Tied aid credits are official or officially supported loans, credits or associated financing packages where procurement of the goods or services involved is limited to the donor country or to a group of countries which does not include substantially all developing countries (or Central and Eastern European Countries (CEECs)/New Independent States (NIS) in transition).

Emergency aid:

Emergency aid refers to help given to populations affected by unpredictable natural disasters or human conflicts.

Historical background

The first forms of development aid started right after the Second World War, when the United States provided European countries money to recover from the mess caused by the Second World War. In 1949, Harry Truman pointed out that more than half of the world population lived in miserable circumstances. He started the first forms of development aid as we know it nowadays, by claiming a small percentage of the USA's national income for development aid. During the Cold War, the focus of countries providing development aid was not mainly on the actual development of the recipient countries, but on improving their relations. Donor countries usually gave aid to their ex-colonies. After the fall of the great wall, the political aspect became less important. Additionally, less money was spent on development aid. Nowadays, there is more focus on the effectiveness of the aid.

Top 10 donor and recipient countries

	Top 10 donors (2013)	Money in millions of US dollars	Top 10 recipients (2012)	Money in millions of US dollars
1	USA	31,550.0	Afghanistan	6,725.0
2	UK	17,880.0	Israel	6,180.0
3	Germany	14,060.0	Vietnam	4,115.0
4	Japan	11,790.0	Ethiopia	3,261.0
5	France	11,380.0	Turkey	3,033.1
6	Sweden	5,830.0	Democratic Republic of the Congo	2,859.3
7	Norway	5,580.0	Tanzania	2,813.8
8	Netherlands	5,440.0	Kenya	2,654.0
9	Canada	4,910.0	Ivory Coast	2,635.6
10	Australia	4,850.0	Bangladesh	2,152.0

Lacks of aid effectiveness

Conditions

There are many concerns about the way aid is provided. Often, donor countries impose conditions, which are harmful for the original purpose. For example, tied aid is aid that must be spend in the donor country or in a group of selected countries. Though some people argue a country's export increases because of tied aid, it mainly seems to have the tendency to fulfil the donors' business interests.

Micro-macro paradox

A remarkable discovery is the contrast between small local aid investments and aid on a larger scale. Paul Mosley, professor of economics, found out that aid on a large scale caused bigger consumption rather than bigger investments. On the other hand, aid on micro level was always reported as successful. This appearance seems to emphasize the importance of accompaniment of the project, which is easier on a micro level than on a macro level.

Dead aid

Dambisa Moyo, Zambian economist, highly criticizes bilateral en multilateral aid. She believes that money directly given to the government only causes corruption, aid-dependency and decrease of the economic development. Meantime, she believes that aid on a small scale and emergency aid works.

Intern problems

Furthermore, James Shikwati's, African economist, even suggest that aid is Africa's main problem: "If aid was stopped, the political elites would be the first casualties". His thoughts are confirmed by Hernando De Soto, Peruvian economist. He believes not the lack of wealth and resources is the cause of poverty in Africa, but the lack of institutions.

Possible solutions

Concluding, the UN still has a lot of work to do. It needs to create a strong resolution, without any insecurity. The UN should show that they've learned from the past and not make the same mistakes.

Cooperation and accompaniment

Several times, it was found that just transferring money is not the right solution. Transparency and cooperation are essential in the process of developing aid that is actual effective. Also, still huge progress could be made with the improvement of sharing knowledge.

Right choice of scale

Another important question is the scale of aid. It turned out that aid on a large scale didn't always work, but the UN should take in consideration that micro-aid is more expensive. Concluding, it should act very carefully to create an optimal effective system for development aid.

Sources

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