

# Research Report

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Economic and Social Council

Establishing measures to combat the corruption  
related to Foreign Aid distribution in LEDCs



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<b>Forum</b>	Economic and Social Council
<b>Issue:</b>	Establishing measures to combat the corruption related to Foreign Aid distribution in LEDCs
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## Introduction

The difference in wealth across the world is staggering. Not surprisingly then, foreign aid is essential for LEDCs. It ensures LEDCs can continue to strive for better living conditions. Thanks to Foreign Aid, tens of billions of dollars are being invested into the development of LEDCs. A great example is the massive investment made into the researching of HIV/Aids in the African continent. This is the largest bilateral aid operation to fight international disease. This is just one example of the scale and importance of Foreign Aid. Foreign Aid however also benefits the MEDC donor countries. In the USA, in the Cold War period, foreign aid to South America and the Caribbean increased as the tensions between the Soviet Union and the USA grew larger, as the USA was attempting to create positive relations with the nations in this area.

Sadly, today Foreign Aid Distribution is subject to large-scale corruption. Especially in the current age, the transfer of large sums of money cannot be done without considering the state of the receiving nation. This, however, is actually the case. P5 nations such as the USA and the UK send large amounts of monetary aid to LEDCs whilst disregarding their rate of corruption and governmental instability. This results in the money, designated for aid, ending up in the pockets of government officials. To tackle poverty, corruption should first be resolved.

A recent example of the issue of corruption in Foreign Aid distribution is that of the USA. The USA has been, and is still funding Afghanistan with immense sums of money, for which they do not fully know the destination. It is funding Afghan ministries with hundreds of millions of dollars, whilst ignoring their own anti-corruption guidelines. The United States Aid program (USAID) even tried hiding certain documents from congress, so their mistakes would not be unraveled. This all seems very suspicious, as Foreign Aid is designated to help the less fortunate of this world. All we see is that the funding is done rather carelessly. It has been found that not only the USA funds countries that are unstable and at risk of corruption, many MEDCs have been known to be blind spenders when it comes to Foreign Aid. This



shows that Foreign Aid corruption has to be tackled not only at the receiving end, but also at the donor's end.

## Definition of Key Terms

### Official Development Assistance (ODA)

Aid from national governments for humanitarian purposes and for promoting economic development and welfare in low and middle income countries. This can be a monetary donation, but also the establishment of a program within a country which can help the local population, such as rebuilding projects or anti-disease operations.

### Corruption Perceptions Index (CPI)

An index that is published annually by Transparency International, first launched in 1995. This index measures the perceived levels of public sector corruption in 176 countries/territories. A score of 100 is perfect (least corrupt) and a score of one indicates that a country is very corrupt.

### Bilateral aid

Aid from a single donor government to a single recipient government. This aid usually does not involve an NGO and is often used in the case of "one good term deserves another" meaning that a nation is requesting an alliance or something similar in exchange for the aid. It can however also be a former colonizer who supports its former colony because of their shared history.

### Multilateral aid

An organization of multiple donor governments, such as the World Bank, which is funded by these governments with the goal of collectively giving aid. These organizations receive about one third of all ODA. These companies are committed to the funds reaching the countries that need the help most and are usually not influenced by a country's point of view or history.

## General Overview

Extreme poverty is an ongoing challenge. In 2015, around one billion people will earn less than \$7 per week. Among them, females are more likely to face poverty. Foreign aid dates back centuries. The first large-scale official Foreign Aid program that is well known is the United States' Marshall Plan. It was launched in 1948 with the goal of rebuilding the economies of European nations and to safeguard against radical ideologies. This shows how foreign aid is not only beneficial to the receiving nation; aid is given to countries for many reasons.

### National security

Countries give foreign aid for national security as seen in the example of the Marshall plan. A country can become allies with the receiving country. Foreign Aid can also benefit national security in the long term. By reducing poverty and injustice, political tension in unstable nations can be reduced and thus benefit the national security of the donor country.

### Economic interests

The increase in welfare within a donor country means that there is more interest in overseas goods. By supporting an LEDC with Foreign Aid a donor country potentially creates a new trade partner. This benefits the economy of both countries in the long term.

### Moral values

This is maybe the most important factor. Many MEDCs believe that they, as developed countries, have an obligation to provide Foreign Aid. Many MEDCs are committed to respecting democracy and human rights and largely believe that should be customary in every country. It is their task to care for a better and more just world. Furthermore, it also shows the goodwill of the people of a certain country.

With the establishment of USAID in 1961, a trend was set. Foreign Aid was something that was expected from MEDCs and seen as ethically sound. We should not forget the main aim of Foreign Aid: the aiding of LEDC countries. Thanks to programs such as the USAID, dozens of countries have been able to receive foreign aid from donor countries. This aid is intended for causes such as the general improvement of people's livelihood, the curing of and research into diseases or for reconstruction purposes such as in the case of Iraq and Afghanistan. When used appropriately, this aid can lead to serious economic and social improvements. Furthermore, by setting up initiatives funded by foreign aid, jobs can be created and international relations can be established. Foreign Aid has

already proven to be of great need, and comes at a relatively low cost. For example, in the USA, citizens spend, on average, more money on candy than they spend on foreign aid through taxes. Sadly, not every MEDC has sufficient ways of funding their foreign aid, and thus the source of the funds is often an issue within national politics of those MEDCs.

Currently, different methods of aid exist with different intentions:

### *Project aid*

Aid is given for a specific purpose. For example: providing farming equipment to local farmers in order to improve their produce. Project aid is intended for economic improvements in the long term.

### *Programme aid*

Aid is given to a specific sector. For example: a country is given aid for the development of its educational system. Program aid is, like project aid, intended for economic improvements in the long term.

### *Budget support*

Aid is directly channeled into the recipient countries financial system. Corruption is especially present in this type of aid, as it is quite easy to channel these funds into private accounts, making it completely illusive.

### *Technical assistance*

Educated personnel, such as medically trained personnel, are moved into a donor country. These programs often have the intention of teaching certain techniques.

### *Food aid*

Food is given to countries in urgent need of food supplies, for example just after a natural disaster.

The straightforward fact is that Aid in which actual programs or projects are initiated in LEDCs involves the least corruption, yet these initiatives are often overlooked by international bodies. Aid such as budget support however, almost invites corrupt officials to channel away money for their own desires. This is the main focus point of this issue.

Huge sums of money are being transferred from MEDCs to LEDCs. The continent currently receiving the biggest sum of ODA is Africa, at 28 billion dollars in 2009. As with any monetary transaction, corruption is a big issue. The fact that makes corruption in the case of

Foreign Aid so significant however, is that those large sums of money that are designated for the aid of LEDCs end up in the pockets of the aided nations' leaders who are often corrupt. These corrupt governments exist because of the lack of political reformation that exists in most MEDCs.

The fact that governments are unstable and corrupt in itself cause major issues, as they are often the source of conflicts which in turn can devastate a country even more. These conflicts come paired with even high costs. The reconstruction following these wars often calls for foreign aid. As we can clearly see: Unstable and corrupt governments not only create devastated countries, they also take away the development aid intended for the resolving of the conflict they often (indirectly) cause. Obviously, the reforming of governments that receive development aid is a priority and should be a condition before countries receive developmental aid. If this does not happen, it means that the issue is not being resolved and that the country will stay at the same economic level whilst corrupt officials benefit. This all might even encourage the donor country to discontinue the aid, as no progress will be seen.

What we can deduce from all this is that transparency in funding is also needed. If the siphoning of funds is so easy, it will encourage other corrupt officials to do so. If there was enough transparency concerning the receipt of foreign aid, officials would be discouraged as it would not only damage their national status, but also their international status. There is no direct involvement of any kind of (independent) monitoring agency for development aid, nor are countries obliged to do this. Government aid bodies should reconsider their aiding strategies.

Foreign Aid however does not always seem to be something of purely moral values. Donor countries often aid for the aforementioned reasons: national security and economic interests. What then directly comes to mind is: do countries care about where the aid ends up? Or is it sufficient for them that the government of the receiving country takes note of the donation? Although the motivations of different countries are often unknown to us, this is food for thought. This is also a valid argument for the need of both independent and state monitoring agencies. The issue will always be one of personal interest versus philanthropic states of mind. This applies to both the government in the receiving country (caring for your people versus gaining a lot of wealth) as well as the one in the donor country (caring for the people in the receiving country versus political and economic interests.) The assessment of the intentions of a country is often rather difficult and may intrude upon national sovereignty, making it not at all easy.



## Major Parties Involved and Their Views

### Transparency International (TI)

An NGO that monitors and publicizes both corporate and political corruption in international development. TI publishes the CPI annually, which measures the perceived levels of public sector corruption in 176 countries/territories. TI is not linked to any government and thus has to respect national sovereignty when instructed.

### United Nations Office for the Coordination of Humanitarian Affairs (OCHA)

An organisation, mandated by the United Nations, to control international humanitarian aid in cases such as natural disasters. It increases the ability of the UN to be able to respond to an emergency or natural disaster in an adequate way. OCHA serves both the United Nations, as well as NGOs.

### International Aid Transparency Initiative (IATI)

An initiative, aimed at the increasing of transparency in aid transactions. The initiative hopes that through its efforts, aid money reaches its intended recipients. The final goal of the organisation, is just like any other organisation involved with aid, the reduction of poverty and improvement of living standards across the world.

### Oxfam

Oxfam is an organisation that attempts to decrease poverty and injustice around the world. Oxfam primarily works through local organizations, attempting to increase their effectiveness. The organization develops strategies to combat global famine. It is thus important for organizations like Oxfam that the distribution of foreign aid is done without corruption, so they can continue their work.

### United States of America

One of the pioneers in Foreign Aid. The USA has its own large aid program (USAID), which handles all Foreign Aid in the USA. The USA has been known for its political aid support. Examples include that of the aid that was given to Southern American countries in the times of USSR threats towards the USA and that of The Marshall Plan in Europe. USAID was recently criticized for its blatant sending of monetary aid to Afghanistan without adhering to its own guidelines.

## People's Republic of China

China has been very active in giving foreign aid. Although debatable, many states claim that this is purely in China's own interests, as they get lucrative resource deals in return which benefit their own economy.

## Timeline of Events

Date	Description of event
1910/1920s	The USA sends aid to war-torn Belgium and relieves the Russian famine.
1948	Marshall Plan
October 31 <sup>st</sup> 2003	United Nations Convention against Corruption. The first large UN convention on the issue at hand.

## UN involvement, Relevant Resolutions, Treaties and Events

- United Nations Convention against Corruption, 31 October 2003 (**A/RES/58/4**)
  - The first global legally binding international anti-corruption document, which requires State Parties to implement several anti-corruption measures.

## Evaluation of Previous Attempts to Resolve the Issue

Both UN and NGO initiatives have attempted and in some ways succeeded in tackling the issue of aid corruption. The issue however still exists today and is a huge drawback for the fight against poverty. Initiatives like the IATI and TI have been created and have had some involvement, but not enough to make the issue disappear completely. It seems that these initiatives have not had enough governmental backing by countries giving aid to be extremely effective. Furthermore, it is visible that many aid corruption cases have been uncompleted, as they interfered with sovereignty of countries. This issue has not yet been addressed.



## Possible Solutions

First of all, delegates should consider what kind of spending their respective country is already engaged with. More than ever, countries are sending large sums of money to countries that have low CPI scores. As mentioned previously, transparency is one of the biggest problems. All delegates should attempt to create a situation in which every transaction, designated for the aiding of LEDCs, is completely transparent and able to be monitored without harming national sovereignty. UNCAC (United Nations Convention Against Corruption) should be ratified by each and every country and its provisions should be fully implemented into domestic legal systems and, above all, into the reality of daily life. The type of aid sent to countries with low CPI scores should also be considered. It might be worth considering the fact that countries with corrupt governments should receive types of aid other than monetary ones, such as the establishment of programs of which everyone can be sure that the population benefits properly.

Furthermore, attempts should be made to decrease the corruption in countries receiving foreign aid. Existing treaties should be updated. Foreign Aid programs within countries should be examined closely and if possible, monitored by newly installed watchdogs who are democratic, politically non-partisan and non-sectarian as there are a lack of these at the present time. The expansion of the powers of The United Nations Office for the Coordination of Humanitarian Affairs (OCHA) and the International Aid Transparency Initiative (IATI) should also be considered. Furthermore, the effectiveness of Foreign Aid should be considered. For example, certain initiatives encourage the development of new agricultural enterprises, the produce of which is then heavily subsidized by Western countries, making the produce unsellable. When foreign aid is not productive, corruption is an easy option.

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## Appendix or Appendices

- I. <http://cpi.transparency.org/cpi2013/>