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# Eisaku Sato Essay Writing Contest

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Discuss the merits and demerits of extending long-term assistance to developing countries whose own self-help efforts are inadequate, as well as potential measures that could promote greater self-help efforts.

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## Abstract

Since after the World War II, long-term assistance programs have become more extensive in international relations and are now more commonly associated with foreign aid. While the assistance programs targets the improvement in living standards of developing countries, they are motivated by the donor's interests and they may have unwanted consequences to both donor and recipient countries. This paper examines the benefits demonstrated through these aid programs and the possible consequences such as changing power balance, unsustainability and reduced self-help efforts. To minimise the undesirable consequences of assistance programs, the measures that focus on i) controlling the amount of aid, ii) underlining the importance of transparency and iii) targeting specific issues in a customised long-term plan with more accountability from all parties, are proposed. The United Nations is the important mediator of assistance programs and should be depended on for accurate assessment of global aid programs. The collaboration between different sectors – donor and recipient nations, international aid organisations, NGOs, international financial institutions and the UN is the key to sustainable, effective long-term assistance.

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## Introduction

As the world is transforming into a more inter-connected system, the relationships between nations are strengthened in all aspects, in which long-term assistance is one of the most widely used methods to solve international problems. This assistance, commonly known as foreign aid, is becoming more widespread. The total net official development assistance (ODA) in 2012 reached \$US 125 billion<sup>1</sup>, which shows the enormous magnitude of resource transfer. This figure only reflects economic assistance, thus indicates that the actual worth of global aid may be even higher. The long-term assistance affects the donor and recipient nations on multiple levels, both positively and possibly negatively. This paper will discuss the issue of foreign aid and its impact on involved countries, focusing on the merits and demerits of extending international assistance specifically towards developing countries.

Foreign aid, both for economic and humanitarian purposes, is considered the main subset of long-term assistance from developed to developing nations. The definition of foreign aid is more nuanced<sup>2</sup> with clear exclusion of items that do not actually benefit the recipient nations, in order to prevent inflated report of overseas aid. However, the details of what ODA is are not central to this paper, so foreign aid is broadly understood as the voluntary transfer of public resources from one government to low-income countries<sup>3</sup>, which is close to the definition provided by the Development Assistance Committee (DAC)<sup>4</sup> of the Organisation for Economic Co-operation and Development (OECD).

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<sup>1</sup> Statistics taken from OECD Report, extracted in March 2014 from <http://www.oecd.org/dac/stats/aidtopoorcountrieslipsfurtherasgovernmentstightenbudgets.htm>

<sup>2</sup> For a more detailed definition of what constitutes foreign aid, visit AidWatch at <http://aidwatch.org.au/where-is-your-aid-money-going/what-is-aid>.

<sup>3</sup> Definition provided by Carol Lancaster in his book titled Foreign Aid: Diplomacy, Development, Domestic Policies

<sup>4</sup> Glossary of terms provided by OECD report, extracted in March 2014 from [http://www.oecd.org/dac/dac-glossary.htm#Aid\\_Activity](http://www.oecd.org/dac/dac-glossary.htm#Aid_Activity)

## 1. The notion of 'Inadequacy'

The end of World War II (WWII) marked the beginning of proliferating international aid programs with the establishment of International Financial Institutions (IFIs), such as International Monetary Fund (IMF) or World Bank. Historically, in view of poverty and economic problems in African and Asian nations that had just stepped out of the war, the President of the United States of America (US) Harry Truman advised those countries to industrialise and modernise<sup>5</sup>. At the same time, the US government extended its assistance to several regions such as the Middle East<sup>6</sup>, Europe (\$13 Billion<sup>7</sup>) and even South East Asia (such as South Vietnam). The majority of funds came from wealthy donors such as the United States and European countries, however, for reasons that extended beyond pure altruism.

Whether the recipient nations were truly in need of the assistance was not a significant consideration, especially when the US was the leading the world in its economic and political power after the WWII. However, international organisations such as the United Nations(UN) or the IMF needs clearer distinctions between nations whose self-help is insufficient and nations who are not in need but can promote the interests of the donor countries. The latter is less in need of assistance but has the potential to benefit from trade relations. However, the two categories are not exclusive, so trade can be used as a sustainable method to help the nations with insufficient strength such as how African nations are developing their economy with the help from trading relations with China. On the other hand, aid programs, especially for humanitarian purpose, should be given to nations that are truly in need such as Kenya or Sudan<sup>8</sup>.

The question of who should receive the most help leads to the issue of whether help should be given to nations that are more in need, or nations that have shown efficient

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<sup>5</sup> Aid Watch, 2011, <http://aidwatch.org.au/where-is-your-aid-money-going/what-is-aid/a-brief-history-of-aid>, last accessed in 29 March 2014

<sup>6</sup>Jeremy M. Sharp, U.S. Foreign Assistance to the Middle East: Historical Background, Recent Trends, and the FY2011 Request, *CRS Report for Congress*, <http://www.fas.org/sgp/crs/mideast/RL32260.pdf>, last accessed in 29 March 2014

<sup>7</sup> James Bovard, The Continuing Failure of Foreign Aid, <http://www.cato.org/pubs/pas/pa065.html>, last accessed in 29 March 2014

<sup>8</sup> United Nations news, extracted from the official website of the United Nations at [http://www.un.org/apps/news/story.asp?NewsID=47460&Cr=syria&Cr1=#.UzezRPl\\_u\\_g](http://www.un.org/apps/news/story.asp?NewsID=47460&Cr=syria&Cr1=#.UzezRPl_u_g) and [http://www.un.org/apps/news/story.asp?NewsID=47458&Cr=south+sudan&Cr1=#.UzezQ\\_1\\_u\\_g](http://www.un.org/apps/news/story.asp?NewsID=47458&Cr=south+sudan&Cr1=#.UzezQ_1_u_g)

use of resources to deal with their problems. Continuous resources flow to corrupt countries leads to the waste of aid, since money is spent on the inefficient bureaucracy of recipient nations and on enlarging the income gap without improving the lives of the majority of citizens. From the history of Sudan with a reported loss of \$4 billion stolen by state officials<sup>9</sup>, we can see that corruption is one big obstacle foreign aid programs needs to tackle. On the other hand, factoring in the efficiency of government in determining the need of developing countries does not always reflect accurately how much need should be given<sup>10</sup>. One prime example of this dilemma is the case of South Korea. From a devastated nation after the Korean war after 1953, The Republic of Korea has used foreign aid from the US and Japan effectively to become the world's 12<sup>th</sup> largest economy<sup>11</sup>. South Korea certainly no longer belongs to the group of developing countries while having an excellent record of aid management, thus showing the difficulties in determining the amount of aid given the economic and political situations in different nations.

Although there is no single scale to indicate how much help a nation should receive, we can adopt a policy that addresses both the issue of corruption and poverty. While the latter is more clear-cut (indicated by GDP per capita and income gap), using foreign aid as an incentive to reduce corruption to further improve efficacy of international assistance can be part of the solution. However, due to the sensitiveness of reports on corruption, it is worth noting that on national level, the effectiveness of this method has not been proven by sufficient statistical evidence<sup>12</sup> but is only reflected in testimonials of aid workers from Plan International<sup>13</sup> after successful projects in Ha Giang, Vietnam. The experience shared by Plan International demonstrated that foreign aid could become an analogue to a “prize” to the governing officials of a region, since good reputation attracts further investment and developments to the area. Similarly, it is

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<sup>9</sup>Hereward Holland, South Sudan officials have stolen \$4 billion: president, Jun 4, 2012, extracted from <http://www.reuters.com/article/2012/06/04/us-southsudan-corruption-idUSBRE8530QI20120604>

<sup>10</sup>Cohen, Michael A., Giving to Developing Countries: Controversies and Paradoxes of International Aid, *Social Research*, Summer2013Vol. 80 Issue 2, p591-606. 16p, ISSN 0037-783X

<sup>11</sup>Terence Roehrig, South Korean foreign aid: contributing to international security, <http://www.aspistrategist.org.au/south-korean-foreign-aid-contributing-to-international-security/>, last accessed in 29 March 2014

<sup>12</sup>Alberto Alesina, Beatrice Weder, Do Corrupt Governments Receive Less Foreign Aid?, <http://www.nber.org/papers/w7108.pdf>, last accessed in 29 March 2014

<sup>13</sup>Plan International Website at <https://plan-international.org/where-we-work/asia/vietnam/what-we-do/our-successes/>, last accessed in 29 March 2014

possible that the degree of long-term assistance provided can motivate the donor nation's government to increase national transparency.

## **2. The Merits**

### **a. Benefits to recipient nations**

The positive impacts to recipient nations are undeniable, so the question is not whether aid programs works, but how effective they are. From the example of South Korea above, careful allocation and usage of overseas assistance can lift a nation from poverty to become world's leading economy. However, with differing geographic, political and demographic conditions, not all developing nations can follow South Korea's model.

The importance of foreign aid can be most prominently felt in Rwanda<sup>14</sup>, when a suspension of British and other European nations' assistance resulted in a drop in predicted GDP growth – from 7.8% to 6.3%. The situation in Rwanda indicates how heavily certain nations are relying on foreign aid for economic development, and how much influence donor nations can exert on developing countries through foreign aid projects.

In assistance program motivated by the abundance of natural resources of recipient nations, the developing countries such as Angola or sub-Saharan African nations were provided with a loan to develop infrastructure for resources extraction. The majority of the fuel (electricity, oil, coals or other metals) then went to the donor nation, in this case, China. While this investment does not constitute all of Chinese foreign aid, the 45% increase in China's FDI to Latin America reflects deeper involvement of Chinese government in resource management in nations that lack the infrastructure to exploit those resources. The investment seemed to be a win-win situation to both parties when development technologies are transferred to low-income countries in exchange for resource-based products.

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<sup>14</sup> The pain of suspension, *The Economist*, <http://www.economist.com/news/middle-east-and-africa/21569438-will-rwandas-widely-praised-development-plans-now-be-stymied-pain>, last accessed in 29 March 2014

The positive effects of international aid have been felt at various other nations around the world<sup>15</sup>. For instance, US aid to Chad<sup>16</sup> has improved food security conditions in Sahel in 2013 although remnants of the 2012 crisis are still present <sup>17</sup>. Ongoing projects by The Korea-UNDP MDG Trust Fund are tackling poverty in remote and impoverished regions in Laos<sup>18</sup> or promoting social businesses in Timor-Leste<sup>19</sup>. Thus, clear benefits are present for the countries receiving assistance, albeit to different extent.

### **b. Benefits to donor nations or donor international organisations**

The donor nations' motives in setting up foreign aid programs do not just stem from pure good-will, but also contain diplomatic, developmental, commercial or humanitarian purposes<sup>20</sup>. From the early days of the first few assistance projects, the US has been the pioneer in providing economic and military assistance to Japan or Western Europe<sup>21</sup>. While the Marshall plan (European Recovery Program) was a success, seen in the developed economy of European nations such as Britain, France and Germany, the political implication was difficult to deny: the US received more support from those aided countries during the Cold War that followed. Long-term assistance was thus used as a method in the war against Communism.

With the increasing trade relations during peacetime and the end of the Cold War, the role of aid programs in wars is not as prominent, but foreign aid can still be used to

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<sup>15</sup> Dovern, Jonas, Nunnenkamp, Peter, Aid and Growth Accelerations: An Alternative Approach to Assessing the Effectiveness of Aid, *Kyklos*. Aug2007, Vol. 60 Issue 3, p359-383. 25p. ISSN 0023-5962 DOI: 10.1111/j.1467-6435.2007.00376.x, Accession Number:25779921

<sup>16</sup> US Aid, <http://www.usaid.gov/crisis/chad>, last accessed in 29 March 2014

<sup>17</sup> Sahel – Food Insecurity And Complex Emergency Fact Sheet #6, Fiscal Year (Fy) 2013 September 30, 2013, <http://www.usaid.gov/sites/default/files/documents/1866/Sahel%20Food%20Insecurity%20and%20Complex%20Emergency%20Fact%20Sheet%20%236%2009-30-2013.pdf>,

<sup>18</sup> Korea funded project paves way for poverty reduction in Lao PDR, UNDP Website at [http://www.undp.org/content/seoul\\_policy\\_center/en/home/joint-development-action/korea-funded-project-paves-way-for-poverty-reduction-in-lao-pdr.html](http://www.undp.org/content/seoul_policy_center/en/home/joint-development-action/korea-funded-project-paves-way-for-poverty-reduction-in-lao-pdr.html) last accessed in 29 March 2014

<sup>19</sup> Korea Provides \$2.1 Million for Project on Social Businesses in Timor-Leste, 22 Aug 2012, UNDP Website at [http://www.undp.org/content/seoul\\_policy\\_center/en/home/presscenter/articles/2012/08/22/korea-provides-2-1-million-for-project-on-social-businesses-in-timor-leste.html](http://www.undp.org/content/seoul_policy_center/en/home/presscenter/articles/2012/08/22/korea-provides-2-1-million-for-project-on-social-businesses-in-timor-leste.html), last accessed in 29 March 2014

<sup>20</sup> Bandyopadhyay, Subhayu & Vermann, E. Katarina, Donor Motives for Foreign Aid, *Federal reserve bank of St Louis Review*, Jul/Aug2013, Vol. 95 Issue 4, p327-336. 10p. ISSN: 0014-918

<sup>21</sup> A Brief History of U. S. Foreign Aid, <https://www.bcps.org/offices/lis/models/foreignaid/history.html>, last accessed in 29 March 2014

mitigate tensions and normalise relationships between countries. In the six-party talk regarding North Korea's<sup>22</sup> nuclear development, foreign aid, among other terms, was a tool to persuade North Korea to bring their nuclear programs to a halt. If the long-term assistance can influence the recipient nations' government in their international relations policies, it has achieved its political goal.

The commercial or economic benefits to donor nations are best seen in the case of Japanese or Chinese governments' aid to Africa, Myanmar or Latin America. As Japan lacks natural resources and China is using fuel at an accelerated rate, the exchange of development infrastructure for natural resources seems to benefit all involved countries. Allegedly these programs bring about mutual benefits in the political, economic and cultural dimensions, such as in the growing Sino-Africa relationship<sup>23</sup>.

The more tangible result of assistance program is the enhanced perception towards the donor nations or organisations by not just the recipient countries but also global citizens<sup>24</sup>. With heavy involvement in aid programs all over the world, the US' influence sphere is felt globally, enforcing the country's self-proclaimed position of world leader. Similarly, Effective assistance program serves to boost the image and the capacity of the United Nations (UN) in the perception of UN members.

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<sup>22</sup> Marie Söderberg, (Associate Professor at European Institute of Japanese Studies), Is Foreign Aid, or Expectation of Such Aid, an Effective Tool to Influence North Korea?, extracted from <http://www.silkroadstudies.org/new/docs/conferences/2005/CMinNEA/papers/Soderberg%20paper.pdf>, last accessed in 29 March 2014

<sup>23</sup> Zhang Chun, The Sino-Africa Relationship: Toward a New Strategic Partnership, extracted from <http://www.lse.ac.uk/IDEAS/publications/reports/pdf/SR016/SR-016-Chun.pdf>, last accessed in 29 March 2014

<sup>24</sup> Hilhorst, Dorothea, Weijers, Loes and van Wessel, Aid Relations and Aid Legitimacy: mutual imaging of aid workers and recipients in Nepal. *Third World Quarterly*. Sep2012, Vol. 33 Issue 8, p1439-1457. 19p. ISSN 0143-6597, DOI: 10.1080/01436597.2012.698126, Accession Number:78450731



### 3. The demerits

#### a. Developing nations' own self-help effort

An interesting observation from the Vietnamese rural villages demonstrates one consequence of ineffective aid: Low-income families are unwilling to be recognised as successfully overcome poverty, in fear of losing the governmental financial support for poor households<sup>25</sup>. While the effect of foreign aid on developing nations is much more complicated than the circumstances at several Vietnamese villages, a similar reaction can still be expected: foreign aid may decrease the motivation to reduce poverty of the developing nations<sup>26</sup>. Even when this is not intentional, the aid dependency<sup>27</sup>, reflected in the disorderly functioning of government and other social services in the absence of foreign aid, poses a problem for both donor and recipient nations. When British government suspended the £21m foreign aid to Rwanda, deleterious effects were felt by this small nation in terms of predicted inflation, GDP growth, and social welfare such as health-care system. This may lead to the loss of government's control over the nation's internal and international policies as the country is heavily influenced by a foreign force. When the foreign aid amounts to nearly four times the total government expenditure such as in Sao Tome & Principe<sup>28</sup>, measures ought to be taken to protect these fragile states through better regulation of foreign aid.

Another more subtle demerit of long-term assistance programs is the transfer of 'responsibility to protect' from recipient nations to the global community<sup>29</sup>. Undeniably the government of a nation must be the most accountable party for the well-being of

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<sup>25</sup>Hoang Thuy, Phai cham dut tinh trang dan muon ngheo, vnexpress.net, extracted from <http://vnexpress.net/tin-tuc/thoi-su/phai-cham-dut-tinh-trang-dan-muon-ngheo-2884886.html> (Vietnamese) and

The Binh, Bi Hai chuyen giam ngheo, Nhan Dan newspaper, article extracted from <http://www.nhandan.com.vn/xahoi/tin-tuc/item/22365102-bi-hai-chuyen-giam-ngheo.html>, last accessed in 29 March 2014 (Vietnamese)

<sup>26</sup> Action Aid – Real Aid 3 Report, extracted from [https://www.actionaid.org.uk/sites/default/files/doc\\_lib/real\\_aid\\_3.pdf](https://www.actionaid.org.uk/sites/default/files/doc_lib/real_aid_3.pdf)

<sup>27</sup> The definition of aid dependency can comprise both notions: A country is aid dependent if i) it does not achieve objective X in the absence of aid in the foreseeable future or ii) continued aid does not contribute to self-sustaining development. Definitions are taken from Aid Dependent & governance, Deborah Brautigam, EGDI.

<sup>28</sup> Action Aid – Real Aid 3 Report, extracted from [https://www.actionaid.org.uk/sites/default/files/doc\\_lib/real\\_aid\\_3.pdf](https://www.actionaid.org.uk/sites/default/files/doc_lib/real_aid_3.pdf)

<sup>29</sup> Grundy John, Bowen Kathryn, Annear Peter, Biggs Beverley-Ann, The Responsibility to Protect: Inequities in International Aid Flows to Myanmar and the Democratic People's Republic of Korea and their Impact on Maternal and Child Health. *Asian Studies Review*. Jun2012, Vol. 36 Issue 2, p171-187. 17p. ISSN 1035-7823, DOI: 10.1080/10357823.2012.685449, Accession Number: 76373353

their citizens. When the government is unable to fully meet their citizens' need, foreign help may be acceptable, such as in the disastrous Haiti Earthquake<sup>30</sup>. However, extending the duration of these aid programs for more long-term social problems, such as poor living standard and violated human rights in the Democratic People's Republic of Korea (DPRK), may create a false perception that the United Nations and other developed countries are to take the main responsibility for the welfare of people all over the world. For instance, when human rights are not upheld in DPRK and foreign assistance is withdrawn due to the government's refusal of compromise in nuclear discussion, the donor parties do not have the responsibility to support DPRK unconditionally just because the standard of living of the people is unacceptable. All countries must be reminded that the UN Economic and Social Council (ECOSOC) only steps in to improve the welfare of the people in failed states, when it deems necessary. The transfer of responsibility to protect or to uphold human rights to international organisations is therefore *potentially* an undesirable result of long-term assistance program if no conditions are imposed on the recipient nations.

### **b. The consequences from the donors' benefits**

The extensive expansion of China's sphere of influence is raising a concern among the developed nations, especially when the resource exploitation projects occur in Africa, the region which is lacking institution and power to resolve conflicts. Sino-Africa trade relations contribute to the shift in the world's power balance with advantages to China, thus increasing tension in the region. Seeing China as a threat, Japan and South Korea may want to restrain China's dominance over Africa with tacit support from the West, seen in the annual trilateral meeting on Africa<sup>31</sup>.

The more flagrant drawback of these "assistance" programs is the unsustainability of the trade contract for the recipient nations. South Africa President expressed his

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<sup>30</sup> Rashmee Roshan Lall, Haitian business looks beyond foreign aid four years after deadly earthquake, [theguardian.com](http://www.theguardian.com), Friday 10 January 2014 11.12 GMT, extracted from <http://www.theguardian.com/global-development/2014/jan/10/haiti-business-earthquake-four-years-foreign-aid>, last accessed in 29 March 2014

<sup>31</sup> How The Sino-African Relationship Is Influencing The Rest Of The World, 08 Jan 2013, <http://africanbusinessmagazine.com/features/asia/how-the-sino-african-relationship-is-influencing-the-rest-of-the-world>, last accessed in 29 March 2014

concern when China only valued Africa's raw materials. The absence of measures to improve living standards in South Africa such as employing African residents to curb unemployment and transferring of construction technology<sup>32</sup> will likely be more damaging to this country once all the mines and ores are depleted. In a few decades' time, when these African nations are stripped of their natural resources, the issue of lifting these countries out of poverty will become more pressing and burdensome than ever.

The reason for the aforementioned problems lies in the motivation behind these assistance – most of the time foreign aid does not stem from admirable purposes<sup>33</sup>. However, it is unrealistic to require donor nations to contribute funds to resolve global poverty without any returns, so diplomatic, political and economic concerns must still be present in the picture of foreign aid. The challenge is thus not the removal of non-humanitarian motives, but the effective manipulation of these motives to ensure sustainability of economic development and sufficient incentives to enhance self-help programs from developing nations.

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<sup>32</sup> Robert I. Rotberg, *Is Sino-African Trade Unsustainable?*, October 10, 2013, extracted from <http://www.chinausfocus.com/finance-economy/is-sino-african-trade-unsustainable/>, last accessed in 29 March 2014

<sup>33</sup> Reilly, James, *China and Japan in Myanmar: Aid, Natural Resources and Influence*, *Asian Studies Review*. Jun2013, Vol. 37 Issue 2, p141-157. 17p, ISSN 1035-7823, DOI:10.1080/10357823.2013.767310, Accession Number: 88081427

## 4. Are there solutions?

The unintended consequences of foreign assistance may be difficult to eliminate, but are not impossible to resolve. From the case of Taiwan being highly aid dependent in the 1960s, aid programs from the US has contributed greatly to strengthening the economy and self-reliance of Taiwan. Acknowledging that the context and global situation in the 1960s are drastically different from those of the present, we can still note that Taiwan serves as an example for effective and successful aid. Another country that has utilised foreign aid to successfully curb poverty is Botswana: from 60% development budget provided by the Great Britain, to 3% Gross National Product (GNP) level in 1997. Both nations used aid to build stronger governance and graduated from aid dependency, which means there is hope for another nations.

The success of Korea, Taiwan and Botswana provides insights on policies that may promote self-reliance. These include heavy focus on developing leadership (human development) on top of infrastructure, and strategic planning specific to the country's strength (for instance, Botswana and its strong export of diamond), which helped these nations diminish aid dependence over a period of around twenty years. Ending aid dependency is a long-term process that needs careful planning from both donor and recipient nations, with the help of the UN and other international organisations.

With the objective of leading towards self-reliance, aid programs should have three major characteristics: i) sustainability, i.e. a clear development plan targeting long-term result and independency after one or two decades, including the transfer of skills and technology to the recipient nations; ii) specificity, i.e. a plan that is customised to the country's history and economy, such as the farm businesses by Self-help Africa<sup>34</sup> instead of other programs focusing too much on banking services or industrialisation, and iii) accountability from both donor and recipient nations, with more emphasis on the responsibility of domestic stakeholders. These lessons can be seen from the successful projects in Sudan, Rwanda, Nepal or Ghana.

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<sup>34</sup> <http://www.selfhelpafrica.org/ie/>, last accessed in 29 March 2014

Assistance programs should be more geared towards building a sustainable community, especially with the training for local volunteers to become future leaders, such as the Youth Volunteers Rebuilding Darfur Project in Sudan<sup>35</sup>. By empowering local residents and grassroots leaders, the sustainability of aid programs are enhanced. Another effective model is the Bangladesh Rural Advancement Committee (BRAC) which has mitigated economic and social problems in more than 10 developing countries<sup>36</sup>. With focus on women, health and education, and financial services, BRAC has become a model for other organisations to learn from. Other more successful programs include the Bolsa Familia<sup>37</sup> in Brazil and Oportunidades<sup>38</sup> in Mexico. The cash-transfer scheme shows us the importance of effective fiscal management, since an improved economy alleviates social problems. These initiatives, while taking up only a small portion of GDP (0.5%<sup>39</sup> in the case of Bolsa Familia), promises sustainable results and unprecedented impact on society.

Nepal's economy has improved with the alignment of foreign support with national poverty reduction plan, placing more attention to health and education through sector-wide approaches<sup>40</sup>. While aid ignites development, it should also aim to mobilise local resources. Rwanda's traffic light system promotes the donor's accountability by evaluating their performance annually, contributing to the success of reducing percentage aid of government expenditure from 85% (2000) to 45% (2010)<sup>41</sup>. Any assistance programs must also take into account local context and then develop the country's strengths (diamond export in Botswana, or agriculture in African nations). The plan for gradual reduction of aid therefore must also be catered to the specific conditions of each country, depending on the social situation and resources availability.

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<sup>35</sup> Sudan: Youth volunteers train for a better future for Darfur , UNDP Website, extracted from <http://www.undp.org/content/undp/en/home/ourwork/crisispreventionandrecovery/successstories/sudan--youth-volunteers-train-for-a-better-future-for-darfur.html>, last accessed in 29 March 2014

<sup>36</sup> Bangladesh Rural Advancement Committee official website <http://www.brac.net/>, last accessed in 29 March 2014

<sup>37</sup> Jonathan Watts, Brazil's bolsa familia scheme marks a decade of pioneering poverty relief, [theguardian.com](http://www.theguardian.com), Tuesday 17 December 2013 08.45 GMT, extracted from <http://www.theguardian.com/global-development/2013/dec/17/brazil-bolsa-familia-decade-anniversary-poverty-relief>, last accessed in 29 March 2014

<sup>38</sup> Oportunidades official website, extracted from <http://www.oportunidades.gob.mx/>, last accessed in 29 March 2014

<sup>39</sup> Wyre Davies, Not taken for granted: Brazil celebrates Bolsa Familia, extracted from <http://www.bbc.com/news/world-latin-america-24743675>, last accessed in 29 March 2014

<sup>40</sup> Evaluation of the Paris Declaration, Phase 2 Nepal, OECD.

<sup>41</sup> International Monetary Fund, December 2010, Rwanda: Staff Report for the 2010 Article IV; Consultation, First Review under the Policy Support, Instrument and Modification of Assessment Criteria.

In response to the ramification of long-term assistance programs in the aspect of self-help attempts, suggestions have been raised to limit foreign aid at minimum to motivate self-help efforts. The difficulty lies in how to determine the minimum level of aid that still promotes growth. Thus, aid must not be given indeterminately, but should be limited so as to constantly remind developing countries of self-help efforts. What is left to be done is the customised terms and conditions of each aid programme that must be specific to the nations involved. However, we must understand that the impact of assistance program is not directly proportional to the amount of aid, and sometimes controlled foreign aid can be more effective than generous funding.

Selectivity in aid will also help to focus the funding to a specific issue of a nation, hence increasing the efficacy of aid programs. This is best seen in the usage of UNDP trust fund to alleviate social and economic problems in low-income countries, such as the setting up of financial services for women & youth in Rwanda, construction of infrastructure for women & children in Laos<sup>42</sup>, promoting sanitation and water in Mongolia. Thus, the organisations or nations receiving aid must be carefully reviewed and selected with special attention to the pressing concerns at each nation to maximise the selectivity of each aid program.

In countries with higher corruption level, the prevention of misuse of aid is also a grave concern. Corruption in these nations can also be mitigated using the threat of foreign aid reduction. More importantly, donors need firm measures to ensure the developmental goals are on track through credible threats, such as the discontinuation of aid when the aided nations do not provide conducive platform for these programs. These threats must be coupled with achievable short-term goals, e.g. smaller objective after each year in a five- to ten-year aid program, so as to constantly remind recipient government of the responsibility to maximise the utility of aid. This also means a greater

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<sup>42</sup> Joint Korea-UNDP MDG Trust Fund, UNDP Website, extracted from [http://www.undp.org/content/seoul\\_policy\\_center/en/home/joint-development-action/joint-korea-undp-mdg-trust-fund/](http://www.undp.org/content/seoul_policy_center/en/home/joint-development-action/joint-korea-undp-mdg-trust-fund/), last accessed in 29 March 2014

accountability on donors' part to ensure the efficacy of assistance. The details of these terms<sup>43</sup> however depend on the specific projects and conditions in different countries.

The UN Committee also plays an important role in regulating these long-term assistance programs. Apart from providing grants, the UN can also influence and assist the working of IMF in giving out loans to developing countries, which, when compared to conditional grants, carry a higher obligation for these countries to transit to self-reliance. The UN also can act as the monitoring agency, tracking the effectiveness of the aid programs and the level of corruption, in order to deliver most suitable suggestions for the international programs. By acting as the objective, neutral and reliable source of information on the corruption and potential of developing nations, the UN should be entrusted with the authority to suggest assistance program directions depending on the situation of each country. However, the role of the UN is relatively limited in aid programs that involve heavy commercial motives such as the Sino-Africa trade relations. Deep understanding of the relationship between recipient and provider<sup>44</sup> will give insights into what motivates some assistance programs, thus helping the UN in better assessing the long-term impact of the contract in order to give qualified suggestions for developing countries. What the UN can do is to provide recommendations promoting sustainability and warnings on the potential consequences. Any form of international pressure or UN interference in these trade relations may not be appropriate in view of volatile political and diplomatic situations.

The coordination of various foreign aid programs to one developing country is another feasible addition to the picture. Support from international programs and from developed nations may sometimes overlap, so collaboration between NGO, aid organisations and rich countries will help to reduce administrative fee, simplify the research process and unify the approach towards solving one single problem. This concept was identified as "aid harmonisation". The absence of aid coordination between donors increases transaction cost<sup>45</sup> borne by the recipient government and introduces

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<sup>43</sup> Montinola, Gabriella, When Does Aid Conditionality Work? *Studies in Comparative International Development*. Sep2010, Vol. 45 Issue 3, p358-382. 25p. ISSN 0039-3606, DOI: 10.1007/s12116-010-9068-6, Accession Number:52443668

<sup>44</sup> De Torrenté, Nicolas, The Relevance and Effectiveness of Humanitarian Aid: Reflections about the Relationship between Providers and Recipients. *Social Research*. Summer2013, Vol. 80 Issue 2, p607-634. 28p, ISSN 0037-783X

<sup>45</sup> Paul Milgrom; John Roberts, *The Economics of Modern Manufacturing: Technology, Strategy, and Organization*

problems with planning inefficiency, with some regions receiving more aid than necessary and some still remains inadequate. Overcoming the barriers of harmonisation<sup>46</sup> is thus another challenge to effective aid.

## **5. A long-term goal**

From the case-study of Sino-African trade, the differing perspectives and interests pose a problem in “categorising” merits or demerits points of international developments. However, we are not forced to label certain programs as either recommended or detrimental, so more focus should be on the adjustment to how assistance should be given in order to minimise all the demerits, and on the responsibility of the United Nations in the current context. In addition, due to the different, if not contrasting, interests of donor and recipient nations, there may not be a suggestion that completely satisfies all parties. Finding the limit of compromise is thus the direction for any solution put forward by the UN.

Bearing in mind the limits of external aid is another important message that should be carried forward to all countries. The United Nations can help to identify a practical, long-term goal, but the change must come from both assistance programs and national effort. While eradicating poverty completely may not be feasible in the long-term, gradual changes are necessary to improve the living standards of humans.

Apart from the actual modifications and recommendations to existing and future aid programs, educational projects to raise awareness of the complex issue of long-term assistance are also necessary to provide the future generation of leaders with the knowledge of this special global interaction.

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*The American Economic Review*, Vol. 80, No. 3. (Jun., 1990), pp. 511-528, extracted from [https://faculty.fuqua.duke.edu/~charlesw/s591/Bocconi-Duke/Papers/C08/MilgromRoberts1990\\_AER\\_Complementarity.pdf](https://faculty.fuqua.duke.edu/~charlesw/s591/Bocconi-Duke/Papers/C08/MilgromRoberts1990_AER_Complementarity.pdf)

<sup>46</sup> The following paper contains a more detailed analysis on the obstacles to aid harmonisation: Winters, Matthew, The Obstacles to Foreign Aid Harmonization: Lessons from Decentralization Support in Indonesia, *Studies in Comparative International Development*. Sep2012, Vol. 47 Issue 3, p316-341. 26p, ISSN 0039-3606, DOI: 10.1007/s12116-012-9114-7, Accession Number: 77833417



## 6. Conclusion

Long-term assistance programs have multiple benefits to both donor and recipient nations in terms of politics, economy and diplomacy. When the social problems in the recipient countries are mitigated, occasionally the donor nations obtain other types of benefits in return such as the secure access to natural resources, the support in the global political landscape, or the improved diplomatic relations for future co-operations. However, there are drawbacks that cannot be ignored, such as the changing power balance in the world, the possible negative impacts of unsustainable projects related to natural resources, and the unintended effect on the developing nations' self-help efforts. Acknowledging that these demerits points may not be fully resolved without diminishing the advantages of aid programs, we can instead look for modifications of aid terms and conditions to minimise the undesirable consequences of assistance programs. Improvement may be found in the adjustment of aid amount to transform aid into a credible threat to alleviate corruption and motivate more self-help efforts. Targeting specific issues instead of indeterminate flow of funding is another strategy that is working for some communities around the world. Reaffirming the accountability on the parts of the government, the donor nations and the organisations involved is what must be enhanced, and reminding recipient nations of sustainability especially in terms of natural resources before trade relations are established is vital in building a better future. In this complex issue, the United Nations plays an important role as the mediator and regulator of assistance programs. It is reasonable for other nations to rely on the UN for accurate understanding of another country's need for aid and for objective assessment of effective aid. Thus, collaboration between different sectors – donor and recipient nations, international aid organisations, NGOs, international financial institutions and the UN is the key to sustainable global development that benefits the welfare of all mankind.

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