

**Committee:** Special Political



**Topic:** Foreign aid to corrupt countries

## **Background information**

The relationship between Foreign aid and Corruption is one of the biggest arguments for countries not to send any sort of aid to other countries. Even though Foreign Aid has been around since the 18<sup>th</sup> century with Frederick the Great of Prussia sending money to the less fortunate countries, corruption is still present in the process of sending aid to another state. One of the largest spenders of foreign aid is the UK which spends 0.7% of its GDP on sending to other countries which in 2016 was around £13.4 billion. This corruption occurs due to either the government receiving the money, not spending it, or they could be using it not to boost the overall welfare of the country. Or the donor country could be sending aid strategically to either boost assets in that country or to form a relationship with the other country. (For example, Russia and America in the Cold War, with Americas “Marshall Plan” being the first major example of bilateral aid). This is most commonly seen in bilateral aid as opposed to multilateral aid. The UN has set a target for developed countries all to annually spend 0.7% of their GDP on foreign aid. But if this much money is to be shipped to other countries then it needs to be made sure that this money is secure and going to be spent on the right things. Furthermore to some this target is seen as unrealistic as most countries are unable to send this much money away and fluctuations in the economy mean that this could cause serious damage to a country if there is a recession.

One example of bilateral aid being lost to corruption is that of UK foreign aid going to Pakistan. The UK sent £483 million in 2016 yet Pakistan are seen as one of the most corrupt countries having lost the equivalent of \$94 billion from 2008-2013 due to tax evasion and other types of corruption. Out of 180 countries Pakistan ranks 120<sup>th</sup> according to the Transparency International's 2018 Corruption Perception Index. One thing this does is slow down economic growth and has the potential to increase poverty as well as decreasing living standards. Therefore, delegates should look at this problem and use their countries views to tackle this problem how they see fit. Either by trying to reduce corruption in these states or via trying to track where foreign aid goes more tightly.

Another example of bilateral aid going to corrupt countries is that of US sending money to Afghanistan. Corruption in Afghanistan is rampant with it being 177<sup>th</sup> out of the 180 countries on the Transparency International's 2018 Corruption Perception Index. One recent example of corruption in Afghanistan is that of Kabul Bank from 2010-2013. This occurred when those close to the president Hamid Karzai were spending the banks \$1 billion on their own lifestyle. Whilst this isn't directly tied to the bilateral aid from the US, it still is a demonstration of the corruption occurring in Afghanistan. Perhaps even demeriting the US in the process.

The WTO sends a lot of humanitarian aid to foreign countries mostly Africa through the African Development fund (AfDF). This coincides with the World Food Programme (WFP) to spread aid to less developed countries. The WFP comment

that they have a “zero tolerance”. This is done by a process of finding if the country they are donating to have the means to reduce the corruption and whether or not they can allocate the money or goods received from aid without going through the wrong hands.

## Definition of Key Terms

**Foreign Aid:** money, food, or other resources given or lent by one country or organisation to another.

**Corruption:** dishonest or fraudulent conduct by those in power, typically involving bribery.

**Bilateral Aid:** Bilateral aid is assistance given by a government directly to the government of another country or to a local NGO. This is the type of aid that is most commonly known to cause problems with corruption due to this being much harder to track and also easier to a corrupt country to sabotage another countries money.

**Multilateral Aid:** Multilateral aid is aid that comes from a group of governments to one country and usually involves more than one state. The most common example being the UN.

**The Corruption Perceptions Index:** The Corruption Perceptions Index is an index published annually by Transparency International since 1995 which ranks countries "by their perceived levels of public sector corruption"

**The Marshall Plan** The Marshall Plan was when the US started to send large amounts of money to Western Europe after the second world war to aid with rebuilding. It was later used as a tactic to gain allies In the Cold War.

## Timeline of events

|                                |  |
|--------------------------------|--|
| <b>18<sup>th</sup> Century</b> | Frederick the Great of Prussia began sending money to less fortunate countries.  |
| <b>1947</b>                    | The Marshall Plan was established by America   |
| <b>1970</b>                    | The Un target of 0.7% was established by the UN as a means for developed countries to spends 0.7% of their GDP on foreign aid annually |
| <b>1980s</b>                   | Due to economic recessionforeign aid slowed down   |

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| <b>9<sup>th</sup> March<br/>2015</b>      | The UK becomes first G7 country to spend 0.7% of its GDP on foreign aid, therefore meeting UN target of 0.7% |
| <b>September<br/>28<sup>th</sup> 2019</b> | The US cuts \$100 million to Afghanistan.  |

## **Bibliography**

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