

FORUM: Social, Cultural and Humanitarian (SOCHUM)

TOPIC: The Issue of Ending Conditional Aid

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What is conditional aid?

Conditional aid can be in the form of money, expertise, goods, or services. Like other aid it is donated by one country or organisation to another country. However, the aid is donated to the country on conditions set by the donor. These can include promoting democracy, gender equality, tackling corruption, only spending aid on specific products or services from the donor countries, and creating a neo-liberal economy.

Overview

One of the biggest uses of conditional aid is as a way of furthering the donor's political agenda. The most common examples that you are probably already aware of are Marshall Aid and the Truman Doctrine. This was financial aid distributed by the USA to countries 'threatened by communism'. However, aid can also be used to promote arguably more favourable outcomes than a political alliance; The aid sent to Afghanistan by the US was there under the conditions of weapons tracking, sexual abuse prevention, and tackling corruption.¹ This is an example of where aid can be used to incentivise change in countries that would otherwise have little reason to tackle such issues. It is used as a way, for good or bad, of countries imposing their priorities and values on how another country conducts its affairs.

However, when conditional aid is in the form of loans, it can lead a country into ever-increasing debt. This is generally not the goal - aid tends to be given in order to pave the way for a country to become financially stable enough that it no longer needs aid. However, as countries take out loans to repay aid, they become even more dependent on it, negating its effectiveness. From 1987-89, there was actually a reverse net flow of money from LICs to HICs (\$15 billion) due to the huge repayments caused by loaned aid.

Aid can also be directed so that it is only spent on specific products or services from the donor countries, known as tied aid. Historically, the USA has tied about 75% of its aid, Greece has tied 70%, Canada and Austria have tied about 40%, whilst Norway, Ireland, and the United Kingdom do not tie their aid.² Another requirement can be that a country has to adopt neo-liberal economic policies, opening itself up to competition from far more established markets. This can result in pressure on a new, fragile economy as they are forced to compete with bigger, foreign

¹ Project on Government Oversight, <https://www.pogo.org/analysis/2015/10/us-embraces-conditional-aid-for-afghanistan/>

² Oxford Research Encyclopedias, <http://oxfordre.com/politics/view/10.1093/acrefore/9780190228637.001.0001/acrefore-9780190228637-e-332#acrefore-9780190228637-e-332-div1-3>

markets. The competition leads to more unemployment and worse working conditions with lower wages. It does mean that foreign investment will increase in the country once it opens itself up, but this money tends to focus on the production of consumer goods for world markets. It rarely goes to the development of schools or hospital or other, arguably more worthwhile, causes.

Conditional aid can therefore be seen as neo-colonial. Whilst countries are no longer invading other countries to appear 'impressive', through conditional aid they can still project their power and controlling another government's expenditure. France, for example, is using some of its aid to promote the learning of French language and culture in its former colonies. China is also currently funding a lot of conditional aid in Africa, specifically for infrastructure development. This aid is tied aid so it favours Chinese companies (often state owned) and provides opportunities for Chinese contractors.

The failure of non-conditional aid in the past was blamed on the weak leadership in recipient nations. The solution to this was to create conditions for receiving aid; often the implementation of democracy was a prerequisite. Arguably this was quite a large task as democracy took many years to evolve in currently democratic nations, but in recipient nations it had to happen quickly so investors would continue to supply aid. There is much debate as to how far this worked. Afghanistan, which was meant to implement democracy within five years, is still rather undemocratic. Critics suggest that the short time frame set did not allow for proper consideration of how to properly implement democracy. On the other hand, it could be argued that a longer time frame would have been even more ineffective as the focus on the end goal would have been lost. When looking at the success of the Marshall Plan in Europe, it may be tempting to think that conditional aid works as evidenced by the economic successes of European countries following WWII. However, the Marshall Plan only accounted for 2.5% of GDP of France and Germany, making these countries far less dependent on aid than African nations where approximately 15% of their GDP comes from aid.

Lastly, conditional aid often requires quantitative results, however many signs of development cannot be calculated that easily. Rather, a long-term cultural shift may have to occur in order to see meaningful change. By setting quotas and numerical goals, actions may become tokenistic. This means that while it appears to donor countries as though the recipient country is improving, the roots of problems won't have been tackled.

Questions to consider:

- What other methods of aid should be promoted?
- Is aid ever effective?
- How can we ensure that aid reaches the most worthwhile causes without making it conditional?
- How far does state sovereignty go?

Further Reading

<http://oxfordre.com/politics/view/10.1093/acrefore/9780190228637.001.0001/acrefore-9780190228637-e-332#acrefore-9780190228637-e-332-div1-3>