Background

When the Marshall Plan was introduced in 1949, the richest countries of the world, namely the U.S. and member countries of the European Economic Community, took a new approach to international relations. The idea was not only to rebuild the economies of the countries that were destroyed during the war but also to promote the economic and social development of less developed countries (LDCs).

ODA receipts, however, are very different from the costs of providing them. While development assistance is intended to be a long-term investment, it often has a short-term focus and is subject to political pressures. Moreover, the effectiveness of aid is often not measured in terms of its impact on development outcomes, but rather in terms of the amount of aid that is provided.

Aid Effectiveness in LDCs

Several shortcomings are observed with the current aid architecture undermining the effec-
tiveness of aid. To overcome these issues, the problems associated with the current development model are discussed as follows:

1. Degree of dependency on aid

The USAID data such as those from the United States and Latin America are highly dependent on aid in the sense that it is higher than that of any other recipient countries. In such cases, the sudden withdrawal of donor funding could be hugely devastating and catastrophic.

2. The volatility of aid

It is volatile and costly for aid to GDP, especially for the economies that have lower levels of per capita income. In the 1960s, ODA played a major role in the graduation of all five of the countries that have graduated from the LDC category, but today the trend of aid to LDCs has not been as favorable. In the years since 2000, aid to LDCs has decreased, even though the overall picture has been mixed for other recipient countries.

3. The inappropriateness of aid

In such circumstances, when aid is countercyclical, it can be an important smoothing device when aid volatility can be extremely costly, particularly to the LDCs, since it raises the cost of financial distress. The sudden withdrawal of donor funding could be hugely disruptive and catastrophic. Aid allocation in productive sectors and infrastructural development may increase the country’s GDP and export revenues. And untied aids should be strictly followed to improve aid effectiveness. Donor countries channelized via other modalities, such as technical assistance, that have a mixed record on aid effectiveness agreements. Donor countries should always achieve the funds channelized via other modalities, such as technical assistance, that have a mixed record on effectiveness agreements.

Rethinking the Development Aid Model

While the ODA figure suggests substantial increase in aid over the last decade, the real value of aid is not reflected by ODA but critically associated with the recipient’s ability to use aid. The amount of aid is given up, but billions of people who count on it are receiving less aid than are dis-

Future of Aid

In 2005, the United Nations (UN) General Assembly adopted the Millennium Development Goals (MDGs), which set eight goals for promoting development and reducing poverty. The MDGs have been successful in terms of raising awareness and mobilizing resources, but they have not been able to achieve all of their targets.

The Addis Ababa Action Agenda (AAAA) in 2015 called for a review of the trend of aid. It has been stated that the MDGs for LDCs should be extended to 2030 and the goal of aid to LDCs should be maintained at the current levels of at least 0.15% of their GDP or 0.7% of their GNI and at 11% or 11.5% of their GDI or GNI. However, the target has not yet been met and there is less prospect of meeting it any time soon in this regard.

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Aid for Trade (AfT)

It has been globally recognised that an active participation in global trade can’t mil-

The Istanbul Programme of Action (IPoA) for LDCs for the decade 2011-2020 calls for not

pipeline development and their absolute need for increased capacity-building in this link.

Global economic changes and increasing demand for food has caused upsurge in food prices and

begins to move in the direction of a less aid-dependent, more trade-oriented economic

considerations to obtain official development assistance and grants. Similarly, to all bilateral and

-supported education. The countries that have performed well in this area include China, India,

counterparts. We also believe that the trade-related financial and technical assistance pro-

Aid for Trade (AfT) demand increased trade-related financial and technical assistance aimed

national financial institutions, governments and civil society organisations can increase the

While the IPoA calls for development partners to allocate at least 50 per cent of net ODA to

in the same year, Enhanced Integrated Framework (EIF). Statistics from WTO show that

developing countries, particular the LDCs. In the same year, the Donor Assistance

GII), was 0.555 for LDCs, compared with 0.688 for other developing countries. 

It is also crucial for development partners to produce reliable and trustworthy data and

Finally, a strong cooperation and coordination among the development partners, inter-

Aid to LDCs is distributed directly through the Official Development Assistance (ODA) framework.

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enough to make them part of the international economic system, and at the same time provide

The reduction in support is critical to help developing countries, particularly the LDCs, to

Aid Watch would like to call on development partners to help the earther that aid com-

good governance, transparency, harmonisation, country ownership and unified aid in order to

Aid for Trade (AfT) initiative was launched with an objective to encourage more active

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and the need to align with their respective budget allocation process. LDC Watch also calls on

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