

# General Assembly 3: Economic and Social Council

## The Question of Economic Support for Welfare Programs in LEDCs

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# Contents

Introduction .....	2
Definition of Key Terms .....	2
Background Information .....	3
Current Situation .....	4
Major Parties involved and their views .....	4
Timeline of Relevant Events .....	6
Related UN Treaties and Events .....	6
Previous Attempts to solve the issue .....	7
Possible Solutions .....	7
Suggested Reading .....	8
Bibliography .....	9

## Introduction

The mid-20th century ushered in an era of decolonization and independence movements that led to the creation of several new states, many of which faced periods of political instability and large levels of governmental debt. As such, the provision of financial aid to (LEDCs) from donor nations focused mostly on economic growth within recipient nations, leading to rapid modernization and advancements in technology. However, in recent years, especially with the creation of the Sustainable Development Goals (SDGs), donor states have shifted their focus to encompass social issues other than economic growth and have placed particular attention on poverty alleviation within member states; with intentions of fostering shared prosperity between member nations and uplifting the poorest and most vulnerable communities. In light of this year's NISCMUN theme, "Truth and Reconciliation for an Equitable Future," it is pertinent that we recognize the importance of this agenda and its role in securing a safe and equitable future for all.

## Definition of Key Terms

### *Less Economically Developed Countries (LEDCs)*

LEDCs are defined by the UN as "countries with low levels of income, and face severe structural impediments to sustainable development," which is often seen together with a lower GDP and standards of living in comparison to More Economically Developed Countries (MEDCs). Nations classed as LEDCs, are assessed by three main criteria by the UN, the first of which, being that countries possess an average GDP per capita income of below \$1,018 US dollars. LEDCs also possess a low score on the Human Assets Index, which measures the level of healthcare, income and education within a country, including adult literacy rate and child mortality rate. The final criteria measure a nation's economic and environmental vulnerability, based off factors such as a nation's Environmental Vulnerability Index (EVI), remoteness, and dependence on agriculture.

### *Official Development Assistance (ODA)*

Official Development Assistance refers to government aid provided to LEDCs to promote economic and welfare development. ODA is divided into two main categories of financial support; bilateral aid, which is assistance directly provided to the developing nation from the donor country, and multilateral aid, which is provided through international organizations such as the World Bank or the International Monetary Fund (IMF). Donor nations may provide ODA through long-term, low-interest loans to finance development.

### *Debt Relief*

Debt relief is the partial or total forgiveness of debt to make it easier for a borrower to repay it and is frequently implemented to alleviate the burden of debt that LEDCs may have. According to the International Monetary Fund (IMF), for debt relief policies to be effective, more money must be spent on programs that benefit the poor, including investments made to improve healthcare and educational facilities.

### ***More Economically Developed Countries (MEDCs)***

More Economically Developed Nations are characterized by high levels of income, a high GDP per capita, and a high standard of living. The UN identifies nations in this category with an average GDP per capita of over \$1,222 US Dollars.

### ***Welfare Programs***

Welfare programs are forms of government financial aid to low-income families who are unable to support themselves, to ensure that all members of society can access basic necessities such as food, shelter and healthcare.

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### ***Aid Dependency***

Aid dependency refers to the reliance of a country on foreign aid as its primary source of funding for development and economic growth. It is measured by the proportion of government spending that is provided by foreign donors. Cycles of aid dependency can emerge once 15-20% of total government spending is funded by said donors. However, the principal cause of aid dependency is when a nation adopts it as a long-term economic strategy.

### ***Political Dependency***

Political dependency occurs when donor nations have too much influence over the recipient nation's government, and this allows the donor country to adopt policies tailored to their own political interests, usually fostering an even greater level of underdevelopment in dependent nations.

## **Background Information**

In its earliest forms, foreign aid was provided as a means of providing military assistance to support warring territories that were considered strategically important. It has since evolved to cater to a wider variety of socioeconomic issues. In particular, Development Theory, which first emerged in the United States during the 1940s, helped shape how economic support would be provided in today's times. The theory drew focus on the promotion of modernization within LEDCs in hopes of drawing newly independent states away from the communist Soviet bloc. However, this strategy has since changed to align with the increased focus on sustainable development by members of the international community.

The establishment of the SDGs, was particularly critical in paving the way for increased global advocacy for the provision of economic support in LEDCs, which has led to the continued provision of foreign aid in support of welfare programs in LEDCs by the UN. Examples of such action include numerous UN Least Developed Countries (LDC) conferences, and Heavily Indebted Poor Countries (HIPC) initiatives

## **Current situation:**

Foreign aid levels rose to an all-time high of \$204 billion US dollars in 2022. Although foreign aid has helped stimulate economic and social development in the countries that have received it, it has also led to cases of aid dependency in several nations. For instance, the Democratic Republic of Congo's (DRC) government debt took up 85% of the nation's GDP in 2009 launching the nation into a cycle of aid dependency. The repercussions of this issue were made particularly evident with the outbreak of the COVID-19 pandemic, which launched the DRC into a severe economic shock and weakened the nation's rate of economic growth. This is one of many situations where LEDCs have struggled to tackle aid dependency within their economies, which include several nations from sub-Saharan Africa and the Middle Eastern Region.

Furthermore, the provision of foreign aid has also led to cases of political dependency within recipient nations by "encouraging donor intervention in political processes." This is particularly detrimental to nations that receive foreign aid due to political upheaval and civil unrest.

## **Major Parties involved and their views**

### **Egypt**

Egypt has received an estimated \$8.2 billion US dollars in foreign aid as of 2021, primarily for the reason of alleviating its pressures of hosting refugees from neighboring countries, including Sudan, and South Sudan. This has culminated into a significant level of foreign debt, which took up 33% of national GDP in 2022.

### **Democratic Republic of Congo (DRC)**

While the DRC's economy has grown in the past twenty years, it has done so at a significantly slower rate in comparison to other developing nations. The DRC has received \$3.5 billion US dollars of foreign aid as of 2021, and has continued to be a major recipient of financial aid from international organizations such as the IMF and the World Bank.

### **World Bank**

Through the provision of policy advice, and financial support, the World Bank serves as one of the largest supranational organizations that provide foreign aid to LEDCs. Presently, all member states are part of the World Bank Group, with the exception of, Andorra, Cuba, Liechtenstein, Monaco, and North Korea.

### **Luxembourg**

As of 2022, Luxembourg had the highest recorded share of ODA allocated to LEDCs and has spent \$550 million US dollars on average every year on foreign aid between 2018 to 2022, providing the majority of its aid in the form of bilateral grants.

### **Norway**

The member state with the second highest level of foreign aid being given away, Norway's total ODA in 2022 was recorded at \$5.2 billion US dollars, thirty per cent of which, was allocated to LEDCs in the form of bilateral aid.

### **United States of America (USA)**

The USA continues to remain the largest contributor of foreign aid in net value, contributing an estimated \$34.2 billion in total as of 2023, with LEDCs receiving 32% of this value.

### **International Monetary Fund (IMF)**

Similar to the World Bank, the IMF is also a major supranational donor of funds to LEDCs. However, although both the World Bank and IMF are rooted in similar causes, they are responsible for performing different functions. In particular, the IMF focuses on maintaining a stable system of payments between nations, whilst the World Bank focuses on reducing poverty in low- and middle-income nations through the form of low-interest loans and grants to implement reforms or welfare programs. Countries that are not a part of the IMF, include Cuba, North Korea, Monaco, Taiwan, Vatican City, and East Timor.

### **United Nations Conference on Trade and Development (UN CTAD)**

The UN CTAD is an intergovernmental body within the UN that works to help LEDC countries develop their economic capacity by opening trade opportunities and investments. By providing this form of economic support, the organization utilizes trade as a tool for poverty eradication

### **Oxfam**

Oxfam serves as an NGO working to provide direct humanitarian and economic support to LEDCs to relieve vulnerable communities from severe poverty. The organization established the UK Poverty Programme in the 1990s, which it has since utilized to address poverty through the provision of direct lobbying and volunteer programmes.

## Timeline of Relevant Events

Date	Description
July, 1944	<p><b>Bretton Woods Conference</b></p> <p>Initially established during the conference to help rebuild Europe and Japan in the aftermath of the second world war, the World Bank and the IMF serve as a supranational development organization created to foster economic cooperation between nations and create a more stable global economy. Both organizations serve as specialized UN agencies, as defined in the UN Charter.</p>
September, 1996	<p><b>HIPC initiative was launched</b></p> <p>The initiative was first launched by the IMF and World Bank in order to ensure that no LEDCs would be placed with an unmanageable debt burden. This initiative paved the way for the later implementation of the Multilateral Debt Relief Initiative (MDRI), which allowed countries who had previously qualified to receive support in the HIPC initiative, to receive “100% relief on eligible debts by the IMF, World Bank and African Development Fund.”</p>
September, 2015	<p><b>Creation of the Sustainable Development Goals (SDGs)</b></p> <p>In 2015, all UN member states adopted the 2030 Agenda for Sustainable Development, which has served as the blueprint for resolving pertinent international issues. The goals replaced the Millennium Development Goals (MDGs), and continue to drive progress in objectives originally outlined in the MDGs. The agenda consists of 17 key SDGs, which seek to resolve issues such as poverty, inequalities, and environmental failure. The first SDG titled, “No Poverty,” is particularly relevant to this agenda, as the provision of economic support for welfare programs in LEDCs plays an essential role in improving the socioeconomic situation within such nations. However, although many initiatives have been implemented with the hopes of eradicating this issue, it is estimated by the UN that “575 million people could still be trapped in extreme poverty by the year 2030, primarily in sub-Saharan Africa.”</p>

## Related UN Treaties and Events

### **May, 2001: Third United Nations Conference on the Least Developed Countries (LDC-III)**

Developing goals outlined earlier in the UN Millennium Declaration, the conference adopted the Brussels Programme of Action with the aim of both promoting sustainable development within LEDCs, and halving the proportion of people living in extreme poverty by 2015. The plan helped establish a network of partnerships between LEDCs and respective development partners, and included methods in which financial resources would be mobilized to allow LEDCs to implement welfare programs listed in the 30 goals outlined in the plan. For instance, donor countries were asked to provide more than 0.2% of their GDP as official development assistance (ODA) to LEDCs.

### **April, 2022: ECOSOC Forum on Financing for Development (FfD forum) Follow-up**

The conference recognized the mobilization of “sufficient funding” to accelerate the implementation of the 2030 Agenda for Sustainable Development, and focused on resolving increasing debt distress in member states, and increasing financial support provided to LEDCs.

### **March, 2022: Fifth United Nations Conference on the Least Developed Countries (LDC-V)**

The conference strengthened earlier commitments made in past LDC conferences by adopting the “Doha Programme of Action for the Least Developed Countries” for the decade 2022-2031 (DPoA). The plan renewed previous commitments between LEDCs and development partners, including relevant bodies within the private sector, and the Bretton Woods institutions (World Bank and the IMF). Support from such bodies would include the building of sustainable, climate resilient, and affordable housing by leveraging financing from public-private partnerships. The plan also calls for the partnership between MEDCs to provide financial and intellectual support to LEDCs to develop their facilities for primary education and higher education.

## Previous Attempts to solve the issue

To date, there have been countless attempts that have been made by supranational organizations and NGOs that have supplied economic support to LEDCs to develop welfare programs within their nations. One case includes the 2000 outbreak of AIDS and Tuberculosis in sub-Saharan Africa, where NGOs such as the Global Fund to Fight AIDS, Tuberculosis and Malaria have invested funds into the distribution of technological and human resources to African Nations. In particular, the 2005 “Make Poverty History” movement helped catalyze the growth in international aid to combat the AIDS outbreak and involved pledges made by the G8 to double economic support provided to Africa by 2010.

However, there have been cases where LEDCs have denied attempts from donors who sought to provide economic support, one example being Morocco’s reluctance to receive foreign aid to support welfare programs following a major earthquake in September 2023.



The nation's dismissive stance on the subject was likely brought about due to fear of being subjected to a cycle of political debt; especially to nations whose political interests did not align with theirs.

## Possible Solutions

Efforts to provide economic support for welfare programs in LEDCs have continued to increase as governments have placed a greater focus on sustainable development. To effectively provide economic support, there should be courses of action taken not only to provide LEDCs with adequate financial aid, but also to avoid subjecting recipient nations from falling into perpetual cycles of aid and political dependency, thereby eliminating the detrimental consequences that such cycles bring to a country's political stability and balance of payments.

When coming up with resolutions, delegates should consider whether their solutions are short-term or long-term. Although policies implemented may allocate sufficient economic support for LEDCs in the short-term, they may fail to address underlying issues of how the provision of foreign aid challenge a state's sovereignty, and how cases of corruption can impact the mode in which donations are made. For instance, cases of corruption in recipient nations are often met with more complex methods of donation, including direct programme funding (DPF), conditionalities, and grants, which give donors more autonomy over the ways in which their funds are used. Although such methods address the issue of transparency and mishandling of funds, delegates must also keep in mind that these are often implemented at the cost of increased political involvement from donor nations and can lead to situations where recipient nations grow increasingly dependent on political intervention from foreign states.

As such, delegates may consider ways in which the usage of funding can be monitored instead, by a named unbiased third party, for example, a relevant UN body. Furthermore, cases of political dependency can also be avoided through the implementation of recipient-led schemes, where LEDCs take greater control over the direction and use of funding. One example of this is the way Botswana managed its foreign aid in the late 1960s, where its government identified areas in its economy that required the most attention, and matched donors accordingly. This allowed the nation to avoid over-relying on the agendas of donor states. The creation of capacity building and technical assistant programs can also be used to enforce the implementation of welfare programs within LEDCs, primarily from developed nations and intergovernmental organizations. Additionally, the establishment of partnerships between relevant NGOs and UN bodies can lead to advancements in the design and implementation of welfare programs in LEDCs.

## Suggested Reading

Article on challenges that prevent LEDCs from receiving economic support:

[https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS\\_843967/lang--en/index.htm](https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_843967/lang--en/index.htm)

Booklet on the 2022-2031 Doha Programme of Action:

[https://www.un.org/ldc5/sites/www.un.org.ldc5/files/doha\\_booklet-web.pdf](https://www.un.org/ldc5/sites/www.un.org.ldc5/files/doha_booklet-web.pdf)

Article on the ways in which aid dependency can be avoided:

<https://www.twigh.org/twigh-blog-archives/2015/7/31/aid-dependency-the-damage-of-donation#:~:text=Aid%20dependency%20refers%20to%20the,is%20given%20by%20foreign%20donors.>

Article from the IMF on debt relief initiatives:

<https://www.imf.org/en/About/Factsheets/Sheets/2023/Debt-relief-under-the-heavily-indebted-poor-countries-initiative-HIPC>

Article on International Support Measures for LEDCs:

<https://www.un.org/ldcportal/content/international-support-measures-ldcs>

Article on methods to provide economic support to LEDCs:

<https://trade4devnews.enhancedif.org/en/op-ed/six-suggestions-improving-support-least-developed-countries>

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