

Comment: Aid and Development Issues in the G20

Kye Woo Lee
KDI Graduate School

Although no specific proposals have been advanced on the agenda for the G20 Summit, several participants commented that future G20 meetings should take up “economic development issues,” besides measures on financial safety net.

In this regard, some participants argued that “aid coordination and effectiveness” should be discussed at G8 rather than at G20 meetings. Among the arguments that were cited by the participants included: the need for a division of labor between G8 and G20; a lack of interest among emerging economies in regards to aid issues; and the existence of another forum that deals with such issues, i.e., the Development Assistance Committee (DAC) meetings. However, their arguments are logically weak and unpersuasive.

Firstly, those who argued that the G8 is the proper forum for discussing aid issues hold the view that the G20 should take up economic/financial issues, and that the G8 should continue to discuss geopolitical issues, which would include aid effectiveness and coordination.

However, several participants had already expressed a strong view that the G20 would (and should) absorb the G8 in due course to avoid overlap between the two summits. Moreover, the argument for including the issues of aid coordination and effectiveness in the geopolitical agenda is mainly reflective of U.S. history and tradition, and is not representative of the mainstream thinking of DAC members. As a legacy of the Cold War era, the U.S. government’s rationale for foreign aid has been based on national security. But most DAC members believe that the practice of providing aid should be driven by humanitarian and developmental reasons. Accordingly, aid effectiveness and coordination issues should be discussed as part of the development agenda.

Logically speaking, aid is not in of itself the end but the means for economic and social development. And taxonomically speaking, aid is part of development finance; and therefore, it should be included in the development agenda. Many heads of state and representatives of non-governmental organizations that attended the International Meeting for Financing of Development in Mexico in 2002 reached a consensus to raise the target amounts for aid given to developing countries, including the least developed countries in Africa. This consensus on development finance was attained not in the G8 forum, but outside of it as part of discussions on development issues.

Secondly, those who disagreed that aid issues should be on the G20 agenda also argued that emerging economies are not interested in foreign aid for development, citing the reaction to President Obama’s food security initiative, which was elaborated at the

Pittsburgh G20 Summit in September 2009. Such an observation, however, does not reflect reality. Today (April 22), Korea has pledged to make contributions as a founding member of the food security initiative at its launching in Washington, D.C. I suspect that many other emerging economies will follow suit. Moreover, the amount of aid offered by Korea and other emerging economies on a global basis already accounts for more than 10 percent of the total aid provided by DAC members. Moreover, the amount of aid may reach even 20 percent of the total aid given by DAC members, if one country member adopts the higher end of the estimates on aid by China. DAC members have raised concerns about the pattern of aid provided by non-DAC members, which has been increasing rapidly and has already reached an alarming level. Besides the new Eastern donors like China and India, non-DAC donors from the Middle East like Saudi Arabia, United Arab Emirates, and Israel, as well as emerging donors from Latin America like Brazil and Venezuela have recently been raising the level of their development aid. Korea has already committed to triple its development aid over the next five years. Aid coordination and effectiveness issues would be better served if discussed at the G20 where many of those emerging donors that have committed to providing aid are members and represent different parts of the world.

Thirdly, those participants who argued for precluding aid issues from the G20 also stated that such aid issues could be discussed at the DAC forum. However, among the emerging donors who are G20 members, only Korea and Mexico are also DAC members. As prerequisites, reaching an agreement on aid coordination and effectiveness requires common understanding and value, equal status and power, and mutual trust. The DAC forum would be ineffective for discussing aid issues between DAC members and non-DAC members, who may not share the same values and may lack equal status and power (and therefore mutual trust). It would be more effective to discuss aid issues at G20 meetings, where all members share the same commitment and mutual trust with equal status and power, and therefore, could operate on an equal basis. All of the G20 members may not share the same values, but with trust and commitment, they may be able to hammer out a new international development cooperation framework or international aid architecture.