



Economic and Financial Committee

Complementing official development aid (ODA) by innovative financing for development

Introduction

Official development assistance has been recently targeting rich countries that could provide 0.7% of their GNI to the least developed countries in the world. The connotation of a Least Developed Country (LDC) originated in the late 1960s and such a country must meet the three following criteria:

1. Poverty – the GNI of a country must be (an average over three years) lower than \$1,035 and must not be higher than \$1,242.
2. Human resource weakness – includes low nutrition, bad health conditions, low education and adult literacy.
3. Economic vulnerability – depends on the volatility of the agricultural production, instability of exports of goods and services, the handicap of economic smallness etc.

Least developed countries

Every three years, each country is being overviewed by the CDP (Committee for Development Policy) of the UN Economic and Social Council. Each country belonging to the LDCs can graduate from this status to a “developing country” status, but since the first appearance of the term, only four countries were able to graduate from LDCs, starting with Botswana in 1994.

Currently most of the African countries belong to LDCs along with Afghanistan, Laos and Nepal. The latest data from February 2016 show, that 48 countries belong to the group of LDCs, which is at least sad given the fact that we live in the 21st century. That is why we need to get as many of these countries out of the status of an LDC as possible.

Sending 0.7% of the GNI of some of the developed countries could rapidly improve the integration in the rest of the world and contribute to the graduation from the LDC status. Take for example the US. Their GNI in 2014 was more than \$17,812,700,000,000. If they gave 0.7% of this amount of money to any of the LDCs, those countries could divide \$124,688,900,000 between each other. Sure, it's a lot of money that America would never offer, but still – if they took 0.7% of their GNI (year 2014) and shared that equally between all people in the world (count 7 billion), each of us would get \$17,8. That's an amount that seems low to an average American, but is almost 4 times higher than the monthly salary in the Democratic People's Republic of Korea, and more than half of the world has never seen this amount of money together. But this solution is clearly not working out and we need to find a new way to finance LCDs.

Possible solutions

One of the options we have consists of trading with emissions. The thing is that countries and companies within them have permission to emit a certain quantity of a specific pollutant. It is possible to buy and sell permits to raise the amount of the pollutant you want to emit. By doing this, big companies, which need to emit more than the amount allowed by the state have the possibility

to buy a permit from a small company that doesn't emit as much. The idea would consist of selling pollution permits to big companies usually exploiting some of the least developed countries. The government would sell such permits, which would help its economy.

There are certainly more ways to improve the economy of a certain country. The question is – should we help those countries develop? Isn't it their role in the whole economic world to be poor and let themselves be exploited by big foreign companies that offer at least some work positions and bring some money to the country?

Sources and links:

- <http://data.worldbank.org/indicator/NY.GNP.PCAP.CD>
- https://en.wikipedia.org/wiki/Emissions_trading
- <http://iif.un.org/content/official-development-assistance>
- <http://www.un.org/esa/ffd/documents/InnovativeFinForDev.pdf>