



ECONOMIC AND SOCIAL COUNCIL

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Topic Guide

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ECOSOC - Economic and Social Council

Topic: Reducing dependence on foreign aid and investment by strengthening and mobilizing African domestic markets and endogenous resources

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Introduction to the Committee

The United Nations Economic and Social Committee (ECOSOC) was established in 1945 by the charter of the United Nations and held its first meeting on January 23rd, 1946. Its main objective is to coordinate the economic, social, and cultural operations of the United Nations and advocate for international development and cooperation. Multilateralism, inclusivity, and global solidarity have been core to ECOSOC's mission. Since its founding, ECOSOC has provided Member States, the UN system, and civil society an opportunity to come together and address the world's most pressing challenges. (*UN80 | Economic and Social Council*)

Introduction to the topic

For decades now, African economies have been heavily dependent on foreign aid and direct investment to support necessary development and public services. While this prolonged reliance on aid and investment has provided significant economic growth overseas for developing African countries, it has also, unfortunately, limited economic diversification, weakened domestic markets, and reemphasized themes of neocolonialism.

More people are realizing that sustainable development needs to come from within as economic uncertainty rises globally. Building robust, self-sustaining economies requires boosting intra-African trade, bolstering domestic resource mobilization (DRM), and making efficient use of endogenous resources like natural resources, human capital, and local entrepreneurship.

ECOSOC is invited to examine methods that move African development away from reliance on outside sources and toward long-term economic sovereignty, regional cooperation, and empowered domestic markets.

Definition of Key Terms

- Foreign direct investment
 - The act of acquiring a large stake and investing capital in a foreign entity with long-term economic interest

- Domestic markets
 - Domestic markets (or internal markets) refer to the exchange of goods, services, and securities within a country's borders, targeting local consumers.

- Endogenous resources
 - Endogenous resources are inherent, internal assets, capabilities, and materials existing within a specific community, region, or system that drive local development and sustainability.

- Economic Diversification
 - Economic diversification is the process of expanding an economy's range of industries, goods, and services to reduce reliance on a single sector or commodity, enhancing resilience against external shocks or dependency.

- Domestic Resource Mobilization (DRM)
 - Domestic Resource Mobilization (DRM) is the process through which countries raise and manage their own funds, primarily via taxation, savings, and local capital markets, to finance economic development and public services.

- Neocolonialism
 - Neocolonialism is the use of economic, political, cultural, or other pressures to control or influence other countries, especially former dependencies.

- Intra-African Trade
 - Intra-African trade refers to the exchange of goods and services between nations on the African continent.

- Dependence (Aid & Investment)
 - Dependence on aid and investment is a state where a country relies heavily on foreign funds, loans, and expertise to support its economy, budget, or public services, rather than generating its own revenue.

- Foreign aid
 - Foreign aid is the international transfer of capital, goods, or services from a country or international organization for the benefit of the recipient country or its population.

Background and Context

Since the 20th century, many developing countries relied on foreign aid and foreign direct investment (FDI) as tools for economic growth and post-colonial development. International financial institutions, donor states, multinational corporations, and major businesses have influenced the economic structure of the Global South. The funding for infrastructure, healthcare projects, and industrial schemes has also led to long-term reliance on external capital, debt vulnerability, and limited economic diversification.

In many instances, there was an economic structure that derived from the export of raw materials, leaving domestic markets not fully developed and domestic industries unable to compete. Calls for financing for developments have intensified with large-scale neocolonial economic patterns, particularly illicit financial flows and profit repatriation.

The growing global instability and the surge in debt levels today have added to the importance of strengthening domestic resource mobilization (DRM) with endogenous resources and making economies resilient to grow without over-dependence on external finance.

Current Situation

Nowadays, African markets work and aim to reduce dependence on foreign aid and external investments by strengthening local markets and mobilizing local resources. However, dependency on other external markets remains. Reports from February of 2025 reveal how over half of African countries rely on oil, gas, or minerals for at least 60% of export earnings from non-African countries. Africa remains the world's largest recipient of Official Development Assistance (ODA), receiving \$73.6 billion in 2023, though its share of global aid has dropped to 26.7%. Intra-African trade faces difficulties despite initiatives like the African Continental Free Trade Area (AfCFTA). As of late 2025, 49 of 54 signatories have ratified the agreement.

It is becoming a key tool to enhance regional trade, which is expected to boost intra-African trade by 60% in agri-food and 48% in industry by 2045. Poor connectivity in the region means road transport costs account for about 29% of the price of goods traded within Africa. Despite the large amounts of financial aid African countries receive, recent reports from a UN Office showcase that most African development financing primarily comes from domestic resources, evidencing that African self-sufficiency is possible and stressing the need to boost domestic revenue to reduce the reliance on external aid.

Key Challenges and Issues

Many developing states face a structural weakness of domestic economies, making them heavily reliant on foreigners. This dependence requires an increase in the productive capacity of domestic economies. Challenges related to taxation and informality, such as a weak financial sector, restrict DRM efforts. The economies heavily reliant on limited and

specific commodity exports face an economic diversification barrier. The global price fluctuations make it vulnerable to external shocks and other incidents. The growth of strong domestic markets, which can sustain long-term growth, is further hampered by weak infrastructure and limited access to credit for SMEs, and low levels of industrialization.

Moreover, widespread global inequalities hinder progress towards independence. Disparities in trade, debts, and profits leaving the country through MNCs and patterns reminiscent of colonization impact sovereignty and policy choices. Numerous states are faced with the difficult task of weighing the benefits of foreign investment against their desire to protect and reinforce endogenous resources. Unless the right policies are framed and transparency and regional cooperation are implemented, efforts to reduce dependence on aid and investment will likely either slow down development or reinforce vulnerabilities.

Previous UN Actions and Resolutions

- **The Lagos Plan of Action (1980):** An early, ambitious framework emphasizing self-reliance, regional cooperation, and the creation of an African Economic Community to reduce foreign dependence. As a comprehensive Organization of African Unity (OAU) initiative, it was designed to encourage African self-sufficiency and economic integration from 1980 to 2000. The plan prioritized food security, industrialization, natural resource management, and development of human resources, science, and technology. While it laid a foundation for future development, the ambitious goals were largely not met by the target year of 2000, partially due to the rise of Structural Adjustment Programmes (SAPs).

- **UN New Agenda for the Development of Africa in the 1990s (UNNADAF):**
Launched to address the persistent economic crisis, focusing on economic diversification and strengthening domestic structural reforms.
- **Support for Intra-African Trade (AfCFTA):** The UN Economic Commission for Africa (UNECA) has been instrumental in promoting the AfCFTA to create a 1.5 billion-person market, boosting "Made in Africa" products to reduce reliance on external markets.

Possible Solutions and Policy Options

To lessen reliance on foreign aid and foreign direct investment requires structural reform, which fortifies internal economic foundations rather than quickly cutting external partnerships. Domestic resource mobilization (DRM) should be a top priority for governments to diversify economic activities and invest in more resilient domestic markets that generate more reliable sources of revenue and employment. Policies must seek to create productive capacity, strengthen institutions, and ensure that external engagement complements, not substitutes, national development strategies.

Global cooperation is needed at the same time. It is not to isolate the economy, but to engage in a manner that protects endogenous resources, curbs vulnerability to external shocks, and trade in an equitable manner globally. To achieve economic sovereignty and long-term stability, states must balance their internal reforms with their external partnerships.

Consideration of policy options:

- Efforts must be made to improve domestic resource mobilization through tax systems and illicit financial flows.
- Investment in manufacturing, technology, and value-adding sectors to diversify economies.
- Helping small and medium-sized enterprises (SMEs) to grow and form domestic markets.
- The recommendation is to promote regional interregional trade agreements in order to create greater access to markets and to avoid dependency on a few export markets.
- To ensure the transfer of technologies, local employment requirements, and protection of indigenous resources.

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