

Financing Development

Hetty Kovach, Advocacy Officer, Oxfam GB, United Kingdom

Firstly, just want to say thank you for the OECD inviting Oxfam to speak on this panel on development finance. I do not think that the issue could be timelier, given the on-going impact of the financial and economic crisis on developing countries. Oxfam is also in the midst of doing research on the impact of the crisis in many of the countries we work in and we are finding that whilst 'green shoots' might be emerging in developed countries, the crisis is only just hitting poor countries and comes on the back of food and fuel crisis which is still affecting poor people's livelihoods.

I have been told to stick to 5 minutes and to be prompt so I wanted to raise 3 key points.

1. The importance of richer nations maintaining their aid promises even in these difficult domestic times, and I hope to debunk some of the myths around whether rich countries can afford to deliver on their aid promises or whether there is political backing from citizens.
2. The second point is about the need for rich countries to deliver not just more aid, but better quality aid.
3. Third and finally, I would like to look beyond aid - to the importance of rich countries helping developing countries generate greater domestic resources for development and the need for greater work to tackle tax havens.

Lets hope I get all these points in my time.

Aid

1. Aid bashing has become incredibly popular of late, with Dambisa Moyo's book 'Dead Aid' - which I am sure many of you will have heard of - making Time magazine put her in the top 100 most influential people this year. Moyo is incredibly critical of the impact of aid to Africa and one of the conclusions of her book is a call for an end to aid in the next five years.
2. However, I think in a time when private financial flows have dramatically declined to developing - the World Bank estimated yesterday a US\$1 trillion dollar loss in private flows to poor countries, it is morally reprehensible to say that now is the time to stop aid.
3. No one, let alone Oxfam, is saying that aid is the panacea; the answer to all developing countries ills. And Moyo is right in highlighting that in the past aid has been given incredibly badly - in order to prop up dubious political regimes or lavished on expensive donor consultants to assist in projects that bring little benefit to those aid is intended to help. It is also true that some aid today continues to be given badly and that we do need to talk about exist strategies for aid. However, what she fails to note, is the positive impact

of aid when it is given well. Our experience has shown that aid can make a huge difference to poor peoples lives for the better:

Key states on aid working:

- The Global Fund for HIV/AIDS, TB and Malaria, created by the G8 after worldwide campaigning, is a modern day miracle that is distributing 80 million bed nets world wide and provides free aids treatment to over 2 million people.
 - Over 34 million more children have got to go to school for the first time in the last decade, paid for by a combination of poor country governments doing more themselves and increases in aid and debt relief
- Aid in Tanzania has Helped reduce infant mortality by a third and under-5 mortality by a quarter - it has made a difference
 4. Now more than ever, poor countries need to be able to rely on sustainable and steady aid flows to help them through the hard times. And this is not the time to cut aid.
 5. How much are rich countries giving and is it enough? Rich countries give the same amount of aid today as they did in 1993 – if you measure it by percentage of Gross National Income they deliver – 0.30%. This is less than half of what they promised to deliver in 1970 with the UN call for all rich nations to deliver 0.7 of their national income as aid.
 6. The OECD estimates that on current trends, even **the G8's promised \$50 billion extra by 2010– a small step to the 0.7 target - in ODA will be missed by as much as \$23 billion dollars**¹. This is money that Oxfam calculates could save 3 million people's lives.
 7. What the data shows is that many rich countries where already failing to step up to the plate, even before the financial and economic crisis. now
 8. But now all we hear is doubts over whether rich countries afford to give aid now? And claims that there is limited domestic backing from citizens for increased aid flows. governments political constituencies. Can rich countries afford to give aid! And is it true that publics across the world in developed countries don't have an appetite for aid increases? there domestic backing? My answer to both is yes.
 9. Well on whether they can afford to give aid – my answer is yes. The amount we are talking about is a fraction of the cost of bailing out the banks for example. Rich countries spent **70** times more on bank bailouts than they did on aid in the last year.² **The US government alone has spent more than the global aid budget - \$173 billion – to be exact on bailing out just one company, the American Insurance Group (AIG).** The amount of money Germany is spending on the Euro fighter project is **5** times more they gave to Africa in aid last year.³ There is definitely money available. To speak closer to home, where I am from, the UK government, even with the difficult economic and political troubles it is facing has managed to stay on track to meet its aid commitments, because it made a political decision to maintain this.
 10. It is far more a question of whether there is political will or appetite. And here the question of whether citizens in richer countries are willing to continue to support aid becomes important. Oxfam recently did a survey in conjunction with You Gov of aid opinions in Germany, France, Italy, the UK and Canada. We took the survey in march this year. We found two interesting findings.

¹ see http://www.oecd.org/document/35/0,3343,en_2649_34487_42458595_1_1_1_1_00.html

² Oxfam analysis, based on press report and Bank of England, Bank bailouts \$8.4trillion, aid \$120 billion.

³ <http://www.spiegel.de/international/germany/0,1518,565529,00.html> for eurofighter- SSA aid from ONE.org DAC release March 30, 2009 – \$11.1million x 180= \$19.98bn/\$3.897 (SSA aid) =5.12

11. Firstly, publics are seriously confused about how much money governments spend on aid. We found that in all the countries half or over half of those people we polled thought their government spent at a minimum twice as much as they actually do on aid. In the case of Italy 55% of respondents thought the Italian government spent 5 times more on aid than they currently do. Governments are not communicating well enough the actual amount they give.
12. Secondly, we asked whether respondents thought their governments, even in this difficult times, should stick to their 0.7% promise! In the majority of countries the majority of people said yes. France 60% said they should honor their pledge, Italy 71% and in Canada 56% told to honor it.
13. Governments need to deliver on their aid promises and realize that this is something that the majority of their constituents support and endorse.
14. I also wanted to mention aid quality – it is not enough to just deliver the right amount, we need to do better in making aid deliver on poverty reduction. I think the work that the OECD has done from Rome through to Accra on the aid effectiveness agenda has been incredibly positive.
15. Though, as the OECD itself has noted progress on delivering predictable, harmonized, results driven and country owned aid is lagging and we need a step change if the targets are to be met next year.
16. We at Oxfam also feel that donors need to be more ambitious – that Accra and Paris set the floor the minimum needed and not the ceiling.
17. Take budget support – giving aid directly to developing country governments national budgets – only 8 % of total global aid flows (including debt relief) go as general budget support. This is despite this being one of the only ways of enabling aid money to be used to pay for recurrent costs like teachers and healthworkers salaries. We want to meet the MDGS in health and education – the world needs 6 million more teachers and healthworkers – these are the people that deliver results and at present a lot aid just can pay for them.
18. Time is short – so before I close I wanted to also mentioned that aid is not everything and that rich countries also need to be doing a lot more on enabling developing countries to mobilize more of their domestic resources for development. In particular this means helping to tackle tax havens which enable individuals and companies to avoid paying tax. To put it in context – At least \$6.2 trillion of developing country wealth is held offshore by individuals, we estimate that this deprives developing countries of annual tax receipts of between \$64-124bn – this is equivalent to total global aid flows.
19. The G20 really put this issue on the political map, but unfortunately did not go far enough. The OECD tax agreements are not strong enough at present nor inclusive enough. And what we need is a truly multilateral tax agreement process that has at it heart automatic disclosure. We also need to ensure companies are forced to report on forcing multi-national companies to reveal precisely how much [tax](#) they pay in each jurisdiction they operate in