THE DEVELOPMENT ASSISTANCE COMMITTEE:
ENABLING EFFECTIVE DEVELOPMENT

DACnews

OECD

MAY 2015

Development and sustainability: Not an either/or proposition

OECD's April release of preliminary figures on development co-operation in 2014 confirmed that official development assistance is holding strong. This validation is fundamental as the development community prepares to discuss how to finance the new Sustainable Development Goals (SDGs) at the International Conference on Financing for Development in Addis Ababa in July. Yet funding is not all that is needed to ensure success in achieving the SDGs. More and better data, solutions tailored to the specific contexts of developing countries – and in particular to fragile states – inclusive partnerships, multifaceted approaches to poverty reduction and stepped up mobilisation of domestic resources – coupled with work to curtail illicit flows – will all be key. In this issue's feature article, Jim Clarken of Oxfam, Ireland looks at how to balance the promise of private finance with already standing commitments by governments.

Development aid stable in 2014 but flows to poorest countries still falling

Development aid flows were stable in 2014, after hitting an all-time high in 2013, but aid to the poorest countries continued to fall, according to official data collected by the OECD Development Assistance Committee (DAC).

Net official development assistance (ODA) from DAC members totalled USD 135.2 billion, level with a record USD 135.1 billion in 2013, though marking a 0.5% decline in real terms. Net ODA as a share of gross national income was 0.29%, also on a par with 2013. ODA has increased by 66% in real terms since 2000, when the Millennium Development Goals were agreed.

Bilateral aid to the least developed countries fell by 16% in real terms to USD 25 billion, according to provisional data. Much of this drop is explained by exceptionally high debt relief for Myanmar in 2013, but even excluding debt relief ODA to the poorest countries fell by 8%. Bilateral aid is channelled directly by donors to partner countries and equates to roughly two-thirds of total ODA.

SHARE OF ODA GOING TO LEAST DEVELOPED COUNTRIES

Subscribe to DACnews mailing list

Subscribe

PRINT PDF VERSION

Go directly to:

Also in this issue:

For recent news and articles about the DAC, visit our scoopit page.

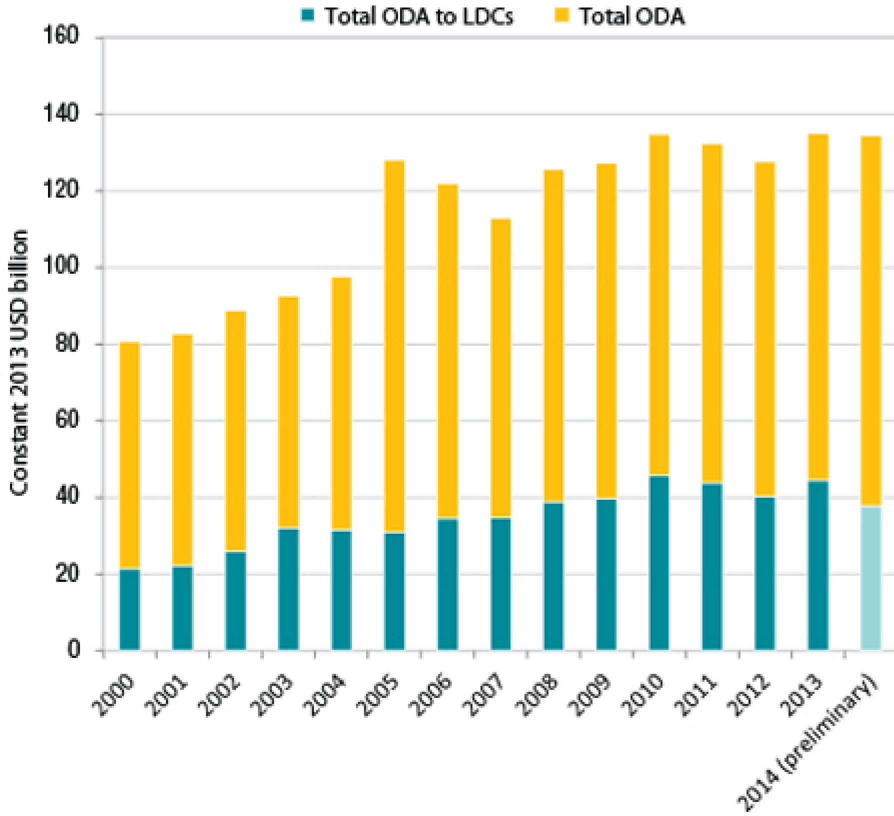
#DACnews Tweets

PUBLICATIONS

States of Fragility: Meeting Post-2015 Ambitions presents a new understanding of fragility as a universal issue that can affect all countries worldwide.

Tweet #DACnews

TOP



Download the data

"I am encouraged to see that development aid remains at a historic high at a time when donor countries are still emerging from the toughest economic crisis of our lifetime," said OECD Secretary-General Angel Gurría. *"Our challenge as we finalise post-2015 development goals this year will be to find ways to get more of this aid to the countries that need it most and to ensure we are getting as much as we can out of every dollar spent."*

The latest OECD survey on the future spending plans of bilateral and multilateral aid providers through 2018 points to a dip in country-programmable aid – aid that is planned in advance for country programmes – in 2014 but with programmed increases starting in 2015.

The survey indicates that country-level aid to the poorest countries should recover over the next few years after several years of declines, in line with a pledge by DAC members in December 2014 to reverse the fall in aid to countries most in need.

"ODA remains crucial for the poorest countries and we must reverse the trend of declining aid to the least developed countries. OECD ministers recently committed to provide more development assistance to the countries most in need. Now we must make sure we deliver on that commitment," said DAC Chair Erik Solheim.

Five of the DAC's 28 member countries – Denmark, Luxembourg, Norway, Sweden and the United Kingdom – continued to exceed the United Nations target of keeping ODA at 0.7% of GNI.

Thirteen countries reported a rise in net ODA, with the biggest increases in Finland, Germany, Sweden and Switzerland. Fifteen DAC members reported lower ODA, with the biggest declines in Australia, Canada, France, Japan, Poland, Portugal and Spain.

Looking in addition at several non-DAC members who also reported their aid flows to the OECD body, the United Arab Emirates posted the highest ODA/GNI ratio in 2014 at 1.17%.

ODA makes up more than two-thirds of external finance for least developed countries. The OECD will call at the International Conference on Financing for Development in Addis Ababa in July for more of this money to be used as a lever to generate private investment and domestic tax revenues in poor countries. OECD work on combatting tax avoidance and illicit financial flows out of least developed countries also aims to reduce dependence on aid.

For more detailed information please see:

Communication in anti-corruption work: Articulating messages to structure a communication plan gives guidance for development practitioners on how to articulate more effective messages to explain the resources spent on anti-corruption work to parliaments and taxpayers in OECD-DAC countries.

Tweet #DACnews

TOP

OECD and post-2015 reflections: Investment for sustainable development explores ways of involving the private sector in delivering development.

Tweet #DACnews

TOP

Evaluation Insights n° 10: Evaluating the impact of budget support presents a summary of the results of evaluations of budget support undertaken over 2010–14 in four low-income countries (Mali, Mozambique, Tanzania and Zambia) and three middle-income countries (Morocco, South Africa and Tunisia).

Tweet #DACnews

TOP

http://www.oecd.org/dac/stats/documentupload/ODA%202014%20Technical%20Note.pdf

(technical note) and:

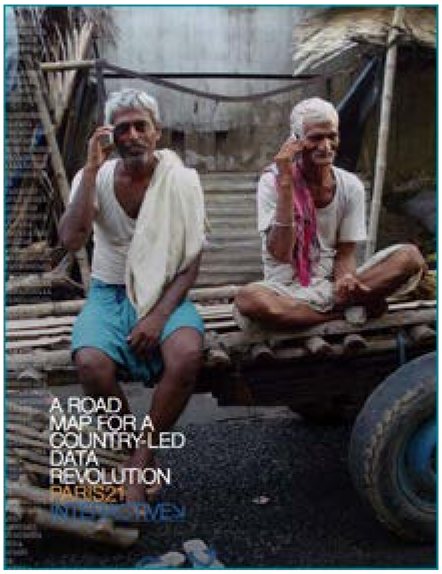
http://www.oecd.org/dac/stats/documentupload/ODA%202014%20Tables%20and%20Charts.pdf

(data tables).

Tweet #DACnews

TOP

New report calls for 139 country-led data revolutions



Everyone is talking about the data revolution – the 'explosion' of data available in today's world. This should, among other things, allow development progress to be better monitored – which is particularly important as the world gears up to achieve the ambitious Sustainable Development Goals. But what do developing countries have to say about it?

On 20 April at the Cartagena Data Festival, the Partnership in Statistics for Development in the 21st Century (PARIS21) released a *Road Map for a Country-led Data Revolution* reflecting the challenges and opportunities developing countries face in using data for development. It is based on information gathered through interviews with more than 30 countries as well as research carried out over one year.

PARIS21 discovered that many developing countries are not yet able to produce data to meet the needs of their governments, users and the international agencies they co-operate with. For example, in Africa just seven countries have data on the total number of landholders and on the number of women landholders, and none have data from before 2004. Furthermore, when developing countries are able to produce data, this information is not adequately disseminated or used. National statistical agencies stress that they lack trained personnel, access to modern technology and adequate infrastructure. Yet development assistance in support of statistical capacity and infrastructure is fragmented, and does not effectively support countries' national priorities.

To ensure the data revolution fully extends to developing countries, the Road Map stresses the need for country-specific action. This means:

- recognising each country's unique national statistical capacity
- leveraging existing resources and institutions – national statistical systems – to address existing challenges.

A single data revolution will not suffice; 139 data revolutions adapted to the needs of each of the 139 developing countries is needed.

The Road Map sets out a step-by-step plan for achieving this and is grounded on evidence collected through:

- the Innovations Inventory, an online compendium of solutions that can help fill data gaps, reduce costs and improve efficiency
- the Metabase, a data directory to monitor progress on the organisation, management and performance of national statistical systems.

VACANCIES

Technical Advisor – Multilateral Organisation Performance Assessment Network (MOPAN) (Job Number: 09840) DCD is looking for a dynamic Technical Adviser to join the Secretariat of MOPAN. The Adviser will provide expert technical advice on organisational and development effectiveness and offer guidance to the Network's assessment of the main multilateral organisations. The position requires strong technical skills in performance management and evaluative techniques, with extensive knowledge of multilateral effectiveness.

Tweet #DACnews

TOP

At the global level, the report calls for three “big ideas”:

1. Increase the share of official development assistance (ODA) allocated to statistics from around 0.5% to around 1%.

2. Create a data compact by which developing countries commit to implementing a set of basic principles and, in return for progress in doing so, receive greater financial and technical assistance.

3. Establish an annual Data for Sustainable Development Report to measure countries' progress in developing their statistical capacity, and to report on funding for statistics.

In Cartagena PARIS21 also launched a Declaration for a Country-led Data Revolution, which 40 developing countries have already endorsed. The declaration spells out the guiding principles and actions necessary for developing countries to adapt the data revolution to their needs. This is part of the Informing a Data Revolution project, funded by the Bill & Melinda Gates Foundation.

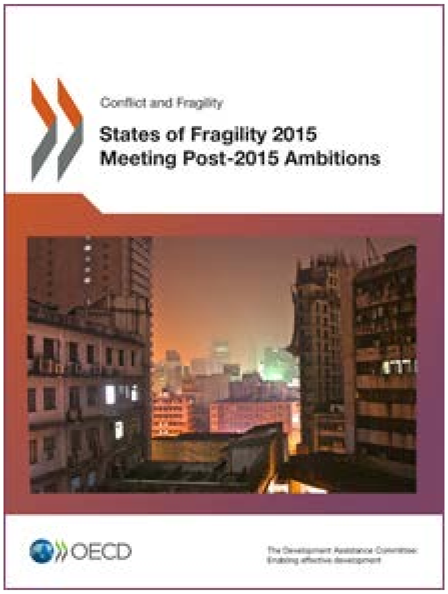
Watch the video: http://bit.ly/1JlW95e

Tweet #DACnews

TOP

States of fragility can affect all countries

The OECD report *States of Fragility 2015: Meeting Post-2015 Ambitions* focuses on what it will take, in the context of the Sustainable Development Goals (SDGs), to address the particular needs of countries affected by fragility. It points out that addressing fragility will be crucial if strides in reducing poverty are to be made. This topic was on the table at the World Bank spring meetings in Washington DC (17-19 April)



as a number of events reflected on issues of conflict and fragility. In the side event "Next Generation of Peacebuilding", Kaifala Marah, Sierra Leone's Minister of Finance and Co-Chair of the International Dialogue for Peacebuilding and Statebuilding, underscored that measuring progress will present a major challenge. Yet he pointed to the examples given in *States of Fragility 2015* of how some key elements can be tracked over time, such as progress on investment in the peacebuilding and statebuilding goals.

The 2015 report breaks away from a traditional fragile states list to take a multidimensional look at the issue of fragility. It highlights the fact that assistance to states affected by fragility or conflict is uneven: as a whole these states received USD 36 per capita in aid in 2012, more than triple the amount other developing countries receive. Yet among the 50 fragile states, Afghanistan and Iraq received 22% of the total, while 10 of the remaining countries were among the world's 11 "aid orphans" – or under-aided countries. Furthermore, funding allocations to fragile situations give no particular emphasis to security, justice or legitimate politics, but rather address the same issues as in other developing countries. The report offers a hard-hitting critique of these approaches, while making suggestions for smarter support.

Tweet #DACnews

TOP

DAC Development Debates

Measuring the unmeasurable

Illicit financial flows undermine sustainable development. As a result, the importance of addressing and combatting these flows is increasingly recognised in the context of discussions around the new Sustainable Development Goals. In its proposal for these goals, the United Nations Open Working Group stresses the need to "significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organised crime".

One of the many challenges in doing so is the difficulty of measurement. The 24 February DAC Development Debate on "Measuring the unmeasurable – Illicit financial flows and their impact on the post-2015 SDG agenda" featured Professor Peter Reuter (University of Maryland and Visiting Fellow at the Center for Global Development), a pioneer in the study of illegal financial flows and their measurement. He criticised the fact that only a small percentage of all illicit flows are currently being measured by existing methodologies. As a consequence, estimates of illicit outflows from developing countries are informed guesses at best. Given the political sensitivities around the issue, Reuter was sceptical as to whether it will ever be possible to measure the totality of illicit financial flows.

The OECD highlighted its work in support of the measurement of these flows within its own member countries. For example, the Task Force on Charting Illicit Trade is developing a methodology to measure international trade in counterfeits. Jon Lomoy, Director of the OECD Development Co-operation Directorate, suggested that given the difficulty of agreeing on an overall measure for the totality of illicit financial flows, the focus should be on finding "good enough" indicators for different types of flows and activities.

Tweet #DACnews

TOP

Getting to zero extreme poverty by 2030

The Chronic Poverty Advisory Network is a group of researchers, policy makers and practitioners across 15 countries who work together on ending poverty. In a DAC Development Debate on 15 April, Andrew Shepherd, Director of the network, presented the *Chronic Poverty Report 2014-15: the Road to Zero Extreme Poverty*, which argues that ending extreme poverty is a three-fold challenge involving: 1) tackling chronic poverty, 2) stopping impoverishment, and 3) sustaining poverty escapes. He recommended:

- massive investment in education, so that at least one or two children in each poor household could go to a good quality school for around ten years
- social protection for the poorest people, to bring them up to the poverty line and provide them with the opportunity to save and invest their way out of poverty
- support for economic growth that benefits the poorest, i.e. focused on investing strongly in smallholder agriculture and policies to improve the quality as well as the quantity of jobs, especially in the informal sector.

A recent study by Development Initiatives, "Getting to zero: Coverage and financing of social protection in LDCs", estimates that an increase in ODA equivalent to 0.1% of OECD member countries' GNI will be required to close the extreme poverty gap.

Tweet #DACnews

TOP

Global partnerships post-2015

In a DAC Development Debate on 7 May, United Nations Assistant Secretary-General Thomas Gass shared the views of the United Nations Department of Economic and Social Affairs on global partnerships post-2015. He emphasised that the SDGs present a shared vision for development co-operation, providing a solid basis for a new social contract among all countries, including OECD members. The post-2015 world, said Mr. Gass, will have two main characteristics:

1) It will no longer be a world of donors and recipients, but rather a global compact between duty-bearers and right holders.

2) It will no longer look at averages only, but rather will aim to leave no one behind.

The International Conference on Financing for Development in Addis Ababa in July will produce an outcome document - the Addis Accord – that is expected to highlight the need for financing for sustainable development commensurate with the level of ambition of the SDGs. To guide and assess implementation, the SDG review mechanism will include regional and thematic reviews that will be discussed at the High Level Political Forum on Sustainable Development and at other platforms.

Discussants highlighted that the OECD has a lot to contribute to this agenda, for example:

- The OECD supports numerous partnerships, such as the Global Partnership for Effective Development Co-operation, which have great potential for contributing to SDG implementation.
- OECD peer reviews of DAC members promote accountability, fostering trust and heightened development effectiveness.
- The OECD is promoting more and better AIT (aid-investment-tax) and acts as a platform for policy dialogue on these issues.
- The OECD produces data that is critical to underpin good policies and works with developing countries to strengthen their capacity on this front.
- The OECD actively supports domestic resource mobilisation in developing countries.

Tweet #DACnews

TOP

Doing development differently in reality

Another DAC Development Debate held on 11 May focused on governance issues. Brian Levy, Senior Adjunct Professor at the School of Advanced International Studies, Johns Hopkins University, and Academic Director of the Graduate School for Development Policy and Practice at the University of Cape Town, presented his book *Working with the Grain: Integrating Governance and Growth in Development Strategies* in which he stresses the need to reframe the governance discourse, moving from the moral high ground to practical strategies and tactics. His "with-the-grain" approach to development takes the realities of each country's economy, policies and society as the point of departure. He recommends using a problem-driven, incremental approach, starting with "islands" instead of whole systems and proceeding in an iterative way.

Tweet #DACnews

TOP

FEATURE ARTICLE:
Private finance for development: Making sure we learn from our mistakes
by Jim Clarken

This month's feature article is by Jim Clarken, Chief Executive at Oxfam Ireland. While recognising the importance of private sector financing for meeting the Sustainable Development Goals, he insists on the continuing importance of public finance. This includes respecting existing commitments to provide official development assistance, as well as creating a fair enabling environment for countries to raise their own development funds through taxation. Finally, the risks of private investment must be acknowledged and managed to avoid negative impacts on development, the environment and human rights.

Currently, one of the big themes in sustainable development is the importance of using public resources, including official development assistance (ODA), to help attract or leverage private finance to help fund the upcoming Sustainable Development Goals (SDGs). This is all well and good, but there is a challenge we must deal with first: we have to make sure we get public finance right.

Public finance delivered the most for the Millennium Development Goals, and this is where the focus of financing for development (FFD) should continue to be.

This starts with living up to our existing commitments, including

developed countries' commitment to allocate 0.7% of their Gross National Income as ODA and to provide climate finance additional to that development finance.

Public finance is also about what developing countries can raise themselves. Domestic resource mobilisation – principally taxation – is important not just because of what it can pay for, but because of how it operates. Aside from the importance of taxation for strengthening the relationship between citizens and their own governments, it also pays for what private finance shouldn't: healthcare, education and social security.

To give developing countries the chance to raise the public finance they need through taxation, we need to agree new tax rules that are set "by all countries, for all countries" and with the interests of all people in mind. This is why we want to see reform of the international tax system at the top of the agenda at the Third International Conference on Financing for Development that will be held in Addis Ababa in July.

Turning back to private finance, there are many possibilities and many risks. Developing countries are rightly concerned because they know what can go wrong. On behalf of the G77, at the latest financing for development negotiations a representative from Suriname highlighted a recurring imbalance with one type of private finance, public-private partnerships: "The issue of public-private partnerships is important, but we want to caution that there are some risks and that those risks need to be mitigated. […] sometimes it is the government that is left with all the costs and the private sector with all the profits."

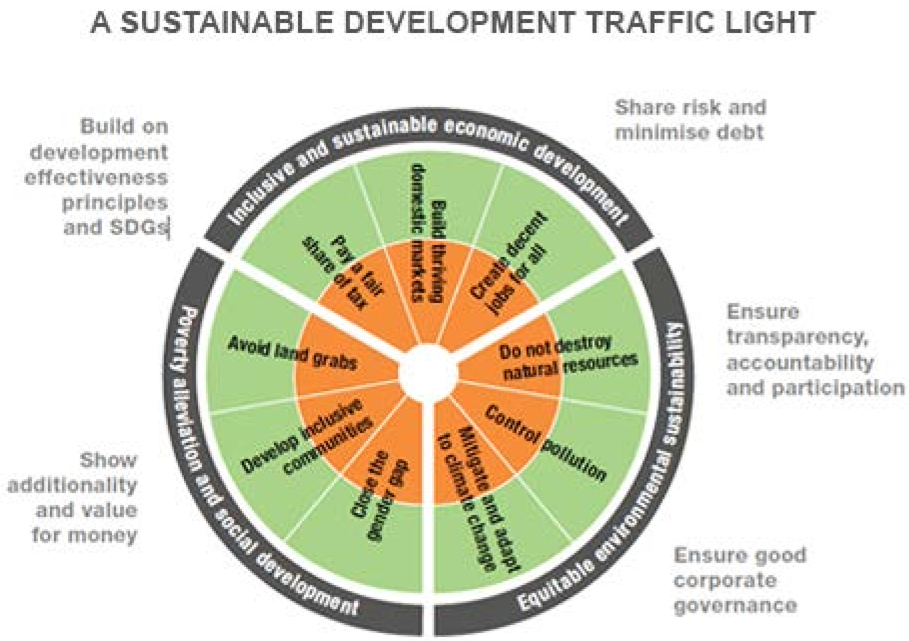
Oxfam knows what can go wrong when finance fails to respect human rights and the environment. Our report *The Suffering of Others* documents the negative impacts on communities and the environment in many developing countries resulting from lack of oversight and poorly applied due diligence by the World Bank's lending arm.

Additionally, these financing approaches can create real risks for the fragile public finances of developing countries; for example, Oxfam's report *A Dangerous Diversion* shows how a private hospital in Lesotho is eating up more than half the country's healthcare budget. The shift towards profits also risks generating costs – such as user fees for infrastructure, health and education services – that the poorest people are unable to pay.

Using private finance to achieve public goals requires making sure that all private sector involvement contributes to sustainable development, and that it doesn't cause negative impacts – for example on human rights or the environment. We have to be sure that private sector participation doesn't undermine a country's capacity to meet its own development needs, and that there really is leveraging of additional money over and above what the private sector would have provided anyway.

Whereas clear principles have been developed for the use of ODA, the same level of attention hasn't been paid to other types of public finance, in particular when used to leverage private sector money. Whatever safeguards and project criteria exist, these have often been poorly applied and governments tend to take a "do-no-harm" approach as opposed to aiming to support a positive contribution to sustainable development.

We need legally binding sustainable development principles for all governments to apply to all projects where public and private finance is combined – not just involving ODA. To this end, in our discussion paper *Delivering Sustainable Development: A principled approach to public private finance*, Oxfam and other NGOs set out recommendations on how public backed private finance can ensure social and environmental justice.



Governments using public finance to leverage private sector investment should demonstrate compliance with these principles. They should show how they are abiding by existing international standards governing engagement with the private sector, including the United Nations Guiding Principles on Business and Human Rights, as well as voluntary codes of conduct to which they are signatories, such as the Principles for Responsible Investment.

Private finance is needed for sustainable development, but these essential conditions must be met and the inherent limitations of private finance acknowledged. New methods for leveraging more finance must not be seen as replacing ODA to governments, but rather supplementing it. Moreover, an international tax regime must support governments' powers to levy fair and sustainable taxes so they can provide essential public services.

Tweet #DACnews

TOP

NEWS IN BRIEF

Development co-operation provided by countries beyond the DAC

How much did countries beyond the DAC provide in development co-operation in 2013? At least USD 23.5 million, or 13% of the global total, according to a new paper produced by the OECD. "Development Co-operation by Countries Beyond the DAC" shows that 8 out of the 30 largest bilateral providers of development co-operation are not members of the DAC. It also tracks the extent to which non-DAC countries use the multilateral system. The paper includes information on the structure and priorities of the development co-operation programmes of the main providers.

Tweet #DACnews

TOP

2015 Global Forum on Development

Three months ahead of the International Conference on Financing for Development in Addis Ababa, the OECD Global Forum on

Development (1 April) brought together more than 400 participants to discuss financing to support the achievement of the Sustainable Development Goals. In his keynote address, UN Under-Secretary General for Economic and Social Affairs, Mr. Wu Hongbo, called for the global community to be "equally ambitious on financing and means of implementation", pointing out that current investment patterns will not deliver sustainable development.

Ministers and experts from both developed and developing countries, as well as non-state actors, insisted on moving toward a smarter use of official development assistance to leverage additional and innovative financing. Domestic resource mobilisation will be key in addressing the main impediments that hinder global development, as will the creation of synergies among all actors and the promotion of an enabling environment for private sector investment.

At the forum, the OECD pledged to continue its work on "AIT" (aid, investment and tax) and to act as a platform for dialogue and policy guidance, supporting its member states and partners in their work to implement the universal sustainable development agenda, once approved.

Visit the OECD Global Forum on Development website to consult the summary record.

Tweet #DACnews

TOP

The role of ODA and broader official development finance

In the margins of the OECD Global Forum on Development, on 31 March over 100 participants gathered on to discuss ODA and other forms of development finance in support of the achievement of the post-2015 sustainable development goals. Discussants confirmed the importance of respecting existing ODA commitments, ensuring the effective use of all forms of finance, and securing the participation of developing countries in all negotiations on the definition and volume of financing for development. They emphasised the need for strong and inclusive partnerships to achieve the post-2015 goals and confirmed the unique role and value added of the Global Partnership for Effective Development Co-operation in facilitating dialogue among numerous stakeholders, including the DAC and its partner countries. DAC members reaffirmed their commitment to intensifying engagement with partner countries and to retaining a focus on country priorities.

Contact: info@effectivecooperation.org

Tweet #DACnews

TOP

Countering base erosion and profit shifting

More than 240 tax officials from developed and developing countries met at the Global Forum on Transfer Pricing (OECD headquarters, 16-17 March) to discuss solutions to base erosion and profit shifting (BEPS). The experience of the delegates and the practical impact of the current OECD work on transfer pricing and BEPS contributed to in-depth discussions. The following day, the Task Force on Tax and Development discussed the challenges faced by developing countries and the experience they have gained in domestic resource mobilisation. The meetings drew on the findings of regional meetings on BEPS held in Seoul, Lima, Libreville, Ankara and Pretoria. In their outcome statement, the Co-Chairs applauded the OECD and other international and regional organisations that are working together to support the practical implementation of BEPS measures and other priority issues for developing countries.

For additional information, please see the full news release.

Tweet #DACnews

TOP

Preliminary Net ODA figures in 2014 by OECD DAC countries just released:

USD 135.2 billion, down 0.5% in real terms and representing 0.29% of DAC members' combined GNI.
For more information, see: http://www.oecd.org/dac/stats/

Also Available

» DACnews February 2015