

2014 DEVELOPMENT COOPERATION FORUM

Side Event – Modernisation of ODA: New Measures for Development Financing in a Post-2015 World

10 July 1:15 pm - 2:30 pm

KEY MESSAGES

- ❖ There is more ODA not less. The issue isn't exactly about how much ODA there is, it's about how it's reported and what goes into reporting it that contributes to the 0.7%
- ❖ There was a concern among the CSOs that donors would count on the loans to achieve their 0.7% target whilst decreasing the amount of aid over the medium and long terms. This concern has been assuaged somewhat as there is a proposal to count only the grant component of the loans.
- ❖ It is important to remember that where aid goes is a political decision. In order to make aid allocation a more inclusive process, it is important to take into account all stakeholders, donees and civil society. It is also important to talk about aid and development in simple language so that the public understands.
- ❖ There is a change in the landscape of ODA over the past 10 years. Both the donors and donees have evolved. MICs need less ODA but there could nonetheless be pockets of abject poverty where aid is needed inside those MICs.
- ❖ ODA is still crucial for Least Developed Countries where it's needed it to keep the day-to-day government services functioning.

SUMMARY

Modernising ODA in a Post-2015 World

In 2013, there has been an increase of ODA not a decrease. However, this increase has been achieved by providing loans to MICs whilst aid to LDCs and to Sub-Saharan Africa decreased relative to previous years.

Lessons and good practices include...

The ODA needs modernizing, not to decrease it, but in order to give more of it and to better allocate it. While ODA cannot replace domestic revenue and tax, the focus should be on better usage of the ODA.

The landscape of ODA has changed over the past 10 years and it needs to be reformed. The rise of the Southern donors is one clear example. ODA is increasingly outshined by other sources of development finance and new development actors are playing an increasingly important role. To match the ambition of a transformative post-2015 development agenda, a renewed global partnership for development is needed. **The question on the table for all the actors is how to modernize ODA in the time when the South, philanthropic organizations and private market are providing more ODA than ever before?**

The reform process needs to be incentivized properly. There was increase in ODA in 2013 but the majority was from increased loans and resources provided MICs whilst aid to Sub-Saharan Africa actually dropped. This has a lot to do with the fact that resources being used as loans are good for bankable projects and donors like to give loans because it's easier to sell to their constituents. However, grants are critical and ODA is the main resource of government budget for some. There should be a mark to differentiate grants from loans. **There is value in loans but the system should not incentivize loans at the expense of grants.**

A majority of actors would agree that only the subsidy element of loans should be measured for ODA. We may need a new target for the least developed countries and the fragile countries but overall, there will be no huge changes and the ODA concept should remain stable. The international community should invest energy in developing better measurement of ODA.

Local parliament and people need to hear that there is a change in the aid dynamics so that they understand why aid is still being given to certain countries/regions and so that they can effectively influence policy. The current ODA structure has gotten into structural rigidity. Strengthening the private sector involvement and entrepreneurship and embracing emerging actors would be beneficial. The dynamic of the middle-income countries is changing and this needs to be accommodated.

There is a need to be more inclusive in the ODA reform process. Among other actors, recipient countries should have a prominent voice in the process. Individual recipient countries themselves know what kind of aid is most beneficial for them. The GPEDC has an objective to improve development cooperation and the more countries participating, the better it functions. The inclusive process will have to work through the UN until the Addis Abba meeting in 2015.