

Oxfam intervention at UN FFD3 Substantive Informal Session

On “International Public Finance/ODA effectiveness” but delivered during session on “Private Finance”
Delivered November 13, 2014, 3:00 pm

I speak on behalf of Oxfam and would like to share perspectives on ODA.

These are lessons to learn from decades of ODA delivery as we talk about other exciting sources of financing for development. Nearly 10 years after development actors first declared how they’ll do aid better, we are still talking about unmet needs for untying aid, and predictability, transparency, and alignment of development flows -- all the things that partner countries need to own the challenge of fighting poverty in their own countries. Will we still be saying the same things in 2030, especially for this growing bag of other financial resources where the data is harder to track?

Within this increasing mix of financial resources for sustainable development, it is important to re-emphasize the unique role and value-added of ODA, especially if it is to be used for leverage for other financing.

As opposed to other resources, ODA’s primary objective is to tackle extreme poverty, reduce inequalities, and promote sustainable development. In the ODA definition debate, I emphasize that ODA needs to be focused on poverty. All of us here have signed ourselves up for ending extreme poverty. If we are to reach that goal, ODA needs to work harder to end extreme poverty.

ODA has two critical roles. ODA supports access to public good and services (education, health, and infrastructure) and democratic ownership of development processes; for instance by enhancing multi-stakeholder participation and the mobilization of domestic resources.

However, ODA has been hampered by lack of progress on Paris, Accra, and Busan commitments on aid effectiveness to stop the harmful practices that undermine ODA.

Additionally, while it has been noted repeatedly that ODA is critical, especially for the poorest countries, its value has been undermined by failures of rich countries to meet the UN target to provide 0.7% of their GNI as ODA.

Also, we need to address the crux of our problem: accountability. We need strengthened commitments to improving the quality and quantity of ODA, with much firmer follow-up mechanisms.

I have 3 recommendations on aid quality, effectiveness, and quantity:

Quality

1. First, on aid quality, we need to ensure ODA represents genuine transfers, including ending aid tying, removing in-donor costs and debt relief, and providing the majority in the form of grants, and reforming concessional lending by reflecting the real cost of loans to partner countries. We also need to ensure that aid is spent effectively, in line with Paris, Accra, and Busan principles on development effectiveness: democratic ownership, alignment, harmonization, managing for results, mutual accountability, inclusivity and poverty eradication.

Effectiveness

2. Therefore, my second recommendation is that we need to explicitly include development effectiveness principles and commitments, and integrate relevant processes in both the UN Development Cooperation Forum (UNDCF) and the Global Partnership for Effective Development Cooperation (GPEDC), throughout the post-2015

and Financing for Development framework for all forms of financing for development, public, and private ones.

Quantity

3. Third, donors need to re-commit to binding ODA targets as set by Monterrey, with concrete and verifiable timelines to scale up their aid budgets, as mentioned by Sweden. Donors should re-commit to providing 0.7% of their GNI as ODA and ensure at least 50% of ODA to LDCs.

As we talk about other forms of finance for sustainable development, how can we learn from lack of progress on aid flows meeting partner country needs? How can we correct for that and hold ourselves to binding agreements and accountability mechanisms in the outcomes from Addis?

The ODA outcome we decide at Addis will send a strong signal. It will show how serious we are about ending extreme poverty by 2030. We set goals in 2000, we decided how we will finance them in 2002, and we decided measures of effectiveness in 2005.

In that Paris agreement in 2005, donors and recipient countries struck a deal: recipient countries would tackle corruption, strengthen their institutions and take other steps to better manage aid. In return, donors would improve the coordination and predictability of their aid flows and give developing countries greater control over how the money is spent. Nearly ten years later, developing countries have made significant progress, particularly in improving their planning and financial management. But donors have only made significant progress in only one goal, that of improving coordination between themselves.

The challenges persist. Yesterday, Tonga noted that 80% of donor funding remains earmarked and that change goes hand-in-hand with monitoring and accountability mechanisms. Benin identified needs for an enabling environment for domestic resource mobilization, including targeted donor support to strengthen country capacity for national tax reform, as well as aligning aid to LDC priorities and for untying aid. Bangladesh noted how no country can overcome challenges on its own, including curbing tax evasion and illicit flows.

It is 2014. We are still talking about how aid can better meet partner country needs. Nearly 10 years after we declared how we'll do aid better, we are still talking about meeting the basic requirements to make aid work for the people it's intended to benefit.

Are donors actually committed to supporting these developing country needs and priorities, or will they continue to only be held accountable to their domestic legislatures? We need to break through the donor resistance and carry out pledges on aid effectiveness, reinforce monitoring frameworks, and have effective follow-up mechanisms. We also have much more to do on inclusivity. We need to look at ways to integrate the Financing for Development process with the multi-stakeholder UN-Development Cooperation Forum.

For Addis to be a success in financing to eradicate poverty, we need to make sure that this conversation is being driven by the needs of the poor, that ODA is working harder than ever before, and that we hold each other accountable with much firmer follow-up mechanisms.