

LESSON 4

The Future of Official Development Assistance (ODA)

ABSTRACT

This topic explores the multifaceted issues surrounding provision of Official Development Assistance (ODA). One concern is the lack of coordination and harmonization of strategies for both providing and implementing aid programs. The emergence of new ODA providers with a multiplicity of objectives has led to too many players doing too many things in too many countries. ODA is a means to achieve ends, which extend beyond the goals of poverty alleviation and economic growth. To explicitly consider these other objectives, the ODA debate must be reframed to focus on the most appropriate global problems. A reoriented approach to “development cooperation” should be applied specifically to those problems. Possible candidate topics on which to focus “development cooperation” include Pandemics, Climate Change, Doha, a Humanitarian Compact, and Energy Security.

BACKGROUND:

The historical context for the emergence of ODA can be traced back to the relative success of the post-World War II Marshall Plan for re-building Europe. The prevailing view was that development would occur naturally in poorer areas of the world through the injection of initial amounts of capital in combination with the provision and teaching of technical “skills” needed to “develop.” Today’s view is that the path toward achieving “development” is not as narrow and straightforward a concept as it was once conceived. The environment or setting in which development cooperation takes place has been complicated by the emergence of many new players including the IMF, World Bank, a host of regional development banks, the UN agencies, NGOs and smaller international fora such as the G8 summit meetings. Intra-national or internal factors within states have also been recognized as imperative to the success of development cooperation initiatives. Civil wars, corruption, unstable financial and investment climates as well as environmental instability, malnutrition and disease are all key factors affecting the relative success or failure of any ODA program.

Theories on how best to provide and implement ODA initiatives have, therefore, changed and evolved over time in accordance with both domestic and international political and economic climates. In the latter half of the 1940s development thinking led to such practices as import-substitution industrialization, big investments to “kick-start” self-sustaining economic growth and an emphasis on the importance of developing sound economic practices that all nation states could adopt. It was believed these practices would lead to growth, prosperity and development. In the mid-1970s, however, a series of shocks to the global economic system, among them the debt crisis, oil shocks, financial and trade imbalances, demographic and geographic shifts and new technologies, led to economic, political and social tensions worldwide.

The processes of Globalization, embodying the principles of trade liberalization, the opening up of domestic industry investment to free-market forces, privatization and deregulation, gained prominence. This overarching “Washington Consensus” approach to development in the 1990s was later supplanted by the developmental thinking and theorizing that led to establishing the Millennium Development Goals (MDGs) in 2000. The overarching framework of the MDGs supports nationally designed and owned poverty reduction strategies. Current conditionality for ODA presumes implementation of good governance practices and sensible macroeconomic policies as key to achieving sustainable development. Composed of 8 central goals, which range from halving extreme poverty to halting the spread of HIV/AIDS and providing universal primary education, the MDGs are targeted to be reached by 2015.

The emergence of new donors, foundations and global funds calls for new institutional arrangements to ensure coordination and harmonization. ODA is currently fractured; there are too many ODA providers with a multiplicity of objectives, doing too many things, in too many countries. Given the likelihood that the 0.7% target for ODA levels will not be reached, and may remain flat or even decline, some argue government funding must increasingly be leveraged to partner with private funds, with a balance being struck between performance- and need-based approaches to allocation.

ODA is the biggest pool of discretionary resources spent by many donor countries, which makes it vulnerable to appropriation for other purposes. The most obvious example is the extent to which the security dimension has become central in the development agenda. Security is a justification for ODA and vice versa, in the context of the squeeze on ODA funds. Furthermore, conventional ODA criteria often do not apply in failing and fragile states. Perhaps most disturbingly, there is a sense of mutual “corruption” in the existing ODA system. Recipients do not have an empowered voice – they can’t say “no” – while donors have no incentive to tailor their efforts to meet local needs and sensitivities. Recipient and donor alike “enable” each other’s bad behaviour.

Despite the comprehensive objectives and humanitarian aspects of the MDGs, the motivations for providing ODA continue to rest on a number of strategic considerations and interests. Strategic considerations vary across countries and regions and are subject to changes over time, depending on particular political and economic climates that are both domestic and international in scope. The impact and utility of ODA has also recently come into question – the “aid Effectiveness” debate. Critics of ODA assert that development assistance hinders developing country initiatives, while proponents of ODA claim that the initiatives, while in need of reform, have helped millions get out of poverty, improved their health and education levels and enhanced the overall economic performance of many nations.

Lesson plan

1. Review the Web site of the OECD's Development Committee, to define ODA and explore its various objectives.

http://www.oecd.org/department/0,2688,en_2649_33721_1_1_1_1_1,00.html

See especially the Glossary and FAQ links.

2. Review the objectives of Canadian International Development Agency (CIDA), the UK Department for International Development (DFID) and United States Agency for International Development (USAID).

<http://www.acdi-cida.gc.ca/index-e.htm>

<http://www.usaid.gov/>

<http://www.dfid.gov.uk/>

3. Explore the 0.7% of GNP target.

The 0.7% target was devised by the Pearson Commission in the context of the International Strategy for the Second UN Development Decade

<http://www.globalpolicy.org/soecon/develop/oda/0319decreasing.htm>

4. Read about the International Conference on Financing for Development, 18-22 March 2002 in Monterrey, N.L., Mexico. <http://www.un.org/esa/ffd/Monterrey/Conference/>

Review the web site for the follow up of the Monterrey conference

<http://www.un.org/esa/ffd/>

5. Review the discussion on Aid Effectiveness

http://www.oecd.org/pages/0,2337,en_2649_3236398_1_1_1_1_1,00.html

Read the Paris declaration on Aid Effectiveness.

<http://www1.worldbank.org/harmonization/Paris/FINALPARISDECLARATION.pdf>

Read the critique of ODA by Mark Steyn, "Action stations", The Spectator, June, 2005

<http://www.l20.org/publications/Phase%20III/ODA/ODA%20Steyn.pdf>

6. Define "global public goods" and explore whether it is a useful prism for promoting further funding of ODA.

http://www.l20.org/publications/20_BX_GPG_background.pdf

7. Discuss whether the topic of ODA can be made attractive to Leaders, who are interested in resolution of crises and solutions to specific pressing problems. Can it be part of a "grand Bargain"?

Discussion Questions

1) Assume you have the responsibility to determine the allocation of your government's ODA, and must determine the proportion of the total budget that is reserved for specific objectives. Three budgetary allocations must be made.

Questions: How would you determine how to direct the funds?

(i) What is the appropriate budgetary split between security, humanitarian (emergency) assistance and traditional development?

(ii) What should the share be for bilateral programs, directed by your country, versus multilateral programs (EG World Bank or UN Agencies), where decisions are made where your country's representatives may have little influence?

(iii) What should the degree of concentration be for bilateral programs- should there be 10, 15 or 25 eligible countries (the more countries eligible, the less available for each)? How do you decide which countries are eligible?

(iv) What kind of activities or initiatives would be funded? Would they be sector specific?

2) Funding the humanitarian and developmental dimensions of ODA is threatened by competition for funds stemming from security concerns. The definition of ODA has become more elastic.

Question: Are provisions for police services and military security are legitimate dimensions of ODA, counting against the 0.7% target?

3) Conventional thinking on the appropriate focus for development assistance has evolved from the Marshall Plan premises through the Washington Consensus to today's focus on ownership, governance and capacity building. Civil Society plays an increasing role.

Question: Given the need for aid effectiveness, are harmonization and coordination priority goals? Is the L20 an appropriate forum in which to make key decisions on criteria for ODA eligibility and on how ODA is implemented? Should these decisions be left to the OECD and ODA agency experts?

4) There is an acknowledgement that the people affected by a policy or project must be involved in its design and implementation if the policy or project are to be effective.

Donors are accountable to their taxpayers & NGOs are accountable to their supporters.

Question: Who needs to be present if an L20 meeting is held on ODA in the near future? Both donor and recipient states? Are these states likely to come to agreement on ODA state-specific principles and policies? What strategic interests coincide/conflict and are differences insurmountable?

5) Catherine Day argues that any prudent L20 approach on ODA would take gender considerations into account.

Question: What are the challenges and opportunities posed by the feminist discourse on gender for an L20 meeting on ODA?

RECOMMENDED WEB-BASED REFERENCES

Definition of ODA:

[Is it Official Development Assistance \(ODA\)?](#)

Available in PDF format at <http://www.oecd.org/dataoecd/21/21/34086975.pdf>

Millennium Development Goals- the 8 goals, 18 Targets and 48 indicators.

http://unstats.un.org/unsd/mi/mi_goals.asp

Sagasti, Francisco. *Official Development Assistance: Background, context, issues and prospects*. October 2005

<http://www.l20.org/publications/Phase%20III/ODA/ODA%20Sagasti.pdf>

Paris Declaration on Aid Effectiveness. High Level Forum. Paris – 28 February – 2 March 2005.

<http://www1.worldbank.org/harmonization/Paris/FINALPARISDECLARATION.pdf>

World Economic and Social Survey 2005. “Chapter IV: Official Development Financing.” UN. <http://www.un.org/esa/policy/wess/wess2005files/chap4.pdf>

Day, Catherine. *How should the L20 take gender considerations into account in deciding what it wants from overseas development aid?* 31 October 2005.

<http://www.l20.org/publications/Phase%20III/ODA/ODA%20Day.pdf>

Sewell, John W. *The Future of ODA: A Role for an L20?* 1 November 2005.

<http://www.l20.org/publications/Phase%20III/ODA/ODA%20Sewell.pdf>

Woods, Ngaire. *Working Paper: The Shifting Politics of Foreign Aid*.

<http://www.l20.org/publications/Phase%20III/ODA/ODA%20Woods.pdf>

Kapila, Mukesh. *Towards a “global humanitarian compact” – a role for the L20?*

http://www.l20.org/publications/Phase%20III/ODA/Good%20Donorship_Kapila.pdf

Conference Report. 10-11 November 2005.

<http://www.l20.org/publications/Phase%20III/ODA/Petra%20Report%20Dec6.pdf>

For an up to date review of the current status from an all star cast of experts, see the papers from the **WIDER Conference on Aid: Principles, Policies and Performance**, 16-17 June 2006. A web cast of the plenary sessions is available online.

<http://www.wider.unu.edu/conference/conference-2006-1/conference-2006-1.htm>