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The End of ODA – Death and Rebirth of a Global Public Policy

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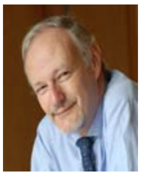

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Development cooperation has chanced dramatically over the past decade with three concomitant revolutions that have led to the emergence of a truly global policy. Even though this triple revolution has taken place, the way we currently measure the volume and impacts of development cooperation has not kept pace with these changes. Still, it is highly important to take account of this new international environment and we therefore argue that it is time to move away from the conventional measure of development aid – ODA – towards the construction of clearer benchmarks and way to measure what really matters – resources and results that concur to the 21st century international development.

The first of these revolutions was the increasing number of actors in the field of development aid – have there been a handful of bi- and multilateral donors previously, development aid is today represented by an ever-increasing amount of new multilateral donors (for example IREA and GEF), emerging country bilateral donors (to name a few: Brazil, China, Mexico, Thailand), more and more sector-specific funds set up to channel aid towards particular international public goods, local authorities, private philanthropists and foundations as well as private businesses engaging in development as part of their Corporate Social Responsibility (CSR).

This increasing number of different actors on the stage of development cooperation has brought with it increasing as well as diverging goals and tools on how development can be achieved. This is the triple revolution we were talking about before: the revolution of goals, actors and tools applied in international development that have affected the way in which development assistance is granted and used in developing countries, but also challenged the way in which donors have to deal with one another.

What caused this triple revolution? When looking at the development of the international cooperation over the last decades it becomes clear that the very goals of global public policy have changed. In the past, states were driven by geopolitical reasons towards preserving a saying in former colonies or to purchase influence during the Cold War. After the fall of the Berlin Wall and with the end of the Cold War, aid became more people-centred: increasing shares were going towards social sectors and support from private philanthropic foundations was rising steadily.

In addition, the growing global fear of terrorism as well as the increasingly perceptible loss in biodiversity and effects of global warming let to new challenges to be targeted by development cooperation: managing global interdependencies in a globalized world. With the emergence of these new challenges, the number of actors that appeared on the stage increased further with NGOs, private organizations and a rising amount of bi- and multilateral donors.

Such a changing and ever-denser institutional environment is commonly considered as a problem both for efficiency and coherence of global public policy. Problems range from the differing motivations for engaging in the policy to very different understandings of what is meant by keywords of the policy such as "development", "security" or "environmental protection" and different assumptions as to how international action can contribute to the policy goals.

Logically, these new goals and actors came along with their specific toolkits. Today, loans and sovereign grants towards infrastructure and agricultural projects which had a lion's share in the days when aid was about geopolitics and states have given way to smaller-scale social sector projects (when private solidarity came into the field) and it will be no surprise that with new actors and new objectives come new instruments such as long-term, recurrent transfers, specialized funds and the issuing of medium-term bonds that are backed by donor government commitments, but this way are independent of volatile short term budget allocations. Furthermore, a wide array of guarantee, insurance and equity instruments has been developed to usher pioneer market players into sectors or states where they would otherwise certainly not have invested. These and similar practices constitute a true revolution in the field of development aid.

[1] The following article is a short version of the original paper, published 2009 at the Center for Global Development (Severino. J.-M. and Olivier Ray (2009): The End of ODA: Death and Rebirth of a Global Public Policy. Center for Global Development Working Paper 167. http://www.cgdev.org/files/1421419_file_End_of_ODA_FINAL.pdf.) The opinions expressed in this paper are those of the authors, and do not necessarily reflect the positions of their respective institutions.

It is therefore surprising that the changes within the setting of goals, actors and instruments have not yet impacted the way in which the international development community measures the financial volumes dedicated to this emerging global policy.

It is indeed difficult to find other examples of public policies whose performance is assessed as little on the basis of results and so much on the basis of expenses – themselves measured so imperfectly - as is the area of development financing. The "old-school" methods applied by the Development Assistance Committee (DAC) tend to benchmark OECD State contributions to international development assistance by adding grants, certain types of loans plus a whole series of "other" expenses – some of whose links to development finance seem rather tenuous. These figures then serve as the basis for measuring the achievement of the member states of reaching the 0.7% target of ODA to GNI that has been widely discussed to measure the commitments of donor states.

We see ODA as a "Bermuda triangle." By only stating what ODA measures, it becomes obvious that it measures at the same time too much, too little and the wrong types of things. Too much, when you consider that ODA regards administrative overheads of donor states and debt relief as ODA – two aspects that are not financing "actual development projects and programs" at all - to name two examples. It measures too little when it does not include a whole range of things that actively contribute to financing the emerging global public policy, for example the development aid of non-OECD member states or private initiatives, even though their financing are estimated to having reached 50 billion dollars. And it measures the wrong things in aiming solely at reaching a political goal: the 0.7% target. But it does not give an indication on what would really be needed to pilot the policy coherently and efficiently. Neither the total volumes dedicated to global policies are named, nor does it give any information on the impacts this is having. Furthermore it does not give proper information on the budgetary cost of development aid – in the sense that the fiscal expenditure of tax exemptions of NGOs or the budgetary costs of concessional funding are taken into account - and it does not give clear indication on the administrative cost that incur for delivering these public policies, even though this would be important to establish benchmarks for international comparison.

To sum it up, ODA is not an indicator of results, but only an indicator of means and it measures the means actually made available for development activities in the South incorrectly.

Does all this matter? Of course it does. It is important to name the results in order to mobilise resources. And it would help to define a rational public policy. Each and every decent run company has precise figures for its revenues. National public polices have a proper vision of upcoming costs, revenues and how to manage their budgets, donors even ask for it in recipient countries. One should think that they would like to act as a good example or benchmark – and they should!

The question is therefore how the current situation can be changed.

Steering the global public policy as efficiently as possible would require four things: First, an appropriate name has to be put on things. Second, an estimate of the overall funding made available for these goals has to be devised, third, aid's expenses have to be measured in order to clarify the policy's goals and finally, the budgetary costs of official aid need to be assessed to form a benchmark for states' efforts.

1) Put an appropriate name on things

We suggest that the name ODA shall be exchanged for a new acronym: "Global policy finance (GPF)." This way, the word that has been associated with patronizing practices would not only be abolished, but also would the funding of the three core components of sustainable development now be included in the wording: convergence between North and South, better access to essential services across the world and the provision of global public goods (in the areas of environmental protection, international health etc.). This way, actions beyond the "old-school" economic development objectives would be included, without excluding the original objectives. In using this definition, it would be clear that there is a change in the way the international community is undertaking developing aid and therefore also how it is measured. It would enable countries to classify activities that are legitimate and useful for the world but did not qualify as a category of ODA before.

2) Measure overall funding volumes

It is furthermore important to estimate the overall funding made available for financing the set of agreed goals of international development assistance – no matter their provenance and their degree of concessionality. Non-concessional resources could be declared as global policy funding if provided by non-for-profit stakeholders and in view of achieving one of the policy goals agreed upon. Of course, this would initially lack precision, but it could be a yardstick for the actual financing gap – since at some point all public, private and hybrid resources would be included.

There are 3 sets of goals towards which the volumes would be disbursed (gross and net volumes): a) the promotion of economic growth of less developed nations, b) promotion of human welfare and reduction of inequalities and c) the preservation or production of global public goods.

3) Measure results correctly

Furthermore, one should measure development results of specific development activities or global public policies. This would lead to a better concentration on impact and answer the question: what does ultimately matter? Following an agreed-upon methodology, each actor would have the possibility to declare the results of his actions according to this given methodology – be it systematic (GAVI), programmatic or project-oriented. This would also lead to an improvement of ex-post evaluations.

Measuring results correctly would also mean to come up with an international effort to move away from the currently existing internal ex-post evaluations. These are currently having a focus on individual institutions and do not capture the international policies at the international or country level. Since the evaluations apply different methodologies, a comparison between or benchmarking of the different institutions is impossible. It is therefore advisable to have one international body and one common methodology to harmonize efforts, increase transparency, bring the recipient countries in and enable comparisons between the different public and private development institutions. This would facilitate the identification of weak players and encourage their opting-out.

4) Measure efforts and public cost

In order to measure "official global public finance", the term has to be defined. We would propose it to be states' budgetary efforts towards a set of agreed global causes.

This way, official global public finance would be measured as the amount of public resources destined to finance global polices – no matter which instrument used. This would force states to maximize the leverage of their instruments and to maximize the impact of each dollar or euro spent. Tax exemptions that subsidise private solidarity initiatives for international causes would also be included in this measure.

Administrative cost would thus be measured more clearly and would shed a different light on the efficiency models of development assistance institutions. Questions regarding the efficiency of small vs. large projects, but also if GPF is a fixed-cost or variable-cost industry or the relative efficiency of operating in different sectors and with different players would be enabled. In our opinion, it is crucial to address these issues in order to deal with the new global policy.

Such major changes in both policy formulation and measuring would have important consequences in terms of communication, institutions and processes.

An example for the major changes in communication that are necessary, one can take the 0.7% GDP target. It has played an important communication role in showing good and bad performing donor countries. Can it still be maintained? Our answer is: Yes. The 0.7% GDP target is an important communication means to name-and-shame ill-performing actors, and it can maintain as sort of a minimum benchmark. But it has to be clarified. It could be applied only to the categories of action addressing financing basic human welfare. Or the target could be adjusted.

On the subject of consequences for institutions, one can raise the question if the existing institutions such as the OECD-DAC should continue to exist. Our answer here is also yes. Nevertheless, it should be reinvented – with more substance and a wider scope. This means that it should open up to non-OECD member states, NGOs, foundations and businesses who are actors in the global policy framework. It would be even better to have an UNDP/DAC joint-venture providing the best platform to perform this global engagement, with the Bretton Woods institution maintaining a similarly important role as the currently have in the DAC.

Finally, we want to raise the question as to how such change can be reached. This is very easily answered: in today's world, a change through authority is not possible. It is therefore important to reach this change through negotiation. With an ever increasing number of actors, collective thinking, discussing and negotiating is the only way forward. It is no question that a set of actors have to take a bold initiative to clarify the emerging global policy, but that is the price of greater efficiency.

Since the world of the future will require more common action, will have more public goods that need promotion and more global public evils that have to be fought, international solidarity and cooperation has to be strengthened. It is therefore high time to clarify our ideas.

As you might well have understood, moving from ODA to GDF is not a claim of defeat or the victory over poverty – it is rather the recognition that with time policies, actors and instruments change and have changed over the last years. The administration and measuring processes born several decades ago therefore need serious revamping to face up to the global policy challenges of this new century. ■