

Official Development Assistance

Official Development Assistance
World Vision Australia's
Public Policy Position

World Vision Australia's position on Official Development Assistance (ODA)¹

ODA is a critical resource for eliminating global poverty and building peace

World Vision Australia recognises that ODA is a critical resource for eliminating global poverty and building peace. World Vision Australia believes that the core characteristics of ODA, and the role it plays in reaching those in greatest need, must be protected. World Vision's policy position on ODA focuses on four key elements – purpose, effectiveness, efficiency and volume.

Purpose

World Vision Australia endorses the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) definition of ODA. The definition requires ODA to be given with the main objective of promoting the economic development and welfare of developing countries.² In particular, World Vision Australia believes that ODA should seek to provide essential public services and promote economic development for those experiencing poverty and those marginalised in order to end poverty and build sustainable peace.

World Vision Australia considers that the protection of children and their rights should be placed at the heart of Australia's aid investments. The wellbeing of marginalised and vulnerable children is an important measure of the overall social and economic conditions faced by communities.

Effectiveness

World Vision Australia recognises that the effectiveness of ODA is critical to the welfare and economic development of developing countries. It notes that the effectiveness of ODA can be undermined by poor donor practices. Research shows that better quality ODA – aid that is predictable, stable and transparent – would reduce the costs of ODA by 10-20 per cent.³ World Vision Australia and the World Vision Partnership supports the international aid and development effectiveness agenda and the principles agreed to under the Paris Declaration on Aid Effectiveness and the Busan Partnership for Effective Development Cooperation.⁴ In line with these principles, World Vision Australia considers that effective ODA is:

1. **Long-term in nature** – Promoting lasting poverty reduction and economic development requires long-term commitments to people and communities in developing countries.
2. **Predictable** – ODA flows should be released according to agreed schedules to enable recipient countries to effectively plan and implement aid investments. Unpredictable ODA flows are costly as they can undermine government planning and investment plans.⁵ Research shows that unpredictable ODA can negatively impact economic growth in developing countries.⁶

3. **Transparent** – Donors and recipient countries should work to improve the availability and public assessability of information on publicly-funded development activities and their contribution to development results.⁷
4. **Focused on developing country needs** – Donors and recipients must work together to ensure ODA investments are aligned with the national priorities for poverty reduction of developing countries. Donors must prioritise building technical capacity and strengthen institutions in recipient countries.⁸

Efficiency

Given the critical importance of ODA, World Vision Australia recognises that ODA expenditure must be spent efficiently. Both donors and recipient countries should ensure that ODA is managed and implemented to deliver the desired results.⁹ The collection of quality evidence and data should be prioritised and used to optimise decision making.¹⁰

Untied ODA is central to aid efficiency and value-for-money. Research shows that 'tied' aid – aid that is given on the condition it is used to procure goods and services from the donor – is deeply inefficient and increases the cost of a development project by as much as 15 to 30 per cent.¹¹ Untying aid, and enabling recipient countries to procure goods and services from around the world promotes international trade and competition, and increases ODA's value-for-money.¹²

Volume

World Vision Australia supports the longstanding international commitments that all developed nations provide 0.7 per cent of their GNI in ODA to developing countries.

World Vision's mandate to advocate for ODA

World Vision Australia has long been a proponent of the provision of effective and efficient ODA. The World Vision partnership is one of the largest international development and humanitarian agencies in the world and implements a large proportion of ODA funded projects. World Vision internationally works alongside major donors such as USAid, DFAT, the World Bank and DFID, operating in all areas of the world, often over the course of long-term, multi-year programmes and across diverse sectors.¹³ Many decades of operational, field-facing experience means World Vision has a deep understanding of effective and efficient ODA policy and provision across the globe.

World Vision Australia's recommendations for policy change

World Vision Australia calls on the Australian Government to:

World Vision Australia's policy recommendations aim to improve the provision of Australian ODA, and the operation of the Australian aid program. These recommendations seek to protect the core characteristics of ODA and safeguard its role in ending poverty and building peace.

Purpose

1. Affirm that the primary purpose of Australian ODA is to alleviate poverty in developing countries.
2. Prioritise the provision of Australian ODA to provide and protect essential public services, and promote economic development for vulnerable and marginalised people.
3. Place a central focus on children and the protection and realisation of their rights in the Australian aid program and include children as an investment priority area.¹⁴

Effectiveness

1. Increase the effectiveness of the Australian aid program:
 - a) by investing in long-term development and humanitarian programs
 - b) by aligning ODA investments with the development priorities of developing countries, national poverty reduction strategies and the Sustainable Development Goals
 - c) by investing in building technical capacity and strengthening institutions in developing countries
2. Increase the predictability and transparency of Australia's ODA:
 - a) by providing regular, timely rolling three to five year forward plans on ODA expenditure as per international agreements on aid effectiveness
 - b) by providing detailed information on development activities and their contribution to development results
 - c) by continuing to adhere to Australia's commitment under the International Aid Transparency Initiative

Efficiency

1. Increase the efficiency of the Australian aid program:
 - a) ensure all Australian ODA is untied
 - b) invest in rigorous data and evidence to continually improve the operation of the Australian aid program, and report against the indicators and targets of the Sustainable Development Goals

- c) Increase investment in the monitoring and evaluation capacity and resources of DFAT, particularly the Office of Development Effectiveness, to ensure ODA investments are achieving development results

Volume

- 1. Commit to providing 0.7 per cent of GNI in ODA to developing countries, with 0.15 – 0.2 per cent of GNI allocated to Least Developed Countries.

World Vision Australia believes that systemic changes are needed to protect the core features of Australia's aid program. World Vision Australia considers the Australian Government's Foreign Affairs White Paper as an important vehicle to articulate a long-term vision for Australia's aid program.

In particular, World Vision has called for the Australian Government to recognise the critical role that Australia's development investments make to securing peace, prosperity and stability within Australia's region and further afield. Australia's Foreign Affairs White Paper should acknowledge the central contribution Australia's aid program makes to Australia's diplomatic, security and economic interests.

Background

What is ODA?

Official Development Assistance (ODA) is the dominant source of funding for international development and humanitarian efforts in developing countries.¹⁵ The term ODA was developed in 1969 by the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) to measure aid flows to developing countries.¹⁶ In broad terms, ODA is defined as resource flows from official agencies, including state and local governments, to developing countries with the primary objective of promoting their economic development and welfare.¹⁷ Economic development and welfare are broadly defined terms and include peacebuilding programs, social and cultural programs, humanitarian aid and development research.¹⁸

What makes ODA unique?

ODA is patient, public capital with a mandate to be invested for public good. As such, it is uniquely suited to flow to people and communities that are in greatest need and are underserved by governments and private providers.¹⁹ Public finance is necessary to fund public services such as health, education, water and sanitation and make them accessible to the most vulnerable and marginalised. ODA remains a key source of financing for low income countries and funds a critical share of essential public services.²⁰ In 2013, ODA accounted for between 28 to 36 per cent of government spending in least developed countries.²¹ In some least developed countries, such as Uganda, ODA funds almost half of essential health expenditure.²²

ODA is also an essential resource to provide and protect global public goods. Shared global challenges such as climate change, humanitarian crises and global disease epidemics require collective action by all nations. ODA is a resource that can address problems that do not take account of national borders and affect developed and developing countries alike.

Unlike commercial resources, ODA is flexible and unhindered by profit motives. ODA can take a long-term approach and can be adapted to address complex development challenges. ODA is less averse to risk and more open to new, innovative approaches. ODA also takes a wide variety of forms – from concessional loans to debt instruments – and can be used to effectively leverage finance from new sources, including the private sector.²³

How much ODA?

The international community has long recognised the critical contribution ODA makes to economic development and poverty reduction in developing countries. In 1970, the UN General Assembly adopted Resolution 2626 which acknowledged 'the special importance' of ODA to developing countries.²⁴ As part of this resolution, economically advanced nations agreed to provide 0.7 per cent of their gross national income (GNI) in ODA flows. This commitment has been repeatedly re-endorsed by developed nations in the years since. Most notably, the 0.7 per cent ODA/GNI target was reaffirmed in 2015, as a central part of the UN Sustainable Development Goals signed by all UN members.²⁵

The United Kingdom, Norway, Denmark, Sweden and the Netherlands are among the countries currently providing 0.7 per cent (or more) of GNI to ODA to developing countries.²⁶ The United States contributes 0.17 per cent of GNI though is the largest donor in absolute terms.²⁷ Global ODA flows have risen steadily in recent years, increasing from \$125.6 billion in 2012 to US\$131.6 billion in 2015.²⁸

Australia's ODA

Since 2012, Australia's ODA contributions have been unpredictable:

1. In 2012, Australia provided more than AUD5 billion in ODA, amounting to 0.34 per cent of GNI and representing the highest level of ODA Australia had given since 1986.²⁹
2. Similar contributions were made in 2013 and 2014.
3. In 2015, the Australian Government substantially reduced Australia's ODA contributions to AUD4 billion, or 0.25 per cent of GNI.
4. Australia's ODA levels were reduced again in 2016, reaching 0.23 per cent of GNI.³⁰ This represents the lowest level of ODA as a share of GNI Australia has ever given.³¹

Key resources & references

Key resources

The Paris Declaration on Aid Effectiveness, 2005, available at: <http://www.oecd.org/dac/effectiveness/45827300.pdf>

The Accra Agenda for Action. 2008, available at: <http://www.oecd.org/dac/effectiveness/45827311.pdf>

The Busan Partnership on Effective Development Co-operation, 2011, available at: <http://www.oecd.org/dac/effectiveness/49650173.pdf>

OECD, 'Is it ODA?' 2008, available at: <http://www.oecd.org/dac/stats/34086975.pdf>

International Aid Transparency Initiative, available at: <http://www.aidtransparency.net/>

References

¹ This position has considered and included World Vision International's position on ODA.

² OECD, *Is it ODA?*, November 2008, available at: <https://www.oecd.org/dac/stats/34086975.pdf>

³ Brookings Institution, 2008, Wolensohn Center for Development, Working Paper 3, *Measuring the Cost of Aid Volatility*: https://www.brookings.edu/wp-content/uploads/2016/06/07_aid_volatility_kharas.pdf

⁴ OECD, *The Paris Declaration on Aid Effectiveness and the Accra Agenda for Action*, available at: <http://www.oecd.org/dac/effectiveness/34428351.pdf>

⁵ DAC Working Party on Aid Effectiveness, 2011, *Aid Predictability – Synthesis of Findings and Good Practice*: <http://www.oecd.org/development/effectiveness/49066202.pdf>

⁶ Celasun and Walliser, 2007, *Predictability of Aid: Do fickle donors undermine economic development*: http://siteresources.worldbank.org/INTPRS1/Resources/Thematic-Workshops/Celasun_Walliser_AidPredictability.pdf

⁷ Busan Partnership for Effective Development Cooperation: <http://www.oecd.org/dac/effectiveness/34428351.pdf>

⁸ The Busan Partnership on Effective Development Co-operation, December 2011, available at: <http://www.oecd.org/dac/effectiveness/49650173.pdf>

⁹ The Busan Partnership on Effective Development Co-operation, December 2011, available at: <http://www.oecd.org/dac/effectiveness/49650173.pdf>

¹⁰ Paragraph 29, The Busan Partnership on Effective Development Co-operation, December 2011, available at: <http://www.oecd.org/dac/effectiveness/49650173.pdf>

¹¹ See OECD, *Untied Aid*, <http://www.oecd.org/dac/untied-aid/>

¹² See the Paris Declaration on Aid Effectiveness (2005) and Accra Agenda for Action (2008), <http://www.oecd.org/dac/effectiveness/34428351.pdf>

¹³ For a list of World Vision's global partners, see: <http://www.wvi.org/accountability/structure-and-funding>

¹⁴ See World Vision Australia's Public Policy Position on Children and their rights.

¹⁵ OECD, *The Where of Development Finance*, 2013, available at: <http://www.oecd.org/dac/financing-sustainable-development/Where%20paper.pdf>

- ¹⁶ OECD, *ODA Definition and Coverage*, available at: <http://www.oecd.org/dac/stats/officialdevelopmentassistancedefinitionandcoverage.htm>; OECD, *Is it ODA?*, available at: <http://www.oecd.org/dac/stats/34086975.pdf>
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- ¹⁸ OECD, *What is ODA?*, available at: <http://www.oecd.org/dac/stats/34086975.pdf>
- ¹⁹ European Parliament, *Financing for development Post 2015: Improving the contribution of private finance*, 2014, available at: https://europa.eu/eyd2015/sites/default/files/users/maja.ljubic/expo-deve_et2014433848_en.pdf
- ²⁰ European Parliament, *Financing for development Post 2015: Improving the contribution of private finance*, 2014, available at: https://europa.eu/eyd2015/sites/default/files/users/maja.ljubic/expo-deve_et2014433848_en.pdf
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- ²² Since 2000, an average of 40 per cent of Uganda's health budget is funded by ODA: Action for Global Health, *Health Spending in Uganda*, April 2010, available at: http://www.actionforglobalhealth.eu/fileadmin/AfGH_Intranet/AFGH/Publications/PolicyBriefingI_FinalI_LoRes_02.pdf
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- ²⁴ General Assembly Resolution 25/2626 (1970) (International Development Strategy for the Second United Nations Development Decade), A/RES/25/2626
- ²⁵ General Assembly 55/2 (2015) (The 2030 Agenda for Sustainable Development), A/RES/70/1, available at: http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/1&Lang=E
- ²⁶ OECD, *Development aid rises again in 2015*: <http://www.oecd.org/dac/development-aid-rises-again-in-2015-spending-on-refugees-doubles.htm>
- ²⁷ OECD, *Development aid rises again in 2015*, 13 April 2016, available at: <http://www.oecd.org/dac/development-aid-rises-again-in-2015-spending-on-refugees-doubles.htm>
- ²⁸ OECD, *Development aid rises again in 2015*, 13 April 2016, available at: <http://www.oecd.org/dac/development-aid-rises-again-in-2015-spending-on-refugees-doubles.htm>
- ²⁹ DFAT, *Australia's International Development Assistance Statistical Summary 2013-14*, 2015, available at: <https://dfat.gov.au/about-us/publications/Documents/statistical-summary-2013-14.pdf>
- ³⁰ ACFID, *Budget Analysis 2016-17*, 4 May 2016, available at: [https://acfid.asn.au/sites/site.acfid/files/ACFID%20FY2016-17%20Budget%20Analysis%20\(FINAL\).pdf](https://acfid.asn.au/sites/site.acfid/files/ACFID%20FY2016-17%20Budget%20Analysis%20(FINAL).pdf)
- ³¹ DFAT, *Australia's International Development Assistance Statistical Summary 2013-14*, 2015, available at: <https://dfat.gov.au/about-us/publications/Documents/statistical-summary-2013-14.pdf>