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THOUGHTS FOR ADDIS
Official Development Cooperation

One consideration in the United Nations discussions preparing the "post-2015 development agenda" is how to finance achievement of the new Sustainable Development Goals that the Open Working Group of the General Assembly has prepared. While that committee included texts dealing with "means of implementation", the Intergovernmental Committee of Experts on Sustainable Development Financing at the UN has avoided the question of how to finance the individual goals. It is instead working on facilitating increased financing for "sustainable development" in general, although focused on longer term investment. This committee is unlikely to come up with any quantitative targets beyond those already agreed at the UN, namely official development assistance (ODA) at 0.7% of gross national income (GNI) and ODA for least developed countries at 0.15 to 0.20% of GNI. In fact, no other quantitative assistance targets are definable politically or practically.

Moreover, there is a pressing question to pose at the level of individual developing countries that would help address the matter of the adequacy of global resources for financing development. Attention should first focus on how to identify when individual developing countries are facing a public finance constraint on their sustainable development strategies and how to get more finance on appropriate terms to those countries that do face such a constraint in order to relax that constraint and accelerate their sustainable development programs. It is also best if developing countries have the option of a variety of development funding options to meet different needs and that they be used as effectively and appropriately as possible. When the international community comes together at the Third International Conference on Financing for Development (FfD) in Addis Ababa in July 2015, it should consider asking the universal and multistakeholder UN Development Cooperation Forum to address these issues.

Volume targets and indicators

The long-standing view of the United Nations is that developed countries should accept moral responsibility to provide ODA to developing countries in volumes that meet the aforementioned UN targets. Not all countries have accepted the targets (e.g., not the United States), but most have, although only a few take it as a high priority. The international community has long accepted that the definition of ODA and its measurement is as agreed among the main donor governments through their Development Assistance Committee (DAC), which also prepares the statistics, based on data provided by the donors.

This year the DAC is modifying the definition and measurement of ODA, which will undoubtedly be accepted by the UN as the new indicator, with DAC continuing to provide the statistics on the ODA efforts of its member countries. However, only some of the well-known ODA measurement problems are likely to be addressed and it is unlikely that the donor

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governments would provide raw data to the UN or another secretariat to calculate a different measure of ODA than that of the DAC. At best, some of the questionable items may be reported separately, such as the nominal value of debt relief—as is already done—and interested analysts could do their own—albeit incomplete—adjustments to the DAC totals.

Also, it is agreed in global forums that concessional development financing and technical assistance provided by countries of the South to other countries of the South is of a different nature than ODA and thus many Southern providers do not want their cooperation efforts measured using the same definitions as ODA. Nevertheless, some Southern providers, including developing country members of the Organization for Economic Cooperation and Development (OECD) and some Gulf States, report their aid efforts to the DAC Secretariat, which publishes their aid on the same basis as ODA. Thus, the "South" is split on this. It seems that no comprehensive set of statistics on *official* development cooperation by all official providers will ever be produced. Does that matter? Yes and no. Yes, it could be valuable rhetorically if there would be some competition to be the "best" between and within groups of countries. But also, no, the opposition in the South is firmly grounded. It is highly unlikely that the Southern providers that do not report to the DAC will accept any UN target for their assistance if it could be read in comparison to that of OECD countries.

DAC is also considering a broader concept of "development effort" to supplement ODA statistics, called "total official support of development". It seems doubtful that the Group of 77 Developing Countries and China (G77) will embrace this new concept (it shouldn't). Among other reasons, it could distract attention from donor country ODA performance itself ("Oh, yes, our ODA figures are falling but we are doing so much for development as you can see from our development effort indicator…"). Measurement and discussion of trends in the new measure will probably remain within the DAC and institutions that its members control, like the World Bank. However, to be polite or perhaps as a quid pro quo in UN negotiations, the FfD conference could take note in some form of the new OECD initiative.

While bilateral non-ODA development cooperation by DAC members (and equally by developing countries) may thus be a problematic statistical category to monitor, the non-ODA loans and investments by multilateral financial institutions are a traditional category of development financing. While there are no global targets for these outlays, the gross commitments, net flows (disbursements minus repayments) and net transfers (net flows minus interest paid) are regularly reported, as in the institutions' annual reports. The data are collected within each institution as part of its regular management. Thus, the financing provided by these institutions might be regularly monitored in the post-2015 era (they were not included in Millennium Development Goal 8). Lending and investments by Southern development institutions, like the new BRICS Bank or the CAF (Corporación Andina de Fomento) could similarly be monitored.[2] It is not clear why this has not been done already; perhaps the institutions preferred that international attention not focus on them in this way, especially as developing countries have been making a net transfer of financial resources to the World Bank for several years, an inevitable statistical result when gross lending stops growing significantly.

[2] Including funding by the International Monetary Fund (both concessional flows that could be added to ODA and its regular non-concessional lending) is a bit more complicated, as it embodies shorter-term financing for balance-of-payments adjustment rather than explicit development financing. In any case, the data are available and could be included.

But, monitoring such flows is doable.

Global monitoring of non-profit private financial and technical cooperation with developing countries is problematic for analytical reasons, if not also political ones. While the largest foundations in the world might be encouraged to report to the UN their development-related disbursements to developing countries (usually grants), there are thousands of civil society organizations (CSOs) transferring funds and technical expertise that are harder to monitor.[3] Moreover, not all foundation or CSO programs aim to promote development; e.g., some may promote a religion or the arts. Thus, some separation of development from non-development activities would be warranted, similar to the requirement that official expenditures be used for specified purposes to be counted as ODA. There would presumably also be interest in separating domestic from cross-border foundation and CSO support of development, another measurement challenge. Thus, while the post-2015 development agenda will undoubtedly encourage further private aid-like cooperation for sustainable development, it is unlikely that it will be monitored easily at global level. It is also doubtful that a target could be set for private assistance. In any event, if one were set, it would be set by governments and not by the institutions themselves which would not feel ownership of it or bound by it.

An additional measurement conundrum involves other concessional financing that does not address development or poverty eradication in developing countries, the agreed intentions of ODA. It can be argued that such expenditures should be kept separate from ODA in counting up national development cooperation efforts. A case in point is helping developing countries do their share in mitigating global warming. While the intention is to address a global issue distinct from development, some as yet unspecified part of the funding will undoubtedly be classified as ODA. That is, a part of the Copenhagen/Cancún pledge of $100 billion a year in climate financing for developing countries by 2020 will be concessional official flows. As the post-2015 agenda will aim to promote *sustainable* development, it may be expected that the donor contributions to climate financing that meet the financial requirements for ODA will be counted as ODA. They will in fact be just another category—albeit a large one—of earmarked funding, like that for the Global Fund to Fight AIDS, Tuberculosis and Malaria, another program to assist developing countries in advancing a "global public good" (i.e., globally eradicating three communicable diseases). While the G77 may try to keep climate financing and ODA as separate categories of international cooperation, the inclusion of bilateral concessional climate financing in ODA seems inevitable.

By the same token, governments may raise additional financial resources from innovative public financing mechanisms, such as the air passenger levy or the European financial transaction tax. It had been agreed, as at the Doha FfD conference in 2008, that the innovative resources "should supplement and not be a substitute for traditional sources of finance".[4] The implication is that ODA outlays should rise, dollar for dollar, with the new revenues. In fact, at best one might say that ODA outlays should rise dollar for dollar over what they would otherwise have been. In other words, it will be very hard to demonstrate "additionality". In any case, as of today, the funds from innovative financing arrangements have been quite small and

[3] Also, many CSOs receive ODA funds from donor governments, so reporting the outlays by these CSOs would entail double counting.

[4] United Nations, "Doha declaration on financing for development…" (A/CONF.212/7, Resolution 1, Annex, para. 51).

are included in ODA of DAC member countries.

In sum, it seems that international discussion of "financing for development" should include a focus on directly expanding or facilitating various types of official and non-profit flows, but it should avoid trying to set additional global targets for different types of international cooperation. The reality is no one knows how much of what type of international assistance will be needed over the prospective post-2015 era at global level. Nevertheless, it has been and will continue to be useful to monitor the volume and composition of official financial inflows to the developing countries and sub-groups of countries. This is already done as part of global economic and financial monitoring.[5] Through such monitoring, views may coalesce on successful and disappointing experiences with different categories of flows during the post-2015 era and remedial policy actions might be identified and taken.

Effectiveness of assistance

It seems that instead of spending a lot of energy on improving the monitoring of aggregate official cooperation for development, it would be more useful if all major bilateral and multilateral providers shared information with each partner government about their forward spending intentions, met expectations on the timing and amount of promised funding, and delivered more completely on promises to reduce the overhead cost of aid programs through use of national administrative systems once they are adequately improved. Equally, developing countries should make the necessary efforts to more completely and transparently develop sustainable development plans, with appropriate participation of all relevant national stakeholders, making it easier to identify projects and programs that would then be "owned" and supported nationally and that might make best use of official international assistance. Experience is that all of this is more easily said than done by some provider and recipient countries, but doing it better is essential.

In fact, these factors are central elements of what has been called the "aid effectiveness" agenda. It was given a certain prominence in international development diplomacy in the Monterrey Consensus at the first FfD conference in 2002, after which ODA donors initiated a set of meetings where they adopted and monitored specific commitments to boost the effectiveness of their ODA. The aid effectiveness agenda sought to strengthen recipient country capacity to decide upon and manage ODA programs in-country, which the donors agreed they would support with financial and technical assistance in a coherent and coordinated way. The quid pro quo for aid recipients' improving management and control capacity was that donors would increasingly use recipient government systems for oversight of their aid programs, instead of the individual donor layers of oversight on top of the national systems, which imposed additional administrative burdens on the aided governments. In addition, as confidence increased in national decision making and management of aid programs, donors were expected to increasingly shift to budget support, leaving the programmatic decisions to the receiving

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[5] See, for example, the financial flow data in the semi-annual IMF *World Economic Outlook* and other IMF global monitoring reports. At a more detailed level, the DAC routinely reports data on aid flows (financing and technical assistance) into countries by individual bilateral and multilateral donors. For recent DAC consideration of the state of measurement of official flows into individual countries and into developing countries as a whole, see "The new development finance landscape: developing countries' perspective," Working draft presented to OECD workshop on development finance, Paris, 25 June 2014.

governments. As it is, donor decisions on supporting specific projects and programs can be lengthy and complex. However, implementation has seriously lagged promises (which had been established as quantified targets), while meetings to review implementation have become increasingly grand, culminating in the April 2014 Mexico City meeting of the Global Partnership for Effective Development Cooperation (GPEDC).

Meanwhile, the UN has hosted a more modest initiative, the Development Cooperation Forum (DCF). Agreed at the 2005 World Summit at the UN, the DCF has the same effective scope as GPEDC. In practice, the DCF has taken to specializing in one aspect of the GPEDC agenda, which in a way is an all-encompassing aspect, called "mutual accountability". The concept is that an aid-receiving country and its donors should build mutual confidence through transparent and honest dealing with each other and through effective and efficient management. At the same time, it is of course recognized that the first accountability of aid-receiving governments is to their citizens, involving roles for their legislatures, sub-national governments and civil society as appropriate.

A way to concretize national accountability is to adopt a national sustainable development strategy and to domestically monitor and enforce its implementation. In fact, having a national plan for the use of international assistance is a priority in the development effectiveness agenda. However, the 2013 mutual accountability survey prepared for the DCF says that 34 developing countries had policies that defined their priorities for use of development cooperation, out of 43 countries completing the survey.[6] Some of these documents are apparently quite general, but some others are more operational, including targets for providers as well as for the recipient government. It seems such national policy papers should be important for working more effectively with individual bilateral and multilateral providers from the North and South and in deciding whether and in what ways to work with the global "vertical" funds that promote specific programs and only those programs (as on HIV/AIDS). Thus far, however, it seems the focus in countries adopting this approach has only been on relations with traditional donors.

There will probably be yet another call to countries in 2015 to elaborate sustainable development strategies (the first call was in Rio in 1992) and to include in them the prospective financing of sustainable development expenditures. Fair enough, but why is it necessary to reiterate the call? National development "plans", including specification of proposed internationally supported investments, were a standard part of the development cooperation system in the 1960s and 1970s. They went out of fashion in many countries in the neoliberal era since the 1980s. Perhaps they are returning in development rhetoric and in practice as donors and developing country leaders increasingly appreciate the benefits of coherent national development strategies and have worked to strengthen their ability to devise and implement them. At the same time, there remains resistance to the coordinated planning approach. For example, line ministries (health, education, transportation, etc.) have a natural preference for non-planning wherein they can make decisions independently on programs and their financing without strong finance ministry oversight. Aid providers with specific mandates also might prefer to work with partner

[6] An additional 13 countries that did not respond to the 2013 survey had reported that they had such policy documents in their responses to the 2011 survey, which were assumed to still be active, making a grand total of 47 countries out of 139 countries to which the 2013 survey was distributed (see Angela Bester, "Third global accountability survey on mutual accountability," Background Study 2, DCF Germany High-level Symposium, Berlin, 20-21 March 2014).

countries "off budget". Foundations and CSOs have even preferred in some countries to undertake their programs independently of any ministry's formal participation. Development policy coherence embodies central control, which is the way it should be when governance is representative, transparent and accountable. The interesting question is thus less about how to make rhetorical calls to adopt sustainable development strategies and more about how to strengthen the political forces for effective governance that ensure that such strategies reflect the public interest.[7]

It seems, in other words, that addressing the political economy of drawing up national plans and their means of implementation could lay a more solid foundation for mutual accountability. Could this be an appropriate topic for the DCF agenda, even if it borders on very sensitive political questions? As a first step, perhaps the DCF could provide a platform to discuss actions taken at regional level, as in the African Union or other regional groups that might employ various devices to explore and encourage recognition of policy needs and reform options. Such processes include peer reviews, confidential consultations or open national multistakeholder dialogues on a specified range of development issues.

This is, of course, only half the mutual accountability agenda, as more effective governance of the providers of assistance is equally important. It is also especially challenging as there is no international pressure mechanism for implementation of commitments by provider governments comparable to surveillance and conditionality applied to aid recipients. However challenging it might be, it seems the Addis conference might call on the DCF to work on both sides of the accountability relationship.

DCF also seems well positioned to take up a mandate that it implicitly already has but does not seem to have embraced as yet and that the FfD conference might agree to make a focus of its future work. That is, in the 2008 Doha review conference on FfD, governments took note of "novel partnership approaches, which utilize new modalities of cooperation".[8] These are not well understood. Indeed, some Governments expressed concern in the Open Working Group about lack of transparency in various initiatives to bring public and private providers of development cooperation and private investors together to ameliorate a number of global sustainable development problems. The working arrangements of these initiatives are opaque and there is no agreed process for intergovernmental oversight or methodology for how to assess their effectiveness. There is also considerable talk about using ODA to leverage private investment to co-finance ODA programs in developing countries. This is quite controversial. It has to be seen for which types of ODA programs such collaboration would likely be effective and which not. There are legitimate concerns about how to protect the public interest, both of donor taxpayers and the people in countries hosting these partnerships.

Developing a global dialogue comparing positive and negative experiences and drawing lessons for future initiatives could be an important future function of DCF, in tandem with its work to promote mutual accountability. It could work in collaboration with regional discussions of the same issues hosted by the UN regional commissions, in cooperation with regional

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[7] A useful place to begin such a consideration is a paper prepared for the 2014 DCF, namely, José Antonio Ocampo and Natalie Gómez Arteaga, "Accountability for development cooperation," Background Study 3, DCF Germany High-level Symposium, Berlin, 20-21 March 2014.

[8] United Nations, "Doha declaration…" op.cit., para. 47.

financial institutions, both public and private.[9]

Finally, it may be noted that proposals have been made here for the DCF but not for GPEDC. That was intentional. The DAC donors are responsible for major funding of both forums, when only one is needed. They are wasting a lot of taxpayer money in the name of efficiency. However, there does not seem to be any donor interest in the obvious solution, which would be to let the donor-led GPEDC die a natural death and move the cooperation effectiveness agenda to the UN, where all providers participate as a matter of course, including non-governmental foundations and civil society organizations. Indeed, while China and some other Southern providers of concessional assistance boycott the GPEDC, the UN forum remains a universal one. The UN has also hosted meetings of Southern providers and private foundations that support development, although the DAC also has worked with foundations and civil society.

There is, however, an institutional problem in the "aid business" that hinders the proposed reform, which is how can the UN better draw upon the considerable expertise in the OECD without also ceding disproportionate political influence to the DAC donors. The DAC will continue with its strong secretariat as it should. But it should join with the relevant members of the UN system in cooperative substantive servicing of the DCF, under the latter's political guidance. Such cooperation is increasingly being done informally in the UN in this and other areas of OECD expertise, such as tax cooperation (UN) and investment (UNCTAD).[10] It should continue as regards official development cooperation and be welcomed as such.

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[9] The current practice in each biennial cycle has the DCF staff organize a set of global symposia in different countries, depending on voluntary funding initiatives, ostensibly to prepare the discussion in the DCF meeting itself. At best, the symposia are useful exchanges among the usual official and unofficial stakeholders, with many of the same people travelling to each meeting. An explicitly regional set of meetings that fed into a biennial global meeting might provide useful feedback to countries and improve work at the regional level.

[10] It is a practice as well in the Group of 20 (G20), which commissions international organizations to carry out research and make policy recommendations on a range of topics, reporting back to the G20 for further action. In that case, the G20 is assisted by international organizations paid for in part by non-members. The proposal here is to invite a secretariat funded by a portion of UN Member States to contribute to the universal body.