

OXFAM NZ SUPPLEMENTARY SUBMISSION FIVE: THE GLOBAL ODA SYSTEM

New Zealand's ODA is part of a global framework that governs Official Development Assistance across the world. The OECD Development Assistance Committee (DAC) and the Global Partnership for Effective Development are the two main standard-setting and quality-improvement mechanisms for global ODA efforts. New Zealand joined the DAC in 1973.

Approximately seventy years of giving ODA has led to a sophisticated and complex global system underpinning any individual donors' ODA Programme. DAC members' ODA is measured and assessed according to a detailed coding system, and this is where external actors can monitor global ODA. Approximately every five years donors undergo an OECD DAC Peer Review of their ODA systems. New Zealand's last peer review was in late 2014, with a mid-term review in early 2018. The next Peer Review is likely to occur in 2020/2021.

Official Development Assistance was fully defined in the 1970s and covers the financial support - either grants or 'concessional' loans – that OECD-DAC member countries provide to developing countries. New Zealand does not currently provide concessional loans, meaning all its ODA is provided as grants.

“Official development assistance flows are defined as those flows to countries and territories on the DAC List of ODA Recipients and to multilateral development institutions which are:

- i. provided by official agencies, including state and local governments, or by their executive agencies; and
- ii. each transaction of which:
 - o is administered with the promotion of the economic development and welfare of developing countries as its main objective; and
 - o is concessional in character. In DAC statistics, this implies a grant element of at least:
 - 45 per cent in the case of bilateral loans to the official sector of LDCs and other LICs (calculated at a rate of discount of 9 per cent).
 - 15 per cent in the case of bilateral loans to the official sector of LMICs (calculated at a rate of discount of 7 per cent).
 - 10 per cent in the case of bilateral loans to the official sector of UMICs (calculated at a rate of discount of 6 per cent).
 - 10 per cent in the case of loans to multilateral institutions” [here](#)

The DAC maintains a list of countries that are eligible to receive ODA ([here](#)). The United Nations Least Developed Country classification and World Bank Gross National Income per capita classifications are used to assess ODA eligibility. The list is revised every three years and those that have exceeded the high-income threshold for three consecutive years are removed. The next review will occur in 2020.

New Zealand provides detailed information to the DAC about its ODA, according to a 100-page [reporting directive](#). This information includes the amount of ODA committed and disbursed, what countries and sectors ODA is provided to, and different types of agencies, such as multilateral organisations, NGOs, private sector. The sectors ODA is classified into are broadly categorised as:

- social infrastructure and services, including education, health, population, water, government and civil society
- economic infrastructure and services, including transport, communications, energy, business services, and banking and finance
- production, including agriculture, forestry, fishing, industry, mining, construction, trade and tourism
- multisector/cross-cutting, such as general environmental protection or rural development
- non-sector allocable, including general budget support, debt support, and humanitarian aid.

To enable an assessment of how a donor supports particular policy areas, there are also the 'DAC Policy Markers'. These markers enable monitoring of donors' work in:

- gender equality and women's empowerment
- aid to the environment – known as the Rio Markers (biodiversity, climate change mitigation, climate change adaptation, and desertification)
- participatory development/good governance
- Aid for Trade (within the 'building productive capacity' category).

These policy markers are qualitative, not quantitative, and identify ODA activities that are focused on a particular policy objective. An ODA activity can be labelled as: principle, significant or not-targeted against a particular policy marker.

- To gain a 'principle' (primary) label, the particular policy area has to be fundamental to the design and impact of the ODA activity.
- 'Significant' policy objectives are those that are important to the ODA activity, but not the principal reason for implementing the activity.
- 'Not-targeted' means that the ODA activity was screened against a policy marker but was found to not target that particular policy objective.

Aid Effectiveness to Development Effectiveness, from Paris, Accra, Busan & on.

The effectiveness of ODA has been the subject of much discussion over the 70 decades during which ODA has been provided. In 2003 donors came together to develop key principles for effective ODA, including coordinating better together, harmonising their approaches to countries that receive ODA, aligning efforts with recipients' own national development plans, aiming for mutual accountability for results, and enhancing country ownership and leadership of ODA efforts. From 2003 to the current day, this thinking has evolved from 'aid effectiveness' to 'development effectiveness', and is summarised below.

Over the past [fifteen](#) years, donors have been working with developing country partners to develop and implement principles for effective aid. This started in [Rome in 2003](#), but began to gain traction in Paris in 2005. Now, these principles form the core of what quality aid looks like. The meeting in Busan in 2012 extended the conversation to development effectiveness

– widening the focus beyond aid to incorporate other policies that matter (such as trade and migration), and to widen the actors involved in achieving sustainable development. New Zealand has been an engaged and constructive donor throughout these processes, and currently has a ‘Development Effectiveness Policy’.

The 2005 Paris Declaration on Aid Effectiveness outlined five principles for effective aid: mutual accountability, managing for results, ownership (of development activities by developing countries), alignment (with developing countries development plans) and harmonisation (coordination and collaboration between donors in the same developing country/region).

The 2009 Accra Agenda for Action deepened what was agreed in Paris, including agreement to:

- broaden country-level development policy dialogue
- grow developing countries’ capacity to lead and manage their own development
- donors’ use and strengthening of country systems
- reduce aid fragmentation – concentrate ODA and harmonise activities
- improve value for money and results
- create policies for aid in fragile states
- improve aid’s transparency, accountability and predictability
- reduce externally imposed conditionalities on aid.

In 2012, at the Fourth High Level Forum on Aid Effectiveness, the Busan Partnership for Effective Development Cooperation broadened the conversation to development effectiveness, partly in response to the desire to keep countries like China, Brazil and India engaged, and their objection to concepts, such as ‘aid’ or ‘development assistance’. While the focus should be on development effectiveness, moving the discussion to the broader level essentially removed impetus amongst ‘traditional’ DAC donors to improve their aid systems and delivery. Busan acknowledged the private sector as a core partner in sustainable development, as well as civil society. The focus on development effectiveness also places greater emphasis on ‘beyond aid’ policies (what gets called ‘policy coherence for development’) of all countries, but particularly donors: the policies richer countries can implement to promote development, aside from aid.

The Global Partnership for Effective Development Cooperation was endorsed by 161 governments at Busan. The Partnership brings together the diversity of actors committed to achieving effective development cooperation: governments, multilateral/bilateral institutions, civil society, academia, parliaments, local governments, regional organisations, trade unions, philanthropy and businesses. It is led by a 25-member Steering Committee, with four co-chairs, three of whom are Ministers. There are four principles that all these actors agree underpin effective development cooperation:

1. *Ownership of development priorities by developing countries. Partnerships for development can only succeed if they are led by developing countries, implementing approaches that are tailored to country-specific situations and needs.*
2. *Focus on results. Development efforts must have a lasting impact on eradicating poverty and reducing inequality, and on enhancing developing countries’ capacities, aligned with their own priorities.*
3. *Inclusive development partnerships. Openness, trust, mutual respect and learning lie at the core of effective partnerships, recognising the different and complementary roles of all*

actors.

4. *Transparency and accountability to each other. Mutual accountability and accountability to the intended beneficiaries of development cooperation, as well as to respective citizens, organisations, constituents and shareholders, is critical to delivering results. Transparency practices form the basis for enhanced accountability. (Effective cooperation principles, [here](#).)*

New Zealand is a member of the Partnership, having committed to adhere to the Busan principles and those outlined above.

New Zealand does well in some areas of aid/development effectiveness. The three-year Vote ODA allocation provides predictability for Pacific Island Countries receiving New Zealand's ODA, which allows them to plan ahead with an enhanced degree of certainty about what New Zealand will contribute to government revenue. New Zealand also does well in terms of focusing its ODA on the Pacific region, meaning it does not scatter its ODA too widely. (Although New Zealand's ODA beyond the Pacific may not do so well on this front.) MFAT also works with other donors, particularly Australia, to harmonise and coordinate ODA to particular countries. New Zealand has also engaged in trilateral ODA activities with China. While there are attempts to align New Zealand ODA with Pacific Island Country development plans and strategies, this is a complex area and New Zealand could deepen its engagement at a country level to really understand the diverse stakeholders involved in each country, and what their different priorities are.