

## Trócaire Submission to Joint Oireachtas Committee on Foreign Affairs

Wed 9<sup>th</sup> November 2004

### Subject:

*'Budget targets for ODA – meeting with Development Cooperation Ireland, Dóchas and development NGOs regarding their capacity to handle substantial increases in funding.'*

### Introduction:

The expansion of Ireland's aid budget, announced by An Taoiseach in September 2000, prompted a comprehensive review of the Ireland Aid programme<sup>1</sup>, chaired by then-Minister Liz O'Donnell TD. The purpose of the review was to map out how Ireland would fulfil its commitment to reaching the target of spending 0.7% of gross national income (GNI) by 2007. It set out a **comprehensive policy and institutional framework** for Ireland's development cooperation programme. The recommendations of the review were adopted in full by the Cabinet in March 2002.

In that review, non-governmental organisations (NGOs) were recognised as an important player. Funding was subsequently increased and management processes for financing NGO programmes were streamlined for efficiency.

Ireland devotes around one-sixth of its bilateral aid to co-financing NGO activities, which is high by OECD standards. NGOs are seen as a partner by Development Cooperation Ireland (DCI), not only because of their capacity to deliver aid where it is most needed in a cost-effective and timely manner, but because our long experience allows us to engage in policy dialogue with DCI.

In the context of a development cooperation programme approaching EUR1 billion, the relative sums of money delivered through NGOs will naturally change.

Most non-governmental organisations rely largely on the public for support and funding. This is central to the nature of an organisation such as Trócaire, as it guarantees our independence and ensures a public mandate to continue with our work in a manner which makes best use of donors' resources.

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<sup>1</sup> Report of the Ireland Aid Review Committee: A Review of the Development Cooperation Programme of the Government of Ireland, February 2002.

The development of a high-quality government programme, on the other hand, will ultimately depend on direct partnerships between our government and recipient governments. This is the true nature of a bilateral programme.

We argue therefore, that there are three questions before this committee:

- (1) the first is what concrete steps the Government will take to ensure the 0.7% target is reached by 2007 and maintained beyond that date.
- (2) the second is what would DCI do with an increased aid budget?
- (3) the third is what changes need to be made to enable the Development Cooperation Directorate to manage a rapidly growing budget and deliver effectively on its commitment to poverty reduction.

**Question 1: what concrete steps the Government will take to ensure the 0.7% target is reached by 2007 and maintained beyond that date?**

We support the Dóchas proposal in this regard. That is, that the Government should agree a multi-annual spending plan to reach the target by 2007 and enshrine in legislation both that plan and the continuing commitment to spending 0.7% of GNI on aid every year.

**Question 2: What would DCI do with an increased aid budget?**

**2.1 Quality of Irish aid**

Ireland's aid is of very high quality compared to other donors.

- Ireland's aid programme has been recognised in OECD peer reviews as being of a very high standard, prioritising human development and poverty reduction.
- Ireland channels half of its overseas development assistance (ODA) to least-developed countries (LDCs). This is the largest share among the 22 OECD donor countries.
- Ireland does not require aid recipients to 'buy' Irish goods or services with its aid money. Globally, tied aid reduces the value of aid by \$5 billion per year.

- Ireland gives an increasing amount of its aid under multi-annual agreements, which allows recipient governments to plan and use resources more effectively.<sup>2</sup>
- Ireland works in partnership with other 'like-minded' donors, reducing the costs to national governments of doing business with many different donors.

Ireland therefore has an important role to play as a **trend-setter** in terms of quality of aid programmes. There are many opportunities for it to play that role through its engagement with donors in the EU, through the OECD's Development Assistance Committee (DAC) of 22 donors, and with UN agencies and NGOs. Ireland's own programmes can expand and show by example how quality aid programmes can be highly effective.

## 2.2. Spending in Programme Countries

In the context of achieving the Millennium Development Goals, the World Bank and IMF have estimated that at least \$30 billion could be absorbed by poor countries immediately, rising to over \$50 billion per year in the medium term.<sup>3</sup>

The World Bank and IMF have found that an immediate doubling of aid could be used effectively in **Ethiopia**.<sup>4</sup> This would allow Ethiopia to meet the Millennium Development Goals on poverty, hunger, school enrolment, water and sanitation and HIV / AIDS.<sup>5</sup> Ethiopia is a priority country for Ireland and currently receives 10% of Irish ODA or EUR24 million.

In addition, **Tanzania, Mozambique and Uganda**<sup>6</sup> could make effective use of an increase of 60% in aid in the medium-term, according to the World Bank and IMF.<sup>7</sup> The phasing and actual amounts would depend on strengthening of institutional and human capacities and the expansion of their domestic resource bases.

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<sup>2</sup> Ireland gave 6.4% of its aid in General Budget Support to Tanzania, Uganda and Mozambique in 2003 (EUR28.5 million). The UK, by comparison, plans to increase the share of budget support in its official development programme from 44% to 53% by 2008, based on research that shows that '*budget support provided as part of partner government Poverty Reduction Strategies is a significantly more effective form of aid*' (UK Treasury 2004 Spending Review, p. 137).

<sup>3</sup> IMF / World Bank: 'Financing Modalities towards the Millennium Development Goals', April 2004, p.5.

<sup>4</sup> World Bank / IMF, 'Supporting Sound policies with adequate and appropriate financing', September 13<sup>th</sup> 2003, p. vi.

<sup>5</sup> Ibid, p. 34.

<sup>6</sup> In Uganda, current absorption capacity is limited but over the medium term (i.e. by 2015), the country will need and be able to absorb an additional \$310 million per year, according to the World Bank / IMF (Ibid, p. 39).

<sup>7</sup> Ibid, p. 42.

These increases could be absorbed in existing DCI programme areas. In **Mozambique** for example, DCI have been focused over the past 3 years on areas including productive infrastructure such as rural roads. DCI also provides support in areas which are key to unlocking future capacity to absorb aid, such as strengthening government institutions through general budget support and building civil society's capacity to participate in government planning processes and to hold government accountable<sup>8</sup>.

The World Bank and IMF have identified that an extra \$85 million could be spent effectively in Mozambique immediately in road rehabilitation and other basic infrastructure, and that an extra \$225 million per annum could be absorbed effectively over 2004 – 2015 in areas including education, health, water supply sanitation and agriculture.<sup>9</sup>

There is no question therefore, of a limit on capacity to absorb funds effectively in areas that are totally consistent with DCIs existing priority programme areas and countries.

#### **New Programme countries:**

DCI is also looking at expanding the number of priority or 'programme' countries beyond the current six African countries. It will establish enhanced cooperation agreements with Vietnam and Sierra Leone / Liberia in order to deepen work in those regions. This will require considerable front-loading of new resources in order to establish high-quality programmes at an early stage and to strengthen the recipient countries' capacity to use aid effectively over time.

Post-conflict countries often need high levels of aid which, with good planning and management, can be used very effectively. Indeed, in post-conflict situations, such as those in **Sierra Leone & Liberia**, upfront and transitional costs can only be met with aid as alternative sources of finance are not available. Planning is central however, and in this respect, clarity on the growth in Ireland's contributions in these regions is essential.

### **2.3 Humanitarian assistance (emergency & recovery):**

Ireland's emergency humanitarian assistance programme (currently EUR23 million) should grow, particularly in light of recent major emergencies. Because of Ireland's generous and necessary contribution to the Darfur crisis, funds have been stretched for other, less visible humanitarian emergencies.

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<sup>8</sup> Mozambique Country Strategy paper, Development Cooperation Ireland, February 2001.

<sup>9</sup> World Bank / IMF, 'Supporting Sound policies with adequate and appropriate financing', September 13<sup>th</sup> 2003, p. 40.

At the International Meeting on Good Humanitarian Donorship, in Stockholm, 2003, Ireland committed along with other donors to:

*"Strive to ensure that funding of humanitarian action in new crises does not adversely affect the meeting of needs in ongoing crises".*

To comply with this principle, Ireland clearly needs to increase its Emergency Humanitarian Assistance substantially.

At an immediate level, there is a staff capacity issue in DCI in relation to emergencies. A lack of human resources can mean that applications may not be turned around in a reasonable time period, which is very serious in emergency work.

However, there are also opportunities for expenditure in humanitarian areas which would not have huge management implications for DCI.

The UN's World Food Programme is one example. Since 2002, the World Food Programme has helped avert a humanitarian catastrophe in southern Africa by providing food aid to over 10 million people. Two operations, valued at EUR695 million, were supported by a range of donors. Ireland ranked 11<sup>th</sup> with an overall contribution of EUR3.7 million for the WFP's Southern Africa appeal in 2002 – 2004.

The WFP has just launched a new appeal for EUR328 million to help 5.5 million people in Lesotho, Malawi, Mozambique, Swaziland and Zambia over a three-year period. However, this appeal risks failure as the emergency in Sudan and the ongoing conflict and humanitarian needs in the Middle East soak up the media attention.

The 2004 – 2007 Southern Africa appeal needs to be frontloaded by EUR51 million in the first quarter of 2005, to help people survive the 'hunger season'. Ireland could help fill this gap and recruit other donors to support the programme.

## **2.4 Multilateral Funds: HIV / AIDS**

Other multilateral agencies or funds with which Ireland currently has a partnership arrangement are obvious targets for increased aid during a transition period of rapidly increasing budgets.

Ireland could increase its donations to the Global Fund for AIDS, TB & Malaria, given that these diseases are a primary obstacle to development. Pledges for the Global Fund for HIV / AIDS , TB and Malaria has reached only \$4.9 billion by end-2003 – half of that which is needed. Worse still,

money actually paid up amounts to only \$2.1 billion.<sup>10</sup> Ireland contributes over EUR40 million per annum to HIV / AIDS, or almost 10% of its aid budget. This is positive but increases could easily and effectively be accommodated.

It must be noted, that it is important to maintain DCI's strategy of selecting a small number of multilateral agencies with which to work on the basis that a quality relationship allows ongoing monitoring of the use of resources and a degree of policy influence.

## **2.5 Multilateral Funds - IDA**

In the current political climate, some multilateral mechanisms for financing development are under threat. The US is aggressively promoting the conversion of concessional lending facilities such as the World Bank's International Development Association (IDA), to grants.

IDA provides \$80 billion per year to 70 countries that have little or no access to financial markets. Aid delivered through IDA has been found to be more effective on the whole than aid delivered through bilateral ODA (ODI, Nov 2003<sup>11</sup>).

Conversion of IDA grants to loans without additional funding for grants would deplete the resources available to the world's neediest countries. Ireland could consider increasing its contribution (EUR6 million in 2003) to IDA and calling on others to do the same so as to protect this facility and stem the move towards increased bilateralism in aid. The negotiations on IDA replenishment are due to end by early 2005.

Increased contributions should however come with a reporting mechanism to the Oireachtas on how the Funds are being spent and Ireland's engagement with the World Bank on policy issues relating to low-income countries.

## **2.6 NGOs: Trócaire**

In the financial year to the end of February 2004, Trócaire received EUR15,425,527 from DCI. Based on 2004 figures, scaling up the programme to 0.7% of GNI would mean resources of about EUR27,000,000 available to Trócaire from DCI on an annual basis.

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<sup>10</sup> Website, World Food Programme, 4<sup>th</sup> November 2004.

<sup>11</sup> Beynon, Johnathon, 'Poverty Efficient Aid Allocations – Collier / Dollar revisited', ESAU Working paper 2, Nov 2003, ODI, London, p.26.

With additional resources Trócaire could expand its work in a number of strategic areas, notably livelihood security, development of civil society, HIV/AIDS, humanitarian response and recovery and in programmes related to building long-term capacity for poverty reduction. In these areas, Trócaire is constantly obliged to turn down applications for funding from counterpart organisations due to funding constraints.

In addition, research and independent analysis to build higher-quality programmes is insufficiently developed in the Irish NGO sector and is an area to which Trócaire has a strong commitment, yet resources for this work which ensures the ongoing relevance and effectiveness of Northern NGOs is difficult to find.

However, as noted above, Trócaire takes its mandate in part from the support of the Irish public and it is important to us that that support is manifested through public fundraising. If we know what additional resources might be available over, say, the next three years, structures, systems and staff can be put in place to enable the effective use of these resources.

We have responsibilities for ensuring the proper use of public monies; but we also have a responsibility to the poorest people to take up the challenge on their behalf when new resources become available.

In sum, the critical issue for Trócaire in an environment of ongoing growth is sound planning and management of our high-quality programmes and ensuring our resources from official and public sources remain proportionate. For Trócaire, there is a clear need for clarity from the Government on the growth path to be followed, so that we can strategically plan our work and maximise the impact of the resources we deploy.

However, we believe that the question of aid absorption capacity among NGOs is only a modest part of the issue, as noted in the Introduction. The fundamental question is whether the Government will take the political steps necessary to deliver on its commitment.

**Question 3: what changes need to be made to enable the Development Cooperation Directorate to manage a rapidly growing budget?**

**Does DCI need additional staff resources?**

Yes. This has been a consistent recommendation of the OECD's Development Assistance Committee (DAC) in its past two peer reviews of Ireland's development cooperation programme (1999 & 2003). This was also recommended in the Ireland Aid Review (2002) which was subsequently adopted as Government policy.

The DAC report (2003) noted that 'human resources capacity remains barely adequate' and stated that 'addressing the human resources issues

pro-actively is a key component of planning to manage and implement an effective \$1 billion ODA programme'.

As noted above, continuing to enforce a crippling staffing policy is having an immediate effect on the Irish response to people living in acute humanitarian crises.

Furthermore, the embargo on recruitment into the Civil Service has led to a situation where DCI is obliged to recruit short-term specialists to fulfil work on a contract basis. This leaves an open question as to the impact on institutional memory and the capacity for DCI to assimilate the lessons from such contract work.

Given the Government's solemn declaration on reaching the ODA target by 2007, it is duty-bound to ensure that it has the instruments to deliver on that promise. Adequate numbers of staff, with appropriate skills and relevant experience are critical in the immediate and longer-term.

This relates closely to another issue which threatens to undermine the capacity of DCI to deliver on its mandate. That is, the **proposed relocation to Limerick**.

Dóchas has argued before this Committee (15<sup>th</sup> July 2004) that relocation of DCI would be a mistake on the basis of policy coherence. DCI is a policy-making agency and needs to work with other Departments, including Trade, Finance and Agriculture, in order to fulfil the mandate given to it by the Government on its approval of the Ireland Aid Review.

The Review recommended that 'Ireland Aid' as it was then known, remain a Directorate within the Department of Foreign Affairs precisely so as to ensure inter-departmental and cross-Departmental policy coherence.

At a practical level, it is clear that the move to Limerick will deprive DCI of almost all of its current development specialists. These specialists cannot be replaced by officials from other departments as their work requires highly specialised experience and qualifications. We believe that the commitment to the ODA target requires the retention of these staff who have built up a level of expertise and credibility such that Ireland's development programme has received one of the most positive reviews of all OECD members.

Indeed, if the ODA target is to be honoured, DCI should be strengthening its technical staff. To reduce such staff makes the Government's commitment undeliverable. This is therefore an issue of coherence at Government policy level. It seems that meeting the commitment to decentralisation and meeting the commitment to 0.7% by 2007 (or in any reasonable timeframe) are mutually incompatible. We firmly believe that the commitment to the 0.7% target should take precedence and that the

Government needs to seriously reconsider the relocation of DCI at this time.