TRÓCAIRE
Working for a Just World

Towards more reliable delivery of aid

Research report

by

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Predictability of aid distinct from its volatility

This Report is concerned with deviation of the amount of aid delivered from the amount committed in development programme documents or overall levels of aid pledged in international meetings. Such deviations indicate a lack of predictability in aid flows with damaging consequences for the aid relationship and for the value of aid to its recipients.

Ensuring predictable delivery of aid commitments is thus a key element in any aid programme. In addition it may be helpful to have relatively large increases in aid in response to unforeseen problems, as in disaster relief. These make for volatility in the total aid receipts of individual countries as analysed by Bulíř and Hamann (2005). However, such surges in aid can give rise to problems in the management of the economies of these countries and Buffie (2010) has provided a recent analysis of some of these problems.

Analysis of data on aid predictability alongside data on aid volatility by Celasun and Walliser (2008a) has shown that these two sets of data are not related to each other. These authors conclude that this shows that the two phenomena are quite distinct and volatility does not imply lack of predictability.

Executive Summary

Adoption of the Millennium Development Goals in 2000 was allied to a call for increased aid to support their achievement by 2015. This extra aid was to be delivered by accelerating progress towards the UN Target for every developed country to provide Official Development Assistance (ODA) at a level equivalent to 0.7 percent of national income. In response, the Taoiseach pledged that Ireland would reach this level by 2007, more than doubling the 2000 level of 0.3 percent. Ireland's ODA did expand rapidly in subsequent years but so did national income. ODA actually reached 0.6 percent of national income in 2008 and by then the year for achieving the UN target had been moved from 2007 to 2012. With crisis in public finances and in the economy, the Government's target date was subsequently revised to 2015.

A second layer of ODA commitments are those to provide aid through multi-annual programmes agreed with some very low income countries and with Civil Society Organisations (CSOs) working in these countries. The typical multi-annual development programme shows commitments by both sides for each of its five years. This reflects best practice in building strong partnerships and favours efficient use of aid. In 2008, and earlier years, multi-annual aid commitments seem to have accounted for up to 60 percent of the ODA budget. The large balance went to other uses of aid while also providing a prudent margin to protect multi-annual programmes from reductions in the overall amount ODA. Since 2008, Government provision of funds for ODA has been reduced falling first to 76 percent of the figure for that year and then to 73 percent. Aid commitments to partners are no longer being delivered in full. Available data indicates that least affected has been delivery of commitments to partner countries. In contrast, delivery of commitments to CSOs seems to have been cut by at least as much as the overall reduction in the size of ODA. Examples of the damaging effects of these cuts are provided.

A theme in this report is that non-fulfilment of commitments is a breach of trust damaging relations and team work within development partnerships. Evidence is cited that such unpredictability in aid delivery reduces its impact. These concerns have resulted in the international community giving special attention to improving the predictability and reliability of aid deliveries, as in the Paris Declaration on Aid Effectiveness. Data on progress towards greater predictability is reviewed.

Following findings of under-delivery of aid commitments the report provides six options for action to strengthen Ireland's performance. Three of these reflect commitments in the 2006 *White Paper on Irish Aid* and could be implemented at virtually no cost. These are:

a) Prompt publication of payment schedules of Irish Aid's multi-year commitments;
b) Annual publication of statistics on the performance of Ireland in meeting its financial commitments within ODA;
c) Publication of annual assessments of the performance of Irish Aid in meeting its objectives.

In addition, delivery of aid commitments in multi-annual programmes could be assured by the use of contracts, option (d). These could be promissory notes providing a government guarantee of the amounts of aid that the partner would be paid on specific dates. More comprehensively the elements of each programme, including payment schedules, could be embodied in legally binding contracts.

Finally, the seriousness of obligations to fulfil commitments, once made, could be reflected in legislation, options (e) and (f), and the report provides examples from the United Kingdom and Canada. The initial option is legislation to oblige the government to provide comprehensive and timely reports on its delivery of aid, including topics covered in options (a), (b) and (c). Going further, commitments on the level of ODA and its use could be embodied in legislation, option (f).

Action on these options would ensure fulfillment of commitments made at the United Nations, those in multi-annual programmes supported by Irish Aid and the aid predictability commitments in the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action. All this should favour:

- Greater impact on improving the conditions and prospects of poor people in poor countries.
- Wider appreciation of the achievements of Irish Aid;
- Increased allocations of public expenditure to Official Development Assistance to achieve the Millennium Development Goals by 2015.

PART I: Scale of the Problem

1. Ireland's aid commitments – the story and its implications

a) Ireland's aid expenditure commitments

In 1970, the United Nations General Assembly adopted a resolution that the affluent nations of the world would commit 0.7 percent of their annual Gross National Product (GNP) to aid developing countries. First pledged 40 years ago, the 0.7 percent target has been reaffirmed by the world's developed countries in many international agreements since then. The UN Millennium Project's analysis indicates that 0.7 percent of rich world GNP could provide enough resources to meet the Millennium Development Goals.[1] The eight goals form a blueprint to reach the needs of the world's poorest and were agreed to by all the world's countries and all the world's leading development institutions.

Ireland's pledge at the Millennium Summit in New York in September 2000 was to meet the UN commitment by 2007.[2] Annual targets for increases in aid were also announced by the Government to reach the UN target on time. This promise secured Ireland's position on the world stage in terms of the scale of its Official Development Assistance (ODA) in favour of developing countries. However, in October 2004 Conor Lenihan, then Minister for Overseas Development, announced that the target would not be reached by 2007. This was reconfirmed at the UN summit the following year along with the postponement of the target date to 2012. At this time the Government set itself an interim target of 0.5 percent of GNP by 2007, which it exceeded (Table 1). The table also shows that since recommitting to the target in 2005, Ireland succeeded in increasing its aid in line with its commitments until 2008.

Table 1: Levels of Irish Aid Spending

	2005	2006	2007	2008	2009	2010
Official Development Assistance (ODA) in million euro	**578**	**814**	**871**	**921**	**696**	**670**
ODA as percentage of GNP	0.42%	0.53%	0.54%	0.60%	0.52%	0.52%

Source of data:
ODA: Department of Finance and Irish Aid Annual Reports
GNP 2005-2008: Central Statistics Office.

[1] Commissioned by the United Nations Secretary-General in 2002, the Millennium Project developed a concrete action plan for the world to achieve the Millennium Development Goals http://www.unmillenniumproject.org/index.htm

[2] Address by the Taoiseach, Mr. Bertie Ahern, T.D. to the United Nations Millennium Summit, New York, 6 September 2000 www.un.org/millennium/webcast/statements/ireland.htm

In September 2008 in New York, at the United Nations Millennium Development Goals Summit, the Taoiseach, Brian Cowen, again recommitted Ireland to reaching the 0.7 percent target by 2012.[3] However, following an unprecedented series of cuts to the Irish Aid budget from July 2008 to December 2009, ODA fell to 0.52 percent of GNP in 2009 and the Government announced that it was moving the date by which it would meet the UN target from 2012 to 2015. In this it would be in line with many other European member states, but broke its promise for the second time.[4]

In addition to its general commitment to increase the level of Ireland's ODA, the Government has made some commitments on the use of these monies. These include a commitment to raise the share of ODA going to tackle hunger to 20 percent of the total, and to provide €100 million a year for HIV-AIDS programmes. There are also the commitments made to individual development partner countries and organisations normally embodied in development programmes of three to five years duration.

This report is concerned with delivery on obligations arising from the aid commitments Ireland has made.[5]

b) Ireland's commitments within the aid effectiveness agenda

As well as commitments on levels of ODA expenditure Ireland has also made commitments with regard to increasing the effectiveness of ODA it delivers to its southern partner governments. These commitments to improve the quality of aid are under the auspices of the Paris Declaration on Aid Effectiveness (OECD, 2005). One of these is to ensure that Ireland's development partners receive aid in the amounts and at the times specified in the development programmes agreed with them.

Also in the Paris Declaration, partner country governments affirmed their commitment to their own development by putting in place measures to wipe out corrupt practices in their countries' governance systems and to ensure that their political and economic systems are focused on using public resources effectively for poverty eradication. They also committed to increase democratic accountability and transparency so that their people can hold their governments to account.

Progress towards achievement of targets for implementation of the Paris Declaration by 2010 is being monitored using indicators that will be noted later in the report. In the meantime all signatories met again for the 3rd High Level Forum on Aid Effectiveness in Accra. As a result of this

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[3] http://www.irishtimes.com/newspaper/opinion/2008/0927/1222419966440.html

[4] Irish Aid Press Release. 'Budget 2010: Ireland to maintain ODA at 0.52% of GNP in 2010' http://www.irishaid.gov.ie/latest_news.asp?article=1532

[5] Ethical aspects of this topic are examined further in Bedi and Riordan (2010).

review of progress since the signing of the Paris Declaration, Ireland together with 133 countries and 59 international organisations, endorsed the Accra Agenda for Action (AAA) (OECD, 2008). This document provided a roadmap for donors and partner governments between 2008 and 2010.

c) What do these commitments mean for Ireland?

As a signatory to the AAA agreed to many new and additional targets. As a result of this Irish Aid developed a Plan of Action to implement these commitments (Irish Aid, 2009). This plan builds on Ireland's Action Plan for Irish Aid's Response to the Paris Declaration (2005). The plan strives to mainstream Ireland's response to the AAA throughout all sections of Irish Aid. The plan outlines all the key donor commitments and details the priority actions Irish Aid will take at international/EU/HQ and programme country level to achieve them.

The implementation of the AAA means that Ireland as a donor has to change some elements of the way it works. Aid effectiveness has been mainstreamed across the organisation in order to approach the challenge in an effective way. Some elements of the AAA were deemed to need a more immediate response from donors including: to make public all conditions linked to disbursements (para 25b), to provide full and timely information on annual commitments and actual disbursements (para 26b) and to provide regular and timely information on their rolling three to five year expenditure and/or implementation plans (para 26c). Action in these areas would then improve the predictability and efficiency of aid.

2. The current context

When sorrows come, they come not single spies, But in battalions!
(Shakespeare)

a) Impacts of the financial crisis on developed and developing countries

i) Introduction

The worst financial crisis in decades has had a devastating impact on the economies and populations of both the developed and developing world. Developed countries are experiencing unprecedented levels of unemployment; governments are being forced to cut many areas of spending, including social welfare. Unemployment is at an all time high, workers' salaries are being cut, homes are being repossessed due to inability to meet mortgage repayments and banks are being bailed out at the public's expense. However, while developing countries certainly did not create this crisis they now find themselves suffering severely from its effects. The World Bank has estimated that by the end of 2010, as a result of the financial crisis, 89 million more people will be living in extreme poverty; this is on less than US$1 a day. The same World Bank report also predicts a dramatic rise in infant mortality, with 30-50,000 more infants likely to die before they reach one year old, as a result of the crisis (World Bank, 2009b). Furthermore, over 1 billion people are now going hungry for the first time in history: one in six people on the planet.[6] For the world's poorest countries, inflows of money have fallen considerably as a result of crises in the developed economies and their financial institutions. Remittances, which account for up to 20 percent of GDP in some countries, have fallen significantly. The World Bank estimated that remittances would have fallen by approximately US$15 billion from US$305 billion in 2008 to approximately US$290 billion in 2009. This will have a huge impact as remittances still represent far more than private capital flows or ODA and have been a steady and vital source of income for millions of people in the developing world, being used to buy daily necessities such as food, clothing and shelter (World Bank, 2009c).

With a fall in demand for goods, employment in developing countries also fell. Combine this with significant gaps in coverage of social protection systems in many developing countries and there is a worsening of poverty. While the International Labour Office predicts that in developing countries employment levels could start recovering from the end of 2010, it cautions that employment will be slow to recover in the near term. The ILO's *World of Work Report 2009* goes on to say 'these trends would exert further downward pressure on wages, aggravating the risk of depressed consumption and making recovery fragile' (International Labour Office, 2009).

UNCTAD (2009) estimated that global Foreign Direct Investment (FDI) inflows were likely to have fallen by more than 20 per cent in 2008, and will probably decline further in subsequent years. Compounding developing countries' inability to access investment finance is secrecy and lack of transparency with regard to financial transactions and international taxation, depriving countries of access to their own resources as well as access to the tax revenues that are rightfully theirs. In addition, the food and fuel price crises dating from 2007 hit the budgets of many developing countries leaving them even more vulnerable to unforeseen external shocks. On top of this are costly demands for adaptation to and mitigation of the impacts of climate change.

All of the above reflect the severity of this cyclical downturn and financial crisis. The question of whether the related contraction of inflows of funds into developing countries has been offset by inflows of aid, as would be helpful, will be addressed in the next section.

[6] http://www.wfp.org/stories/number-world-hungry-tops-billion

(ii) Trends in ODA from OECD countries.

Official Development Assistance (ODA) is one of the pillars of the global partnership for development and is playing a critical role in the progress that is being made towards the achievement of the Millennium Development Goals (MDGs). Nevertheless, there continues to be a gap between commitments and delivery of ODA, most notably in relation to the United Nations' targets, but also with respect to other more recent but less ambitious quantitative commitments.

The past decade was marked by a steady increase in overseas aid, both official and voluntary. As part of signing up to the UN Millennium Development Goals developed countries pledged to provide more aid and to direct it at enabling people living in poverty-stricken countries to strengthen their capacity to provide for their basic needs. Global aid levels reached a record high in 2009 of $120 billion. Almost all developed countries set timetables for achieving the UN target of 0.7 percent of national income going to ODA. Until the crisis hit, many countries, including Ireland, were well on the way to reaching these targets. The situation has now changed dramatically. The crisis means that donors are facing their own fiscal problems and some have cut aid amounts.

The OECD has predicted that the underperformance of several large donors means there will be a significant shortfall on what donors promised to spend on ODA in 2010. France, Germany, Austria, Portugal, Greece and Italy have been highlighted as six countries within the OECD which will fall short of their commitments in 2010.[7]

The OECD's projected figures for 2010 show a shortfall of US$21 billion (€17 billion) from the level promised by donors in 2005. Most of this reflects cuts in ODA relative to national income and the balance arises from lower than predicted national incomes due to the financial crisis. In February this year the Chair of the OECD Development Assistance Committee, Eckhard Deutscher, commented that these 'commitments were made and reconfirmed repeatedly by heads of governments and it is essential that they be met to the full extent.'[8] The Secretary of the OECD, Angel Gurría, said 'I encourage all donors to carry through on their development promises'.[9] We have been here before however. During the global economic recession in the early 1990s large fiscal deficits in donor countries led to deep cuts in ODA. During that time ODA fell from 0.33 percent of gross national income in 1992 to 0.22 percent in 1997.

The members of the OECD who are also members of the EU agreed to reach a minimum ODA target for each of their countries of 0.51 percent of national income in 2010. Current data indicates that this target will be met by Ireland, Belgium, the UK and Spain, while Sweden, Luxembourg, Denmark, the Netherlands continue to exceed this and the higher UN target.

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[7] OECD, 'Donors mixed aid performance for 2010 sparks concern' Feb 17th 2010
http://www.oecd.org/document/20/0,3343,en_2649_34447_44617556_1_1_1_37413,00.html

[8] ibid

[9] Ibid

b) Crises in Ireland and their impact on aid

i) Negative growth, budget deficits and ODA

A 'severe contraction' is perhaps too mild a term for the storm that hit the economy in 2008. Table 2 has some key figures on the scale of the collapse.

Table 2: Aspects of the crisis in the economy of Ireland

	2007	2008	2009
	Change relative to the previous year		
Building and Construction: value added	-2%	-24%	-34%
National Income	6%	-5%	-15%
Government receipts	-1%	-3%	-13%
Government expenditure	11%	15%	3%
	Percentage of Gross Domestic Product		
General Government Balance	0%	-7%	-14%

Sources of data: CSO and the Department of Finance

It all came together in 2008, the building and construction bubble burst, the economy went from strong growth to contraction and government receipts from taxation and other sources shrank. In contrast government expenditure continued its fast growth and was 15 percent up relative to 2007. The result of government receipts falling while expenditure shot up was the emergence of a major deficit in the balance of the government's finances and consequential growth in the national debt.

Worse followed, in 2009 the economy contracted by a further 15 percent and government receipts were 13 percent down. Yet government expenditure continued to rise despite cuts and an emergency budget. The outcome was a doubling of the deficit in government's finances expressed as a percentage of Gross Domestic Product (GDP).

In 2010 the decline in the economy and government receipts continued but at a slower rate. Government expenditure also contracted. However, the deficit is still likely to exceed 11 percent of GDP, excluding provisions for intervention in the banking system. In contrast, it should be no more than 3 percent under the terms of the EU Stability and Growth pact. Anxiety about the size of the national debt has grown to the point where the rate of interest that has to be paid on this debt is rising and this interest is a major and growing element of government expenditure.

By 2011 national income is expected to be growing with the rate of growth increasing in subsequent years. However, efforts to reduce the deficit in the public accounts will continue so as to bring it down to 3 percent of GDP in 2014 and eventually balance the books, as in 2007.

Cuts in public expenditure are thus likely to continue for some years and so inflict more pain on everyone. Yet despite this crisis the Government has not lost sight of the plight of the poorest people of the world. Improvements in their basic conditions of life were promised through achievement of the Millennium Development Goals (MDGs) by 2015. Ireland's main contribution to achieving these goals is through expenditure on Official Development Assistance, thus the measure of its determination is a repeated commitment to increase ODA so that it will amount to 0.7 percent of GNP by 2015. Some projections of the effort needed to achieve this target were produced by Riordan (2010). He showed that 0.7 percent of GNP in 2015 would amount to €1,300 million on an optimistic projection of growth in the economy by 2015. Expressed as a percentage of government expenditure ODA would still be well below 2 percent of the total. The importance of at least achieving this target by 2015 is illustrated in subsequent sections with glimpses of the consequences of the cuts that were made in ODA.

(iii) The disproportionate cuts in Ireland's aid budget

In July 2008 the ODA budget was cut by €45 million. The following October another €15 million was cut from the budget and in February 2009 a further €95 million was slashed from the budget in the first of two supplementary budgets brought in by the government that year. In April 2009 a further €100 million was cut from ODA. Reflecting these cuts ODA as a percentage of GNP fell from a high of 0.6 percent in 2008 to 0.52 percent of GNP in 2009. The cuts in 2009 were clearly well in excess of the fall in Ireland's GNP. In fact between 2008 and 2009 the national income fell by 15 percent (Table 1) while the cut in the aid budget was 24 percent. The government department with the next largest cut was the Department of Community, Rural & Gaeltacht Affairs with a cut of 12 percent while the average change in allocations to all departments was an increase of 6 percent from 2008 to 2009 (Trócaire 2009).

An intensive campaign to protect the aid budget was initiated by Trócaire and the wider development sector in Ireland during the course of 2009. The campaign succeeded in raising Ireland's aid budget on the political agenda and saw many different sections of Irish society speak out in support of Ireland's aid budget and its protection against any further cuts.

Box 1: Trócaire's aid Campaign

In response to the initial cuts in 2008 and the beginning of 2009, Trócaire launched a campaign to protect the Irish Aid budget from further cuts. The campaign was conducted at a number of levels; high level political lobbying of senior cabinet members, presentations to Oireachtas Committees, budget submissions and policy documents sent to the Minister for Finance and other key targets, lobby letters to key Ministers and TDs, opinion pieces, letters and signing of statements from Church leaders and politicians in the media, online and off line campaign actions taken by campaigners and targeting of key decision makers in their constituencies by means of lobby meetings and letters as well as pressure through local media and events.

The aid budget was not a political issue at the beginning of 2009 when the two supplementary budgets were announced, but throughout the aid campaign, Trócaire successfully brought the issue to the top of the political agenda. Trócaire was successfully able to link the impact of the cuts to our programme work in the field, with the cuts being made in Ireland, bringing the human face of the budget cuts to the political arena in Ireland, to counteract the government's use of the aid budget as a soft target for disproportionate cuts.

The aid issue, not on the agenda at the start of last year, became one that was actively fought for and debated at the cabinet table in the run up to December's budget. The resulting cut of a further €25 million from the Irish Aid budget could have been much greater in the absence of such a sustained campaign throughout 2009.

The aid budget for 2010 was cut by further €25 million making Ireland's overall projected ODA spend for 2010 to be €670 million. This comprises €535 million of current spending on International Cooperation (Vote 29) under the Department of Foreign Affairs and approximately €135 million by other Government Departments, including Ireland's contribution to the EU Development Cooperation Budget.

After the budget Minister Micheál Martin announced that the target date for achieving the ODA target of 0.7 percent of GNP would also be moved from 2012 to 2015, the second time the Government has moved from the promise made at the UN in 2000.[10] One estimate of the cumulative impact on our development partners of Ireland's decision to move the date of reaching the UN target of 0.7 percent of GNP from 2012 to 2015 is a reduction in ODA of €752 million over that period (Riordan 2010).

(iv) Impacts of the cuts in ODA

Broadly speaking Irish Aid seems to have protected previously agreed aid for programmes in their priority countries from the impact of the cuts. These programmes received funding of €228 million in 2008 and this figure only dropped slightly to €209 million in 2009 (Irish Aid, 2010). The most significant cuts made were to Ireland's planned voluntary contributions to United Nations Agencies, where funding was halved, to €41 million in

[10] Irish Aid Press Release - Budget 2010: Ireland to maintain ODA at 0.52% of GNP in 2010 http://www.irishaid.gov.ie/latest_news.asp?article=1532 09/12/09

2009.[11] Cuts were also made in the money Irish Aid had committed to provide Civil Society Organisations including Concern, Trócaire and others in the Multi-Annual Programme Scheme (MAPS II) and the Multi-Annual Block Grant Programme (MABGP). All of these organisations provided Dóchas with data on the amounts of Irish Aid funding stipulated for each year of their programmes and the amounts paid in the years from the start of their programmes up to and including 2010.[12] Table 3 shows the overall results of the Dóchas survey. Clearly there has been a steep deterioration in delivery on these commitments from 94 percent delivery in 2007 to a 59 percent delivery on MAPS II in 2010.

Table 3: Irish Aid's multi-annual contracts with CSO's in Ireland: Commitments and Payments

	2007	2008	2009	2010	2011	Total
	million euro					
MAPS II summary						
Commitments	62	71	78	88	97	396
Payments received	62	71	57	52		
Shortfall	0	0	-22	-36		
MABGP summary						
Commitments	23	23	20			66
Payments received	21	19	16			56
Shortfall	-1	-4	-5			-10
Predictability indicator	Delivery as a percentage of commitment					
MAPS II	100%	100%	72%	59%		
MAGBP	94%	83%	77%			85%

Source of data: Dochas survey.

Notes:

MAPS II is the second Multi-Annual Programme Scheme, 2007 to 2011.

MABGP - the Multi-Annual Block Grant Programme, data has been aggregated as if year 1 of the programme for each participant started in January 2007.

Trócaire, for example, could not offset the lost funding and inevitably programmes with their impoverished partners suffered. In terms of the size of the aid team, this was 3,000 people overseas - out of whom 2,500 were local staff supported by 1,100 people employed in Ireland. Following the cuts Trócaire has had to make 39 positions overseas redundant and cut staffing at its

[11] Peter Power, response to written answers – 9th December 2009 http://www.kildarestreet.com/wrans/?id=2009-12-09.1546.0

[12] Dóchas is the association of Irish Non-Governmental Development Organisations. Dóchas provides a forum for consultation and co-operation between its members and helps them speak with a single voice on development issues.

head office by 19 percent. Another example is Voluntary Service Overseas (VSO), the charity that recruits volunteers. VSO laid off 52 overseas staff last year, even though VSO's Dublin office had a fivefold increase in enquiries from potential volunteers relative to the previous year.

BOX 2: Impact on Trócaire's work

As a result of reduced funding from the Irish government as well as falling donations from the general public in 2009, Trócaire had to make some of the most difficult decisions the organisation has faced in its 36 years. All activities were reviewed and costs reduced in order to protect life-saving projects overseas as much as possible.

The protection of its overseas work is Trócaire's priority. However, despite making cuts across the board in terms of administration and the cancellation of planned activities and expansion of programmes, Trócaire was not able to avoid its programmes on the ground suffering as a result of the cuts.

These decisions have resulted in Trócaire having to pull out of countries, phase out work in some countries faster than previously anticipated, reduce numbers of programmes in other countries and reduce the number of employees both at headquarters in Maynooth and in the field.

As a direct consequence of the aid cuts, Trócaire has ended its work in Zambia, Nigeria, Peru and Indonesia and closed its office in Angola, though some of its work there will continue with management from Mozambique. Planned withdrawals from Brazil, Tanzania, the Philippines and Sri Lanka were accelerated. In almost all countries Trócaire has merged programmes or reduced the size of programmes, or both. In addition, a later decision to close the Afghanistan programme was heavily influenced by lack of funding.

BOX 3: The Disproportionate Pain of Aid Cuts: An example from Trócaire and its partners

Two meals instead of one: One example of Trócaire's work which has stopped is our Livelihoods Programme in Angola. This programme was helping approximately 45,000 people both directly and indirectly, at a cost of €300,000 a year. Working with local organisations, Trócaire has achieved many positive impacts.

As a result of the war most families lost all their seeds for planting their crops. Trócaire's assistance has been to provide families with seed banks to enable them to be self reliant in seeds for future harvests. Trócaire through its partners has helped to introduce a blight resistant variety of cassava. Families have been provided with goats which become an asset which can be sold to provide much needed money for families. Better agricultural practices have been introduced, enabling families to increase their yields, allowing them to sell their surplus stock, giving them increased income. This additional income is being used for children's education, clothing and house maintenance with many families now in a position to put iron roofs on their houses and, most important of all, families are now eating 2 meals a day and a small number are eating 3, whereas in the past some families only had enough for one meal. For many families, the assistance they are getting from Trócaire's partners is the only means of assistance they receive as the government is not currently reaching them. This work will now stop.

Contrasting with these disruptions are the Government's commitments to make their aid more predictable, a cornerstone for effective use of aid. Indeed, Irish Aid has had a good reputation for the predictability of its aid and scored highly on the indicator for having 3-5 year funding agreements in place with their partner countries. Following the budget cuts and the reductions in funds to meet Irish Aid's multi-annual commitments this reputation is now questionable. While aid is not the only answer to problems in the developing world, it is one source of income which could have played an important role in offsetting the fall in their receipts from other sources. In the event widespread cuts in aid have exacerbated their problems.

Good practice shows that investment in development requires long-term commitments, both bilaterally, multilaterally and in support to civil society. Withdrawing funding to well established partners' programmes and beneficiaries at short-notice is thus likely to have damaged the trust, good will and a development momentum built up over the course of an aid programme.

c) Ways to supplement aid funds

While aid provides an important inflow of funds for development in many poor countries, aid alone does not seem to be sufficient to achieve the Millennium Development Goals. Thus in recent years innovative sources of financing for development have received some serious attention. Examples of these sources of finance include: a Financial Transaction Tax (FTT), Currency Transaction Tax (CTT) and Airline Ticket Levy. CIDSE, an international alliance of Catholic development agencies, has promoted the FTT and CTT (CIDSE, 2005). It is also a strong advocate of global environmental taxes, whether in the form of a carbon tax or taxes on air or maritime transport. These, it says, could bring a double dividend by raising revenues and reducing environmental damage. Their effect would be to bring home to businesses causing damaging emissions the environmental costs of their activities and would thus implement the 'polluter pays principle' (OECD, 1975). Carbon taxes, as well as the other proposals, are being pushed by civil society organisations (CSOs) as potentially complementary streams of finance to fund development in addition to ODA (CIDSE, 2005).

FTT in particular is gaining momentum. The FTT builds on the concept of the Tobin Tax from the 1970s which proposed a tax on currency transactions; the FTT proposes to go further and to tax a broader range of transactions. The tax would not apply to financial transactions by the general public. It has been estimated by Oxfam (2009) that a mere 0.05 percent tax on the trillions of dollars worth of financial transactions which take place each day could raise US$700 billion annually or just under six times foreign aid. The majority of these transactions are not taxed. This amount could pay to get the MDGs back on track as well as helping developing countries adapt to the impact of climate change (Oxfam, 2009).

In an encouraging move in March this year the European Commission's Directorate on Economic and Financial Affairs (DG ECFIN) wrote a paper exploring the possibility for the EU of innovative mechanisms to raise revenue for climate change and development. [13]

Tax justice is also a burning development finance issue for civil society organisations globally. Their concern is that developing countries are losing access to domestic resources that could be used for development on account of: (a) internally weak tax authorities and administrations lacking transparency, and (b) externally, countries can be exposed due to non-cooperative jurisdictions as well as harmful tax practices.

Capital flight and tax evasion and avoidance are also huge problems for developing countries. Christian Aid (2008) estimated that developing countries are losing approximately US$160 billion a year of tax revenue from capital flight, tax evasion and practices like transfer pricing and false invoicing. This loss was more than one and a half times that of ODA in 2007. The report quotes Raymond Baker referring to capital flight as 'the ugliest chapter in global economic affairs since slavery'. While all of this US$160 billion may not have been spent on education or healthcare in the countries where it originated, at least some of it could have been used to benefit millions of their own citizens.

Given the pessimistic outlook for the achievement of the MDGs with just five years to go, it is clear that more than ODA is needed to achieve these goals. Hence the pleas to Governments to give serious consideration to the use of these other sources of finance to fund development in a way which is sustainable.

3. Predictability in aid partnerships

"*A stitch in time saves nine"* (proverb)

a) Introduction

An aspiration for aid is to have it delivered when and where it is most needed. Irish Aid has delivered aid where it is most needed by concentrating aid on poverty reduction in some of the world's poorest countries, as noted above. Attention to whether aid arrives when it is most needed has increased greatly, as can be seen from the flow of documents and international agreements since 2003, as noted in Chapter 1. Many of these point to the need of poor countries for stabilisation of their financial flows, including receipts of foreign exchange, government income or revenue and national income. It is clear that aid has a direct bearing on stabilisation, especially in the more aid dependant countries and these are often amongst those with the lowest incomes. Unfortunately analysis of the data on aid volatility for these countries from 1995 generally indicates

[13] CIDSE, Resources for Development Working Group

that aid has not increased when incomes have declined. That is to say that aid has not been 'counter-cyclical' and has in many cases exacerbated governments' difficulties in balancing their budgets and their accounts with the rest of the world. In contrast, aid could have an important role in offsetting abrupt falls in incomes of poor countries and some authors urge that this role be given specific recognition. These authors often point to the gains in welfare and economic growth that stabilising or 'counter-cyclical' aid would have, in addition to its longer term developmental benefits.

A key part of the drive for stability is to ensure that aid arrives as promised in development programmes. This task of increasing aid predictability was set as a target for enhancing aid effectiveness in the Paris Declaration on Aid Effectiveness of 2005, mentioned in Chapter 1. Attainment of this target is assessed by Indicator 7 in the Paris Declaration (OECD 2005). It is measured by 'percent of aid disbursements released according to agreed schedules in annual or multi-annual frameworks'. The target set in the Declaration is to 'halve the proportion of aid not disbursed within the fiscal year for which it was scheduled' (OECD 2005). This measure applies to aid from each of the countries that adhere to the Paris Declaration, including Ireland. Its calculation will be reviewed later in this chapter and related results reported in Chapter 4.

Analysis of the data on aid inflows of poor countries thus has to answer a number of questions including:

- Did donors fulfil their commitments in full and on time?
- Were pre-set conditions attached to these commitments and were they breached in a way known to trigger an agreed change in the aid disbursement schedule?
- Was delivery of aid affected by administrative processes at either the donor or recipient side?
- Was the amount of aid varied to take account of unexpected changes in conditions in the recipient country including disasters and major disruptions of government tax receipts, national income or receipts of foreign exchange?

Analysts have had to grapple with all these issues in trying to disentangle the various aspects of data on aid received by developing countries and see whether aid has been delivered according to commitments. If it has not been predictable there is the question 'what have been the effects of unpredictability and unreliability on these countries?'

Aid predictability will be found to have been below par in apparently not being delivered according to donor commitments on levels and timing. Also there is evidence that aid unpredictability has undermined its value. In the case cited of Tanzania, the government could only budget on getting 65 percent of the aid promised, and when it received more, this 'windfall' had a diminished impact on development. Results from a range of countries corroborating these findings will also be noted.

b) Predictability measurement

In 2005 OECD-DAC started a series of surveys to assess progress on delivery of commitments made in the Paris Declaration on Aid Effectiveness. Progress Indicator 7 is used to assess whether the target of making aid more predictable is being achieved. It is measured by the 'percentage of aid disbursements released according to agreed schedules in annual or multi-year frameworks' (OECD, 2005). The way this is done is to ask donors for data on the amounts of aid they committed to send to each of their development partners in a specific year, e.g. 2005. At the same time they asked developing countries to report how much aid they had recorded as being received from each donor in that same year, initially 2005. The results have two major limitations:

1. Only aid provided under government to government country aid programmes is included, excluding, for example, aid provided via the Multi-Annual Programme Scheme (MAPS) for Civil Society Organisations (CSOs);

2. The amount of aid recorded as received from a specific donor depends on whether the donor of aid is identified in the accounts of recipient governments. In a case study of Malawi it was found that even though Irish Aid had sent money to Malawi in line with the country programme, the 2006 government accounts in Malawi did not show that Ireland was the donor (Aidinfo, 2010). However, these accounts did identify Norway as the donor of the aid it provided. Overall results for Indicator 7 on aid predictability partly reflected these differences, reporting that Norway scored 100 percent while Ireland scored 62 percent in 2005. In future this under-reporting of aid receipts from specific donors should be less of a problem as the proportion of aid flows to the government sector that is not reported in their budgets is set to halve under the Paris Declaration - Indicator 3 (OECD 2005). This Declaration also commits donors and their partner countries to undertake mutual assessments of progress in implementing their commitments to each other, particularly those in the Declaration. The proportion so doing is recorded by Indicator 12.

Results from these surveys would also be depressed by donors withholding aid due to concerns about changes in conditions in the partner country. However, even if it is allowed that in aid agreements donors may impose numerous conditions to be fulfilled by aid recipients, the effects of breaching these should also be predictable. That is to say that, as with any other agreement, recipients should be clearly advised beforehand of the consequences of their non-fulfillment of these conditions. Similarly it is to be expected that the aid document provides procedures for arbitration of disputes between donors and their development partners on this and other matters. Problems related to aid conditionality were addressed at Accra and in particular in Paragraph 25 of the resulting Accra Agenda for Action (OECD, 2008). There the thrust is to reduce these conditions and align them with national development strategies. Action on these points is provided in Irish Aid's *Plan of action to implement commitments under the Accra Agenda for Action* (Irish Aid, 2009) and in the Department for International Development's steps to improve predictability of aid from the UK (DIFD, 2010).

Overall, the results of the DAC Survey of its donor members showed that of the amounts they committed to deliver in 2005, their partners reported that only 41 percent of aid was received according to the agreed schedules. A subsequent survey of performance in 2007 showed that this indicator had increased to 46 percent meaning that over half of the aid commitments for that year were not still recorded as delivered on time (OECD, 2008c). In the Paris Declaration, adhering countries set themselves the target of halving the proportion of aid not disbursed within the fiscal year for which it was scheduled, that is for the average not disbursed to be moved from 59 percent in 2005 to a target for 2010 of 30 percent not disbursed on time. The performance of Ireland and some other donors will be the topic of the next chapter.

Allowing for the above constraints on the data from these surveys, it still appears that partner governments have reason to complain that aid has not been delivered as and when promised.

c) Impacts on Aid Recipients

i) The case of Tanzania

Data in Tanzania's Medium-term Expenditure Framework for the years 2003/04 to 2005/06 were compared with actual outcomes (Moon, 2007). The author found that the forward projections of government domestic revenue were quite accurate with an error of less than one percent of the country's Gross Domestic Product (GDP), even for three years ahead. In contrast, expectations of total external support three years ahead had a forecast error of nearly five percent of GDP. The average error for external support was eight times that for domestic revenue for one year ahead and forecasts for two years ahead were out by a factor of twelve. Sometimes expected external support was overestimated, leaving the government, or specific projects, facing a cash shortage. In other cases it was underestimated with a 'windfall' of aid receipts exceeding expectations. The author's observation was that the consequences of forecast errors can be very high, with potentially severe implications for strategy formulation, policy choice and accountability. In particular he noted the following implications of expectations not being fulfilled as:

- Undermining of the development strategy, including fiscal arrangements and strategic choices;
- Reduced credibility of 'Medium-term Expenditure Frameworks', especially as an instrument for domestic accountability and performance incentives;
- Exacerbation of difficulties in managing the economy, especially as aid covered a major part of government expenditure;
- Low quality of unplanned expenditure arising from 'windfalls'.

The next section looks at a range of countries and includes one report that found an average difference between aid committed and aid delivered to have been twice that in Tanzania (Celasun and Walliser, 2008b).

ii) Results from multi-country studies

Celasun and Walliser summarised their findings from analysis of data from 56 countries for the years 1990 to 2005 as follows:

- Aid disbursements deviated from aid commitments by three percent of GDP for countries in sub-Saharan Africa over the period, with the average for 1998-2005 being slightly smaller than that for the earlier years. This level of unpredictability was three times higher than the average gap between projections of tax revenue and subsequent receipts in the case of Tanzania, cited above.
- Aid 'windfalls' are quite common with more aid arriving in a year than was expected. This is particularly likely in sub-Saharan Africa.
- Lack of predictability hurts investment outlays, which are cut in periods of aid shortfalls but not raised in response to aid windfalls. By contrast, when there are aid windfalls governments do not use unexpected receipts to increase investment and thus offset cuts made in response to aid shortfalls, but tend to increase consumption instead.
- Aid shortfalls are associated with additional borrowing from domestic banks but there is a stronger tendency for aid windfalls to be associated with a reduction of government debt held domestically.
- Aid shortfalls are often exacerbated by simultaneous tax revenue shortfalls and current expenditure overruns, the resulting gap in public finances amounting to 1.7 percent of GDP. This underlines the opening view that in addition to predictable aid, poor countries would benefit from extra aid in response to emergencies (Celasun and Walliser, 2008b).

Similar problems are noted in the HTSPE report (2009).

These well based findings underline how lack of predictability in aid receipts from donors detracts from their effectiveness and the value of aid money. Attention will thus shift from difficulties poor countries have in coping with unpredictable aid to donor provision of aid, the topic for the next chapter.

PART II:

Adding multi-annual provisions to public expenditure allocations: Challenges and responses

4 Donor government budgeting and multi-annual aid commitments

a) The challenge of embedding multi-annual aid commitments in budgets

Donor commitments and ensuring their timely delivery are central to this chapter. These commitments are both on overall levels of aid and on aid for specific development partners. Many of these commitments are multi-annual, as, for example, to raise Official Development Assistance (ODA) to a target level by 2015, or to support specific five year programmes. In this they reflect the need for sustained effort in impoverished peoples' development programmes. Aid is also part of a relationship between peoples and benefits from longevity. This is reflected in the *White Paper on Irish Aid* with its key decision that 'Where possible, we will move towards five-year funding cycles with our key partners, including governments, non-governmental organisations and multilateral organisations,' (Ireland, 2006). Indeed a five year term now seems to be the norm in the current portfolio of Irish Aid programmes. In contrast, the levels of public expenditure in Ireland, including ODA, are set each year in the Government's budget and book of estimates.

A recent OECD report noted that:

One persistent issue in managing foreign assistance funds is how to reconcile the long-term nature of development co-operation, which calls for multi-year planning, with the normal practice of approving aid appropriations year by year. Meeting the ambitious aid targets which DAC member countries have set for themselves in order to achieve the MDGs implies medium-term planning. This means that the predictability of aid flows in the medium term must improve to enable finance ministers in partner countries to plan and make the investments required to achieve the MDGs.
OECD (2009)

Delivery on multi-year commitments has indeed been a problem for Ireland and many other countries. Failures to deliver on general commitments to increase the overall level of ODA from Ireland have been noted in Chapters 1 and 2. Delivery on individual country programmes has fared better and disbursements seem to have been made largely as scheduled in the programme documents. Indeed the White Paper says that 'To be most effective, our assistance must be reliable and predictable and we will not lightly move towards reducing the level of our assistance.' Such reductions would tend to be as a response to failure of a partner government to uphold human rights (Ireland, 2006). However, results from the latest OECD survey of Ireland's delivery of ODA, showed that in 2007 the percentage of commitments recorded as delivered in that year amounted to 64 percent (OECD, 2008). The data covered 60 percent of Ireland's country programme aid yet is likely to understate delivery of Irish Aid to these countries, partly due to absence of identification of Ireland as the donor in the recipient government's accounts, as noted in the previous chapter in the discussion of Paris Declaration progress Indicator 7.

Omitted from this measure is delivery on commitments to non-governmental developmental organisations. In Ireland these are largely the Civil Society Organisations including Concern, Trócaire and others in the Multi-Annual Programme Scheme (MAPS II) plus those in the Multi-Annual Block Grant Programme (MABGP). Table 3 showed there has been a steep deterioration in delivery on these commitments, for example overall predictability of MAPS partners receiving payments stipulated in their contracts fell from 100 percent in 2007 to 59 percent in 2010.

It has to be accepted that missed targets and commitments not delivered in full and on time have weakened the impact of aid on poverty reduction and lessened its effectiveness, as reported in Chapters 2 and 3 above. There is also a growing acceptance that failures to deliver on commitments are damaging to relations between donors and recipient countries. This is relevant both to the under-delivery of ODA in total and to the disappointment and loss of mutual trust caused by cuts in development programmes agreed with poor countries and poor communities. To quote from the *Twelve Point EU action plan in support of the Millennium Development Goals*: 'the EU needs to show how it will keep its promises, proving that developing countries can trust us' (European Commission, 2010a). This supports the donors' commitment in the Paris Declaration on Aid Effectiveness to 'Provide reliable indicative commitments of aid over a multi-year framework and disburse aid in a timely and predictable fashion according to agreed schedules' (OECD, 2005).

At the heart of the problem of reliable delivery of multi-annual aid commitments is the fact that public expenditure in Ireland is only authorised one year at a time. The basis for this practice will be noted in the next section. However, that section goes on to note growing pressures on governments, particularly in the euro zone, to stick to multi-annual plans for public expenditure and, in particular, expenditure on ODA. Subsequent sections take the UK and Canada as case studies of ways to add a multi-annual dimension to public expenditure commitments, especially with respect to ODA, and this in jurisdictions with comparable institutions.

b) The task of ensuring delivery of Ireland's aid commitments

(i) Time span of Ireland's aid commitments to governments and organisations

At one extreme of the time span of aid arrangements are grants made and paid within the current year. These do not carry a commitment to provide money in subsequent years. At the other extreme are programmes where there is a commitment to provide aid over a number of years with five year commitments being the norm. Delivery on these multi-year spending commitments in full and on time is the stuff of achieving predictability. To assess the size of the problem, commitments have been grouped by time span. They have been classified as follows, starting with those having the more enduring commitments:

1) Multi-annual Commitments:
   a) Bilateral: including country programmes and the Multi-Annual Programme Scheme supporting Civil Society Organisations, abbreviated as MAPS;
   b) Multilateral: e.g. levied contributions, programme funding agreements;
   c) Aid administration;
2) Non-discretionary, namely the cost of the Tax Deductibility Scheme;
3) Uncommitted remainder of ODA
   a) Bilateral: including emergency relief, rapid response and recovery;
   b) Multilateral: e.g. voluntary contributions;

Data from documents on the Irish Aid website up to August 2010 have been used to illustrate the scale and number of these multi-annual commitments (Annex Tables 1 and 2). Even these incomplete data show that some programmes end each year, thus providing scope for adjustment in the overall levels of ODA without failing to honour earlier commitments to provide specific levels of aid to continuing programmes. However, the Annex Table 1 also shows that large year to year changes in the overall level of aid can have a major impact on the uncommitted remainder of ODA available for the rest of the aid programme, including disaster relief[14].

(ii) Annual provisions to meet public expenditure commitments

In contrast to the existence of commitments to provide aid to some programmes for several years ahead, we find that government expenditure is only authorised one year at a time. This section will note that an annual budget cycle is currently the norm in Ireland while the next section notes developments that are leading to increasingly strict adherence to allocations of public expenditure in a budgetary framework of several years duration.

Constitutional requirement

The practice of annual allocation of public expenditure by vote of Dáil Éireann is rooted in the Constitution. Article 28 of the Constitution requires the Government to prepare estimates of receipts and expenditure of the State for each financial year and to present them to the Dáil for consideration. Enactment of the necessary financial resolutions also has to be done within that year under Article 17. Furthermore, this article stipulates that only appropriation of public monies recommended by the Taoiseach may be enacted.

Monies for Government activities are thus provided one year at a time by votes of the Dáil on the Estimates for each of the main items following the Budget. One of these items is International Co-

[14] Other multi-annual government funded programmes have been adversely affected by large year to year variations in funding, including Science Foundation Ireland (SFI) where 'cutbacks have made it almost impossible for SFI to support new research projects' (Dick Ahlstrom, Irish Times, 31st July 2010, page 6.).

operation, Vote 29, covering most of the provisions for Official Development Assistance (ODA), while the remainder of ODA is included in the funds voted for other government services. The amounts provided in each estimate are not guaranteed and may be varied during the course of the year, as happened in the April Budget of 2009. These Votes make no provision for expenditure in subsequent years and thus make no commitments to future levels of ODA.

Stability and Growth Pact requirements

These add a multi-year dimension to the preparation of the annual budget by the Minister of Finance and the Government as they now have to respect the EU Stability and Growth Pact requirement to equate receipts and expenditure in the medium term (European Commission, n.d.). This mandatory Medium Term Objective, and Commission oversight of the government's path to achieve it, has clear implications for multi-annual management of public expenditure, which will be examined below. However, the Pact does not impose any constraints on the annual amount of money allocated to ODA, though this may change with enhancements of EU co-ordination that will be noted in subsequent paragraphs.

(iii) Medium Term Framework

General requirements of the EU Stability and Growth Pact

This EU pact requires Ireland, and all other members of the euro zone, to prepare Stability Programmes and have them reviewed by the Commission. These programmes have to provide information about the key public finance indicators, including those on the relative levels of receipts and expenditure and the composition of these items. This information has to be provided for the current year and for at least the following three years as a medium term budgetary framework (European Commission, 2005). A recent example of such a document was the *Ireland – Stability Programme Update* of December 2009 (Ireland, 2009). This document gives expenditure projections for the Foreign Affairs group of Votes in 2011 and 2012. These are only projections, not commitments or forecasts, as are all the other figures for these years. In fact the document shows the government's intention to reduce the current budget deficit by a combination of cuts in these projected levels of spending and increases in current revenue. For 2013 and 2014 this Stability Programme Update gives projections of overall levels of expenditure, receipts and budget balances but does not apportion expenditure between departments or Votes. The implications of these projections for ODA are reviewed in Chapters 1 and 2 of this report. The point here is that the Pact only requires the Government to achieve the Medium Term Objective reduction in the size of the General Government Deficit relative to GDP. At present there are no explicit constraints on changes in levels of aid on the way to reaching the Medium Term Objective, but this may well change, as will be seen below.

Recommendation to Ireland from the Council of the European Union

It is relevant at this point to note that in December 2009 the EU Council reviewed conditions in Ireland and made a number of observations including:

> *(13) In order to further enhance the credibility of the medium-term consolidation strategy, it will be crucial to address the weaknesses of the Irish budgetary framework. In particular, budgetary targets for the years beyond that covered by the budget, especially expenditure envelopes can be changed in subsequent budgets. As already highlighted in the March 2009 Council opinion on the stability programme update, risks to the adjustment should be limited by strengthening the enforceable nature of its medium-term budgetary framework.* (Council of the European Union, 2009).

It then recommended that:
*'Ireland should strengthen the enforceable nature of its medium-term budgetary framew*ork' (Council of The European Union, 2009).

Some implications of this recommendation and the stricter co-ordination of government budgets in the wake of the euro storm of 2010 will now be noted.

(iv) Implications of budgetary processes for the level and predictability of aid from Ireland
It is clear from the above that there has been nothing to stop the Government making deep cuts in its budget allocation for ODA, as evidenced by the severe cuts made in 2009 and reported in Chapters 1 and 2. Further, with these cuts, allocations to some programmes fell short of commitments. However, the Government has now been asked by the Council of the European Union to abide by its expenditure plans for future years, as noted above. Such binding of commitments over the medium term could well reduce the risks of unexpected and unpredictable changes in levels of ODA. In addition, the Commission is strengthening the encouragement they give to Member States to bind themselves to specific levels of ODA and to increase these to reach the 0.7 percent of national income target by 2015. This is the first of the points in the EU Twelve Point Action Plan to support achievement of the Millennium Development Goals which enjoins Member States to:

- *'Establish realistic, verifiable annual action plans for reaching individual targets and to publish the first plans before September 2010;'*
- *'Strengthen EU accountability mechanisms: based on Member States' annual action plans and the Commission's monitoring report, the Council should hold an EU internal 'ODA Peer Review' and report the results to the European Council. These action plans need to outline at least the planned ODA spending for the next budgetary year and estimates for the remaining years until 2015.'*

The Commission even now prepares annual reports on progress in these matters, including one on Aid Effectiveness.

Thus, while there is a recognition that predictable aid is central to delivering an effective aid programme, the challenge is to move to a situation where Ireland delivers aid in a much more reliable and predictable manner. In order to do this, the next section reviews multi-annual provisions for public expenditure in general and for ODA, in particular, in two other countries with similar institutions. The aim is to identify some practices that could be adapted to the Irish context.

c) Budget construction and scrutiny in the UK

i) General

Rules to guide the formulation of government budgets in the UK have evolved to the point where they are multi-annual, detailed and backed by legislation. In 1998 Chancellor of the Exchequer, Gordon Brown, published a Comprehensive Spending Review followed by the Finance Act 1998 that introduced a Code for Fiscal Stability and Treasury reporting requirements. The Code was revised in 2010 and backed by the Fiscal Responsibility Act 2010.[15] The prime responsibility of the Treasury under the Act is to ensure a progressive reduction in public sector net borrowing in each year from 2011 to 2016. This entails, amongst other things, strict control of public expenditure. These controls are set through Spending Reviews every three years. In 2007 there was a Comprehensive Spending Review that set levels of overall spending and spending by individual Government Departments for the years 2007/08 to 2010/11.[16] The next spending review is due in 2010 and is to be published towards the end of the year by the coalition government that took office in May 2010.

This framework for public expenditure in the UK is divided between:

- Departmental Expenditure Limit (DEL) spending, including that on aid, which is planned and controlled on a three year basis in Spending Reviews; and
- Annually Managed Expenditure (AME), which is expenditure which cannot reasonably be subject to firm, multi-year limits in the same way as DEL. AME includes social security benefits, local authority self-financed expenditure, debt interest, and payments to EU institutions. In fact the size of these expenditures expands and contracts over the economic cycle.

In the Spending Reviews firm Departmental Expenditure Limits are set for each department for three years. Departments thus have assurance of their budgetary allocation over the medium term

[15] The Code and the reports that are enjoined on the government under this legislation, are also done pursuant of obligations under the EU Stability and Growth Pact.

[16] Split years referred to here and elsewhere in this section are UK financial years that run from first of April in the initial year to 31st of March in the following calendar year, these shown in the form 20yy/zz. However, calendar years are used in the official Annual Report on levels of ODA as a percentage of GNI.

and these multi-year DEL plans are strictly enforced. Departments are expected to prioritise competing pressures and fund these within their overall annual limits, as set in Spending Reviews. So the DEL system provides assurances and a strong incentive to control costs and maximise value for money.

There is a small centrally held DEL Reserve. Support from the Reserve is available only for genuinely unforeseeable contingencies which departments cannot be expected to manage within their DEL.

Linked to the resources for each department is a Public Service Agreement specifying what the department is to deliver over the three years covered by the Spending Review.

Prior to each Budget the Treasury issues a Pre-Budget Report, as now required under the Fiscal Responsibility Act. These Reports start with levels of public expenditure and receipts set for the forthcoming year under the Spending Review. Items in the Departmental Expenditure Limit regime are then adjusted for changes in policy not envisaged in their Public Service Agreement so as to recalibrate the limit on expenditure for the coming year commensurate with revision of their service delivery obligations. Thereafter Departments have to account for expenditure variations from their prescribed level.

ii) UK Official Development Assistance (ODA)

The International Development Act 2002

The 2002 Act came into effect on 17 June 2002, replacing the Overseas Development and Cooperation Act 1980 ("1980 Act").

Prior to this Act the Government had committed itself to considering a new Act in the 1997 White Paper entitled *Eliminating World Poverty*. The idea received support from the development community during Development Policy Forums in 1998 and 1999. It was felt that the existing legislation, the 1980 Act, did not reflect the Department for International Development's (DFID's) focus on poverty reduction and lay DFID open to pressures to give assistance for other purposes, such as a policy of tying UK aid to British goods and services. It also meant that DFID was limited in the ways it could support private sector activity and had no specific authority to promote development awareness.

The foregoing problems were overcome by the 2002 Act. In particular, this act explicitly states that poverty reduction must be the over-arching aim of all development assistance (UK, 2002). The Act also provides the Secretary of State for International Development with sufficient powers to provide any assistance which would fall within the OECD DAC definition of ODA.

International Development Act (Reporting and Transparency) 2006.

The 2006 International Development (Reporting and Transparency) Act strengthens Parliamentary scrutiny of Government delivery on pledges to help the world's poor countries and people (UK, 2006).

The 2006 Act obliges the Secretary of State to report annually on total expenditure on international aid and its major components. In particular, it requires these annual reports to provide an assessment of the year when expenditure on official development assistance will achieve the UN target and constitute 0.7 per cent of gross national income (ODA/GNI).

It also states that these reports should contain information about expenditure for at least 20 countries and about the proportion of money spent in low income countries. Other assessments by the Secretary of State are to cover the following matters:

- Aid effectiveness in pursuing Millennium Development Goals (MDGs)1 to 7;
- Policy coherence and Millennium Development Goal 8;
- Promotion of transparency.

The importance of the 2006 Act lies in the obligation it puts on the Secretary of State to provide an annual statement of progress, with a clear and comparable framework to show how DFID spends its money towards achieving the MDGs and poverty reduction. In particular it put on the statute book a requirement to focus on examination of UK progress towards delivering on its commitment to achieve the UN's target for ODA.

Draft International Development (Official Development Assistance Target) Bill

This Bill, published in January 2010, proposes legislation that would go beyond the reporting requirements of the 2006 Act and enshrine in law the commitment to achieve ODA of 0.7 percent of national income (GNI) in 2013 and thereafter. In particular it places a 'duty on the Secretary of State for International Development to ensure that the target for official development assistance to amount to 0.7 percent of gross national income is met by the United Kingdom in the year 2013 and each subsequent calendar year,' (UK, 2010). If the Annual Report from the Department for International Development (DFID) shows that in 2013, or any subsequent year, this target was not met, then the Secretary of State must lay before Parliament a statement to explain why the target has not been met (UK, 2010).

Indicative of the thinking behind this Bill is the introductory statement that:

> *'In past economic downturns, international donors have reduced the amount of aid they provide, and thus exacerbated the impact on global poverty. Making a statutory commitment to achieving the UN's 0.7 percent target from 2013 will enable the UK to reassure developing country partners that the UK will continue to fund the development programmes vital to their economic growth, to combating poverty, and to supporting global*

economic recovery. In turn, this will give developing countries the confidence to make the long term investment commitments necessary for the achievement of the MDGs,' (UK, 2010).

A second objective was to 'galvanise other donor countries into meeting the 0.7 percent target themselves' by setting an example (UK, 2010). This thinking is also found in the first point of the EU Action Plan in Support of the MDGs urging national legislation to set targets for ODA (European Commission, 2010a).

Strengthening of the proposed legislation was recommended by the House of Commons International Development Committee (2010). Their Report welcomes the general thrust of the Bill but notes legal opinion that its provisions would not be enforceable in the courts of justice. It thus recommends that the Secretary of State's accountability to Parliament should be expanded 'to include a statement of any actions already taken and those planned in order to meet the target in the following year'. That is to say a plan of action to achieve the 0.7 percent target should be presented. In addition, they recommend that references in Clause 2 (3) to 'economic, fiscal and external circumstances' as relevant to failure to meet the target, be removed from the Bill.

In its conclusions the Committee noted that:

- Achievement of the target 'will not eliminate yearly fluctuations resulting from changes in GNI since the target is a percentage rather than an actual amount[17]. Nor can the impact of changes in currency values be easily avoided. The most important indicator of development assistance available to developing countries remains the amount of Country Programmable Aid.'
- ODA is provided through government departments in addition to that through the Department of International Development (DFID). It thus recommended that all expenditure on ODA be covered in the DFID Annual Report to Parliament. It further recommended 'that the Government explore the possibility of making all ODA subject to the 2002 International Development Act,' (House of Commons International Development Committee, 2010).

In the course of the 2010 election campaign each of the three main political parties supported enactment of legislation to achieve ODA of 0.7 percent of GNI. Thus this 2010 Bill may well come before the next session of Parliament, as envisaged when the Bill was published. In addition, the new coalition government has confirmed that it will protect spending on international development from cuts in government expenditure.

[17] In practice the 2007 Spending Review actually provided amounts in real terms including the statement: 'total UK Official Development Assistance (ODA) to reach over £9.1 billion a year by 2010-11, which is equal to 0.56 per cent of Gross National Income (GNI), in line with the European Union's (EU) collective commitment' (UK Treasury, 2007, p. 237).

Department for International Development (DFID)

This is the lead department for delivery of the Public Service Agreement 29, namely to 'Reduce poverty in poorer countries through quicker progress towards the Millennium Development Goals (MDGs)'. This covers ODA and some other activities that fall outside ODA, as defined by the OECD. However, some of its obligations under this Public Service Agreement are delegated to other government departments and agencies, as noted above. The 2007 Comprehensive Spending Review provided an increase in DFID's total budget increasing it from £5,400 million for 2007 to over £7,900 million in 2010. This is to achieve an average annual increase of 11 percent and this, combined with ODA expenditure of other departments, was expected to raise ODA to a level that would be equivalent to 0.56 percent of Gross National Income in 2010. These expenditure limits are reflected in those published in the December 2009 *Pre-Budget Report* of the Chancellor of the Exchequer to Parliament. Figures in Annex Table B17 of that Report cover actual spending in 2008, the estimates for 2009 and anticipated levels of expenditure for 2010 (UK Treasury, 2009). Spending is divided between bilateral and multilateral aid. Within the bilateral programme there are Regional Assistance Plans specifying the amounts allocated to each country including their three to five year Country Plans. Decisions on the use of the amounts allocated to a country and its aid programmes are largely in the hands of the local DFID office.

Predictability of aid from UK

A major commitment of the DFID is to improve the predictability of its aid (Department for International Development, 2009c). Comparison of results from the 2005 and 2007 OECD Surveys for the 33 recipient countries that reported in both surveys shows that the predictability of aid from the UK rose from 46 percent to 60 percent (OECD, 2008c).[18] However, data from all countries in the 2007 survey showed a level of predictability of UK aid of 54 percent (OECD, 2008c). Further analysis of these results tends to indicate that they are likely to understate the degree to which aid is actually delivered according to prior commitments, largely because aid from specific donors is not identified as such in the accounts of some governments.

Steps to improve the predictability of aid from the UK include:

- DFID will improve long term predictability of aid flows by drawing up 10 year arrangements with partner governments. DFID already has a 10 year memorandum of understanding with Ethiopia and Sierra Leone and is planning to negotiate similar agreements with a number of other countries, including Tanzania, Afghanistan, Rwanda and Vietnam.

[18] These are results for Indicator 7 of progress with the Paris Declaration on Aid Effectiveness. The measure of whether aid is more predictable is the 'Percent of aid disbursements released according to agreed schedules in annual and multi-year frameworks' (OECD, 2005). This measure is reviewed briefly in the foregoing Chapter of this report.

- Where partner governments' poverty reduction strategies (PRSs) are working well, DFID is offering rolling multi-year poverty reduction budget support (PRBS) arrangements.
- DFID will improve the way it disburses PRBS so that changes in aid disbursements will only occur if fundamental conditions on poverty reduction, human rights, and public financial management are breached.
- DFID will inform recipients of its aid disbursement plans at a time and in the form needed for finalisation of their budget. DFID aims to disburse PRBS in the first six months of the partner's financial year.
- DFID will report publicly on PBRS disbursement for the year and on commitments for three years ahead.

(Department for International Development, 2010)

d) Budget construction and scrutiny in Canada

Introduction

In Canada it is the Federal Government that makes ODA commitments and provides most of the related public expenditure. This section will thus start by noting aspects of federal financial arrangements relevant to reliable delivery of their aid commitments, first the overall process and then those specific to ODA.

Canada's budget framework

A three year legally binding budget framework is first agreed by government for each main area of its activities. This overall total is assigned to 27 Expenditure Areas, one of which is for International Development Assistance. Within each of these expenditure envelopes the relevant minister constructs a 'Departmental Expenditure Plan' and an annual 'Report on Plans and Priorities'. This latter document usually shows the level of financial resources available and spending plans for the year ahead and for the two subsequent years. Details of allocations for the coming year are shown along with matching spending plans and results to be achieved in the main areas covered by the department's spending envelope.

The aid budget

In 2008 the Official Development Assistance Accountability Act was passed:

> *to ensure that all Canadian official development assistance abroad is provided with a central focus on poverty reduction and in a manner that is consistent with Canadian values, Canadian foreign policy, the principles of the Paris Declaration on Aid Effectiveness of March 2, 2005, sustainable development and democracy promotion and that promotes international human rights standards.* (Canada 2008).

It requires the competent minister to:

1. Decide what expenditure fulfils the criteria in the Act and
2. Report on total spending on ODA and on activity undertaken under the Act, including a summary of the Canadian International Development Agency's (CIDA) Departmental Performance Report. This would include information on progress towards attainment of key outcomes stated in its 'Report on Plans and Priorities'. It also stipulates that these reports are to be submitted to each house of Parliament within six months of the end of the previous fiscal year (Canada 2008).

Action to ensure aid predictability did not seem to feature in CIDA's Departmental Performance Report 2008-2009 (CIDA, 2010a). The level of aid predictability in 2007 shown for Canada by the OECD-DAC Survey of Paris Declaration Performance was 51 percent. This was the result from all 33 recipient countries that also provided data for 2005, when the result was 45 percent for Indicator 7 - the measure of aid predictability (OECD, 2008). Taking 2007 data for all respondent recipient countries, the result for Canada was an aid predictability of 44 percent. However, these results may well understate Canada's fulfillment of its aid commitments for reasons listed earlier in this Report, including lack of identification of receipts from Canada in the official accounts of its development partners. Even so the Auditor General's Fall 2009 Report specified four actions that CIDA should take 'To ensure transparent and predictable long-term planning' in the aid it provides (Canada, 2009). CIDA responded positively to these recommendations by making further improvements in its processes.

Specification of its processes in its *Business Process RoadMap* (CIDA, 2009b) is now quite detailed including:

- A commitment to put on its website all 'Country Strategy (CS)/Country Development Programming Framework (CDPF) papers.' These are for terms of 5 years and are reviewed annually to see if changes are required and, if major, they are submitted for ministerial approval (Section 2.7).
- In addition, Section 5.3 mentions that CIDA can enter into legally binding **contracts** with private sector firms as well as having **agreements** with firms, NGOs, etc, covering Contributions and Grants, and these too are legally binding, including the financial framework. Also legally binding are **administrative arrangements** to engage the services of another department of government or Crown Corporation. In contrast arrangements with international government organisations covering Contributions and Grants are more like Memorandums of Understanding and are not legally binding.

5. Options to make aid more predictable

Previous chapters have noted:

1. Ireland's general commitment to raise the level of ODA, commitments to particular development partners, and to make this aid more predictable and efficient as a signatory to international treaties (Chapter 1);

2. Devaluation of aid that is not delivered in the agreed amounts at the specified times, including evidence from Tanzania and other countries that in drafting their public expenditure plans they only count on receiving a fraction of promised aid (Chapter 3);

3. The degree of unpredictability of Official Development Assistance (ODA) received from Ireland, UK and Canada, including the background to data on aid unpredictability and what is being done to make improvements (Chapters 3 and 4).

This chapter will look at options for raising the predictability of aid from Ireland drawing, in part, on arrangements in other countries, described in Chapter 4. Five options will be presented starting with those easiest to implement and progressing to those likely to be more demanding. The options are:

(a) Publication of payment schedules of Irish Aid's multi-year commitments;

(b) Annual publication of statistics on the performance of Ireland in meeting each of its multi-annual aid commitments within ODA;

(c) Publish annual assessments of the performance of Irish Aid in meeting its objectives;

(d) Make commitments as contracts;

(e) Obligatory reporting on ODA;

(f) Legislate on the size of Official Development Assistance.

Each of these options will now be reviewed in turn.

Option (a): Publication of payment schedules of Irish Aid's multi-year commitments

In this option Irish Aid would ensure that payment schedules in each of its multi-year commitments would be available on its website within three months of their approval. This would implement part of the White Paper commitment to provide transparency and similar commitments in the Paris Declaration on Aid Effectiveness and Accra Agenda for Action (OECD, 2008d). It would then be practical to assemble and tabulate all these commitments and show the total amount of ODA that would be required to fulfil all of Irish Aid's multi-year commitments in each of the forthcoming years, as illustrated by Annex Table 1. Thus in 2010 the analysis would cover commitments for the years 2011 to 2015. This time span would reflect the furthest extent of current commitments.

There would be no cost to Irish Aid in implementing this option, additional to the '*beginning now* actions' it prioritised in its 2009 action plan, which also includes publication of all conditions linked to disbursements (Irish Aid, 2009).

Option (b): Annual publication of statistics on the performance of Irish Aid in meeting each of its multi-annual aid commitments

A minimal approach would be an annual comparison of aid delivery and commitments. This too is envisaged in all the documents cited in Option (a), above, and illustrated in Table 3 for MAPS and MABGP aggregates. Where there was a gap between a commitment to a specific partner and what they received, in either amount or timing, it would be appropriate to add reasons for the difference. Such a publication would also provide an opportunity to note results for Ireland from the OECD-DAC surveys of progress in implementation of the Paris Declaration, especially results for Indicator 7 – the measure of aid predictability.

Assessment of Ireland's performance relative to targets for total ODA and its percentage of GNP could be included in this option. Such an analysis should examine both past performance and prospects for the years up to and including 2015, as illustrated by Section 4 of the report from Riordan (2009). In this regard a recent report on UK aid showed that its total ODA exceeds its target now and it is set to do so in future. Canada has a target to raise ongoing annual official aid C$5,000 million by the fiscal year starting in 2010. This target was set in 2001 and subsequent annual reports have measured progress towards this target (CIDA, 2010b). Riordan's analysis of Ireland's progress towards overall aid targets showed the advantage of aiming for a specific amount, rather than for ODA as a percentage of national income (Riordan, 2010).

It would also be appropriate to compare commitments on the use of ODA in Global Hunger Initiatives and to combat hunger and HIV/AIDS.

Option (c): Publish annual assessments of Irish Aid in meeting its objectives

This would reflect commitments in the *White Paper on Irish Aid* and could be an annual occasion to celebrate all the achievements in working with development partners on poverty reduction. Amongst the many facets of Irish Aid to be covered, this report would give access to all of the recently completed evaluations of specific programmes and of related new programmes, particularly for the nine priority countries and Civil Society Organisations. In this, and other respects, it would supplement Irish Aid's Annual Report. Provision of this information could be done as part of the current upgrade of the Irish Aid website and would greatly increase the outreach of Irish Aid to its supporters, the people of Ireland.

Option (d): Make commitments as contracts

Types of contract for consideration include:

(i) Programme contracts between Irish Aid and its development partners involving legally binding contracts specifying what each would do and what payments would be made;

(ii) Promissory notes issued by the government to guarantee full and timely payment of monies specified in a programme.

(i) Programme contracts

Contracts are often used by government to arrange for other bodies to provide specific services, research, for example. In provision of aid, Canada has specific provisions for legally binding contracts with development partners, as noted in Chapter 4.

Under this option, key elements of multi-year development programmes, including country programmes and the Multi-Annual Programming Scheme (MAPS), would be written as legally binding, or justiciable, contract between Irish Aid and the relevant development partner. The contract would typically include schedules showing the activities, outputs, budgets and aid inputs for each year of the contract, as do current programmes. There would also be provisions for dealing with departures from these schedules and their impact on payments under the contract, as well as for adjudication of disputes. This approach would provide benefits for both parties, particularly in giving clarity on what is required, consequences of under-delivery and certainty of payment as each phase is satisfactorily completed. In fact, contracts would turn payment commitments into legally enforceable obligations, thus making them more predictable.

Predictability could also be enhanced by clear provisions in the contract for situations where shortcomings by the other party would be related to explicit reductions or withholding payments. Dependability of payments and outcomes would be further enhanced by the provisions for settlement of disputes in the contract. A trend towards attaching fewer and clearer conditions to aid is evident in the commitment of the UK Department for International Development (DFID) to 'improve the way it disburses Poverty Reduction Budget Support (PRBS) so that changes in aid disbursements will only occur if fundamental conditions on poverty reduction, human rights, and public financial management are breached' (Department for International Development, 2010). The White Paper on Irish Aid envisages a similar approach, as noted in the previous chapter. In addtion, there is a trend to adopt a more measured response to breaches in conditions attached to aid, along with a widening of considerations in penalty decisions to include all aspects of an evolving relationship between the parties. In this matter transparency is being fostered by donor publication of conditions attached to aid and the likely responses to breaches of these conditions. Thus, eventually, payment for individual programmes could become virtually unconditional, opening the way for more widespread use of promissory notes.

The main additional costs of using contracts for programmes would seem to be the initial effort to move to the use of legally binding contracts and the possibility of increased scrutiny of draft development programmes that are to be written as contracts.

The merits of these contracts include giving both parties far more certainty as to what is to be done and the aid to be provided. Contracts would have the disadvantage for Irish Aid of constraining their expenditure decisions. However, this would be greatly reduced by:

1. Limiting year to year changes in the amount of money the government allocates to ODA so as to avoid the acute difficulties arising from the 24 percent cut in ODA between 2008 and 2009, followed by a further cut for 2010.
2. Spreading the termination dates of contracts for multi-annual programmes over five years;
3. Adjusting the proportion of multi-annual programmes in the overall budget for ODA to take account of conditions (1) and (2) above.

Under current conditions the near 60 percent of ODA committed to multi-annual programmes in 2008 would have made their fulfilment difficult in 2009 and 2010 but not impossible. Estimates of expenditure on multi-annual commitments in Annex Table 1 shows that the estimated balance of ODA available for supporting other aid activities, including disaster relief, would have fallen from €385 million in 2008 to €106 million in 2010 had all these commitments been delivered in full.

(ii) Issuance of Promissory Notes

In this option the Government would guarantee payments to a development partner by issuing promissory notes to pay them specific sums on designated dates. The notes would thus be similar to bonds issued by the Government, for example the Government recently issued promissory notes to certain financial institutions. An interesting additional feature of these notes is that they seem to provide for variation in the amount to be paid dependant on events occurring after their issuance. Were the Government to issue promissory notes to cover payments due in each year of multi-year programmes, development partners would be sure that the aid they expect to receive would be paid in full and on the dates specified in the promissory note. The apparent disadvantages for Irish Aid in using this instrument could be a limitation of the scope for varying payments should the programme not run as planned. Also, the note could be a relatively minor liability in the government's accounts.

Option (e): Obligatory reporting on ODA

The aim here is to ensure timely publication and dissemination of all of the information covered by Options (a), (b) and (c). This section will review the ways the minister responsible for aid matters can be obliged to inform the public, often through reporting to Houses of the Oireachtas. This review will show some major weaknesses in the current arrangements and argue for the introduction of legislation to ensure that comprehensive and timely information is provided as a matter of course. Such legislation is already operative in the UK and Canada, as mentioned in the previous chapter.

Reporting can take many forms at present according to: (i) Who is to report, (ii) Items to be covered, (iii) To whom is the report to be made, and (iv) The mandate to report. Current requirements will now be reviewed under each of these headings.

(i) Who is to report

The obligation to provide an annual report would normally fall on the minister responsible for ODA.

(ii) Items to be covered

The first item is to report on past performance with regard to the level of ODA delivered and its main uses. Irish Aid's current annual reports would cover most of this item. Next would be an annual review of results achieved by aid in terms of outputs and the effectiveness of each of the major aid programmes in achieving their objectives, quantified where possible. Annual Reports covering these topics are already required of the UK Secretary of State for International Development under the International Development Act (Reporting and Transparency) 2006. Canada imposed similar obligations on the Minister under the 2008 Official Development Assistance Accountability Act. The UK 2006 Act also requires the Secretary of State to assess the year in which ODA from the UK will reach the UN Target.

Another topic for annual reporting would be the levels of aid predictability that have been achieved and how they are to be improved. Predictable delivery of aid is now a major focus of work in the UK Department for International Development (DFID) and this is reflected in its action plan to increase the predictability of its aid, as noted in the UK section of Chapter 4.

(iii) Reporting forum

Reports would normally be laid before both houses of the Oireachtas and would be reviewed with the minister at meetings of the Joint Committee on Foreign Affairs or its Sub-Committee on Overseas Development. In addition, the proposed report could contribute to examinations of value for money achieved by Irish Aid in the Public Accounts Committee.[19] Another source of information is the annual report of the Audit Committee of the Department of Foreign Affairs.

(iv) The mandate to report

Obligations to report can arise in a number of ways including:

- The obligation on the Minister to reply to Parliamentary Questions (PQs);
- Hearings of the Oireachtas Joint Committee on Foreign Affairs and its Sub-Committee;

[19] This Committee issued a report on Irish Aid in July 2008, for example (Dáil Éireann, 2008).

➢ Legislation.

These are additional to the obligation on all government departments to provide annual reports and accounts. Brief consideration will be given to each of these types of obligation.

The Parliamentary Question (PQ)

This normally has to focus on one facet of a minister's responsibilities as it has to be brief. Thus quite a number of PQs may be needed to elicit the range of information and assessments on topics covered at point (ii) above. However, a member is limited to two questions per day. These constraints may be lessened should the minister choose to provide a written statement for inclusion in the Report of Debates. A further problem is that the use of PQs is often criticised for putting a considerable burden on the minister's department, exacerbated by the pressure of having to frame a reply as a matter of priority and to assemble material to cover likely supplementary questions.

Hearings of the Oireachtas Joint Committee on Foreign Affairs

This Joint Committee is empowered to consider policies for which the Minister for Foreign Affairs is officially responsible and public affairs administered by the Department of Foreign Affairs, as well as annual reports or other matters referred to it by either of the Houses of the Oireachtas (Houses of the Oireachtas, 2010). In addition it can request the Minister, or Minister of State, to attend before the Committee, though under the same Standing Order of the Dáil, number 83, 'the member of the Government or Minister of State may decline to attend for stated reasons' (Dáil Éireann, 2007). Other powers available to the Committee and its Sub-Committee include those to send for persons, papers and records, also to engage the services of people with specialist knowledge. Finally, it can request the Dáil to debate any of its reports.

The Joint Committee thus has considerable powers to elicit information and to publish reports, as, for example, its recent report: 'Project Malawi'. In addition the Sub-Committee on Overseas Development Aid held hearings during 2009 and into 2010. These included calling Ireland's ambassadors to each of Irish Aid's priority countries to review the impact of Ireland's aid on their country. Irish NGOs were also asked to make presentations at these hearings. However, recent obstacles encountered by committees of the Dáil and Seanad underline the constraints they can face in obtaining the information they need to do their work.[20] In addition, it is notable that in other jurisdictions with similar parliamentary institutions the task of eliciting key assessments of government performance in relation to ODA is now being achieved by legislation.

[20] One recent example is the refusal of CIÉ to appear before the Oireachtas Committee on Transport (*Irish Times,* 2010). The relative weakness of the Oireachtas in holding the government to account was reported by Clancy (2007).

Legislation on Reporting

Irish Aid, like other arms of government, is subject to the legal requirement to provide annual reports and accounts and to respond to the requirements of the Comptroller and Auditor General under Article 33 of the Constitution. However, these obligations have not delivered comprehensive annual reports on all multi-year aid commitments and the extent to which each has been delivered.

Taking account of the weaknesses of current requirements for the minister responsible for ODA to be obliged to fulfil all the reporting and transparency undertakings mentioned in the *White Paper on Irish Aid*, it may be necessary to follow other countries and legislate for reporting on ODA. The case for legislation would be even stronger if Options (a), (b), and (c) above are not implemented swiftly. Yet the legislative route is slow and demands widespread political commitment. In addition there needs to be agreement on the key items required and then on a wording that will stand the test of time. The latter task would be eased by the use of similar legislation in other jurisdictions.

Option (f): Legislate on the size of Official Development Assistance (ODA)

The envisaged legislation would enjoin the government to increase ODA so that in 2015 and subsequent years it would be equivalent to the UN target for ODA of 0.7 percent of GNP. Provisions in such legislation would typically include an annual statement to the Dáil covering:

(i) Progress along an expenditure trajectory that would reach the target by 2015 and, thereafter, to confirm that the UN Target level was achieved every year;

(ii) Reasons why the amount of aid was less than that expected;

(iii) Action that would be taken to ensure delivery of aid at a level commensurate with achieving the UN target by 2015 and in the years thereafter.

Similar provisions are in the UK draft International Development (Official Development Assistance Target) Bill (UK, 2010). This Bill was welcomed by the House of Commons International Development Committee, which also recommended some important changes. In particular the committee 'recommend removing the references in Clause 2 (3) to economic, fiscal and external circumstances' from the list of acceptable reasons for missing the target. In addition, when there was a shortfall in the level of ODA the Committee recommended that an action plan to remedy this in the following year be included in the Secretary of State's Annual Report. The stated purpose of this Bill was not just to ensure that the UK met its UN target in 2013 but also to add to the momentum for more countries to deliver on the UN Target. Just recently the European Commission (2010) has urged other Member States to consider following Belgium and UK and introduce legislation.

PART III:

Ways for Ireland to be more effective in poverty reduction

6. Feasible options for Ireland arising from this report

The most feasible course would be one of progression from Option (a) to Option (f). That is, from expanding reporting on aid commitments and their delivery, to making this a legally binding obligation. This approach is recommended on three counts:

1. Doing the easiest parts first, to allow time for the development and adoption of the more demanding changes;
2. Speed of implementation;
3. Starting with options to achieve commitments in the *White Paper on Irish Aid*, options (a), (b) and (c) and progressing to making these binding on the Government, options (e) and (f).

The first priority, Option (a), is for Irish Aid to publish each multi-annual programme when agreed and each of these to include the schedule of annual payments due from Irish Aid. This would require no more than implementation of commitments in the *White Paper on Irish Aid* (Ireland, 2006). Tabulation and analysis of the amounts payable in future years under these programmes, as illustrated by Annex Table 1, would not necessarily fall on Irish Aid as publication would enable others to do this. The result would be a clear view of the amounts of ODA required to fulfil these commitments in each of the forthcoming years. Taking these commitments as a first claim on the ODA budget, essentially Vote 29 in the Estimates of Public Expenditure, would clearly show how much was left to pay for other elements of Irish Aid's work.

This option would inform and clarify discussion of aid expenditure greatly and would not demand any action from Irish Aid beyond its commitments in the White Paper and prioritised in its *Plan of Action to Implement Commitments under the Accra Accord for Action* (Irish Aid, 2009). In addition this plan of action commits Irish Aid to publication of the conditions linked to disbursement of aid. Delivery on this option would also fulfil Ireland's commitments in the Paris Declaration on Aid Effectiveness, particularly those on 'Mutual Accountability'.

Second priority, Option (b), is for an annual statistical report on the performance of Ireland in meeting each of its multi-annual aid commitments. For the bilateral programme this should only be a minor addition to the Irish Aid work load and this is also a priority in its Plan of Action, mentioned above. In fact much of the information would be required for reports to OECD-DAC and to the European Commission. Prompt publication of the information would represent a major contribution to discussion of aid predictability, identification of the scope improvement and how this is to be achieved.

In contrast, data for reviews of progress towards achieving the UN target for total ODA by 2015 are already in the public domain, illustrated by its use by Riordan (2010).

Options (a) and (b) thus provide opportunities for immediate, low cost and, possibly, simultaneous implementation, with delivery of important benefits within months.

Third priority, Option (c), to publish annual assessments of Irish Aid in meeting its objectives would greatly enhance the transparency of the aid programme, as envisaged in the *White Paper on Irish Aid*, and demonstrate its specific achievements as a partner in pro-poor development. It could be provided as part of the up-grading of the Irish Aid website. Publication could be an occasion to celebrate the achievements of Irish Aid and reflect a drive towards results driven aid. The cost of implementing this option should be amply repaid by the boost it should give to public support for aid spending. This is also anticipated in the Paris Declaration on Aid Effectiveness stating: ‘A major priority for partner countries and donors is to enhance mutual accountability and transparency in the use of development resources. This also helps strengthen support for national policies and development assistance’ (OECD, 2005).

Fourth priority, Option (d), to make commitments as contracts would mean that commitments in multi-annual programmes would be embedded in contracts between Irish Aid and its development partners. This has merit in its own right and is independent of progress with the other options. However, contracts for multi-annual programmes, including country programmes and the Multi-Annual Programming Scheme (MAPS), could only be introduced for new programmes. On the other hand it is always open to the Government to issue promissory notes to guarantee that partners receive aid as and when specified to the budgets agreed with Irish Aid.

Programme contracts, in particular, could bring considerable benefits to both the development partner and to Irish Aid. These benefits would seem to outweigh the constraints that the use of such contracts would put on Irish Aid, as noted in the previous chapter. Thus there is a case to start consideration of how implementation of development aid programmes might be made contractual. In particular, a start could be made with one of the earliest programmes for renewal, that is for MAPS, as MAPS II ends in 2011. This starting point would have the advantage that all of the parties to these contracts would be based in Ireland, that is to say the Government, on the one hand and each of the Civil Society Organisations, on the other.

Thus while there appear to be major benefits attached to the use of contracts, especially for the development partners of Irish Aid, implementation of this option would require considerable commitment and effort by all those involved. Making a start with some partners based in Ireland may thus be advisable. .

Fifth priority, Option (e), **obligatory reporting on ODA**, may only require activation were there to be delay in implementing Options (a), (b) and (c). Official publication of a comprehensive report on the delivery of aid and its achievements would widen awareness and discussion of efforts being made to make aid more valuable by being more predictable and more effective in poverty reduction in the poorest countries. In addition, pursuit of this option may make delivery of the information sought in options (a), (b) and (c) more certain and timely by binding the Government to publish a comprehensive report within six months of the end of the year when the aid was provided. This option has already been implemented through rules and legislation in the UK and Canada, as mentioned in the previous chapter.

Well designed Parliamentary Questions and suggestions of topics for review by the Oireachtas Joint Committee on Foreign Affairs or its sub-Committee on Overseas Development, could possibly achieve the goals sought in this option (d) right now. Experience elsewhere indicates, however, that legislation is likely to be needed to ensure comprehensive and timely reporting, even though this route may be long and run the risk of divisive debate.

Finally, **Option (f)**, **legislate on the size of Official Development Assistance (ODA)** may be essential to ensure that it is delivered in line with commitments. A commitment to raise ODA to 0.7 percent of GNP in 2007 was deferred to 2012 and this has now been moved to 2015, as noted in Chapter 1. Worse still, pressure to reduce aid budgets could well last years. Further, even the UK, though on track to meet its UN target by 2013, has still drafted a bill to legislate for the achievement of this target (UK, 2010). The case for introducing similar legislation in the Dáil would be similar to that in UK, and may well be even be stronger. Among the aims of Irish legislation could be to:

- Clarify what steps are being taken to ensure that the UN target for the level of ODA is met by 2015 and thereafter;
- Raise public debate and pressure to progress to the UN target by 2015 and then hold to it;
- Encourage other countries to deliver on the UN target within the next few years.

Such legislation would also answer to the first point in the ‘Twelve-point EU action plan in support of the Millennium Development Goals’ (European Commission, 2010).

Consideration should thus be given to framing legislation along lines pioneered by Belgium and the UK and also take account of the report on UK bill by the House of Commons International Development Committee (House of Commons 2010). Initially one piece of legislation might be considered covering both reporting (Option (d) (iii)) and enforcement of delivery on the commitment to increase the size of ODA to reach the UN target by 2015 and to maintain this level thereafter (Option e). A creative way to do this would be a comprehensive International Development Co-operation Act with a focus on poverty reduction in poor countries.

What is meant by progress towards achieving the UN target in 2015 may be clarified by adding a schedule to the legislation showing what would be the minimum level of ODA to be provided in each of the years prior to 2015. Specification of such levels in euro, rather than as percentages of GNP, would add clarity to expectations and to reporting on progress. Preparation of the government's annual budget could take this minimum figure into account free from concerns about quantifying a target that requires an estimate of GNP up to two years before publication of the final figure. Having a lower limit on the level of ODA to be provided each year would also facilitate the making and delivery of multi-annual aid commitments, as noted under Option (d) in the previous chapter.

Summary

Having laid out the various issues and options for delivering predictable aid, the most feasible course would be one of progression from Option (a) to Option (f). That is, from expanding reporting on aid commitments and their delivery to making these legally binding obligations. This approach is recommended on three counts:

1. Doing the easiest parts first, to allow time for the development and adoption of the more demanding changes;
2. Speed of implementation and impact;
3. Options (a), (b) and (c) would achieve commitments in the *White Paper on Irish Aid*, while options (d), (e) and (f) would bind the Government to deliver on its commitments.

Progress along these lines would enable the people of Ireland to abide in full with the commitments made in their name to governments of poor countries and to organisations serving the needs of the poor in these countries. In particular, action on these options would ensure fulfillment of commitments made at the United Nations, those in multi-annual programmes supported by Irish Aid and the aid predictability commitments in the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action. All this should favour:

- Greater impact on improving the conditions and prospects of poor people in poor countries.
- Wider appreciation of the achievements of Irish Aid;
- Increased allocations of public expenditure to Official Development Assistance so as to achieve the Millennium Development Goals by 2015.

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ANNEX

Annex Table 1. ODA multi-annual commitments - an initial estimate

	Expenditure			Assumed commitments					
	2007	2008	2009	2010	2011	2012	2013	2014	2015
	euro million			euro million					
1a. Bilateral programmes									
Country programmes	189	228	209	277	102	100	33	33	0
MAPS	65	70	57	77	83	0	0	0	0
MABGP	21	19	16						
1b. Multilateral programmes*	165	169	171	171	171	171	171	171	171
1c. Aid Administration*	30	35	32	32	32	32	32	32	32
2. Non-discretionary*	7	6	7	7	7	7	7	7	7
Total all multi-annual commitments	**477**	**526**	**492**	**564**	**396**	**311**	**243**	**244**	**210**
Total ODA	871	921	696	670	714	765	892	1,088	1,326
3. Un-committed balance of ODA	394	394	204	106	318	454	649	844	1,116
	percentage			percentage					
Multi-annual commitments as a percentage of ODA	55%	57%	71%	84%	55%	41%	27%	22%	16%

Notes:
MAPS: Multi-Annual Programme Scheme II.
MABGP: Multi-Annual Block Grant Programme for Civil Society Organisations.
* Commitment levels based on level of expenditure in 2009.
Sources:
1. Irish Aid: Annual Reports.
2. Country Strategy Papers (CSPs) and other documents on the Irish Aid website up to the end of August 2010.
3. Dóchas survey of its members.
4. Projections for ODA from 2011 to 2115 from the 'World Recovery' scenario (Riordan, 2009). However these projections were linked to projected levels of GNP that have since been revised downwards, particularly those for 2014 and 2015.

Annex Table 2. Coverage of Country Strategy Papers published by Irish Aid

	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Ethiopia	Y	Y	Y	Y	Y	Y			
Lesotho		Y	Y	Y	Y	Y			
Malawi		Y	Y	Y	Y	Y			
Mozambique	Y	Y	Y	Y					
Tanzania	Y	Y	Y	Y					
Timor Lester	Y	Y	---	---	---	---			
Uganda	Y	Y	Y	Y	Y	Y	Y	Y	
Vietnam	Y	Y	Y	Y					
Zambia	Y	Y	Y	Y					
South Africa		Y	Y	Y	Y	Y			
Country Programmes (estimate) €m	**189**	**228**	**209**	**277**	**102**	**100**	**33**	**33**	**0**

Data Sources as for the foregoing table.