

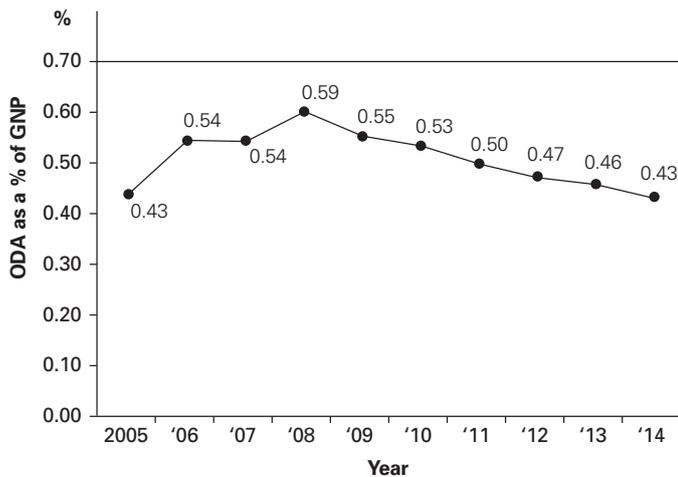
Ireland’s Commitment to ODA Target is in Doubt

Since 2000 Irish Governments have made repeated high profile commitments to meeting the UN target of allocating 0.7 per cent of our Gross National Product (GNP) to Overseas Development Assistance (ODA). The current Government made their support for

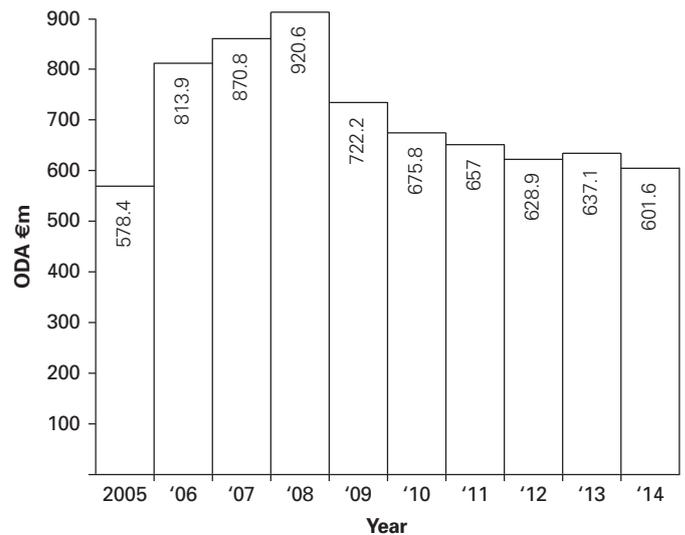
the overseas aid programme very clear when they included reaching the 0.7 per cent target by 2015 in the Programme for Government¹. Given the scale of economic difficulties Governments have grappled with since the financial crisis started in 2008 - with cuts of just under 35% in

the ODA budget - it was not surprising that the 2015 deadline proved impossible to meet. 0.7 per cent has remained in the Programme for Government, however, without a revised deadline there is a *policy void* which needs to be addressed as a matter of urgency.

ODA as a % of GNP 2005-2014²



ODA Volumes 2005-2014³



KEY POINTS

The Government should:

- Consider the cumulative impact of cuts to the ODA budget since 2008, and ensure **the trend of a sliding percentage contribution is reversed in Budget 2015**
- In light of the two major international Summits in 2015, move swiftly to address the *policy void* and re-instate a new target date of 2020 for the achievement of the UN ODA target of 0.7 per cent of GNI;
- Produce a ‘2020 Strategy on ODA’, including an annual roadmap for each year between now and 2020 outlining how Ireland intends to achieve its ODA commitment;
- Restate clearly the centrality of our Development Cooperation programme, based around poverty reduction and the achievement of human rights, in Ireland’s new Foreign Policy Statement, to be issued in Autumn 2014.

1 <http://www.socialjustice.ie/sites/default/files/file/Government%20Docs%20etc/2011-03-06%20-%20Programme%20for%20Government%202011-2016.pdf> page 57
 2 Irish Aid annual reports information see www.irishaid.ie
 3 *ibid*

From a peak of 0.59 per cent in 2008, the ODA budget fell to 0.46 per cent in 2013 and is projected to fall below 0.4 per cent in 2014⁴. This cut in percentage means the mechanism's intended fairness to donor countries – it serves as an indicator of relative commitment, whereby fulfilment is not based on economic growth – has been repeatedly eroded over the past six years. While Trócaire acknowledges that the Government has worked to protect the ODA budget, and the retention of a sizeable ODA budget is an achievement, the issue of meeting our international ODA commitment must be addressed. Trócaire therefore calls on Government to:

1. **Stem the growing gap between our international commitment to 0.7 per cent and actual ODA allocations by reversing the trend of a sliding percentage contribution in Budget 2015.**
2. **Set out a strategy for filling the policy void which has emerged in relation to the deadline for meeting the 0.7 per cent target. This strategy should set out a realistic and verifiable trajectory for meeting this commitment by 2020.**

The Unique Value of ODA

Whilst a range of international public and private financial flows contribute to human development, ODA represents a uniquely valuable instrument. ODA remains a key source of finance and pays an important share of public services in

many countries. For example, over 40 per cent of the health budget in Mozambique and Uganda depends on aid funds.⁵ Research for the European Parliament's Committee on Development on financing for development highlights the greater predictability and targeting of ODA towards the poorest countries relative to other financial flows. Global private finance mainly goes to higher income countries and has difficulty targeting small and medium enterprises or paying for public services. In 2011, some 70% of foreign direct investment (FDI) in developing countries went to just 10 countries, with China alone accounting for over a quarter of total FDI.⁶ ODA also plays a lead role in the provision of emergency assistance during humanitarian crises.

ODA plays a central role in Ireland's foreign policy and external relations and the promotion of our values and interests. In a world where interdependency and 'soft power' are increasingly recognised as important,⁷ high quality development cooperation lies at the heart of our foreign policy. Goals to reduce hunger, promote sustainable development and human rights, whilst ends in themselves, are inextricably linked with Ireland's international political and economic interests. The publication of the new policy statement following the Review of Ireland's Foreign Policy and External Relations will be a key guiding document outlining our strategic goals.

Ireland's untied, 100 per cent grant based, and poverty-targeted development cooperation programme has helped to maintain a positive international reputation, serving to

counter the negative commentaries associated with Ireland's experience of the financial crisis. In July 2014, the prestigious Brookings Institution rated Irish Aid as the outstanding development aid programme amongst 31 other international donors.⁸ The last OECD/DAC Peer Review of the aid programme commended the focus on the world's poorest describing Ireland as a genuine partner.⁹ The strong support from developing countries which Ireland received for its election to key UN bodies such as the UN Security Council in 2000 and the UN Human Rights Council in 2012, undoubtedly benefitted from our commitment to global justice and equality. Better governance, poverty reduction and human rights also means enhanced security and business opportunities for both donor and partner countries. Ireland is now recognised globally as a country that sees the collective benefit of "doing good" internationally – and our commitment to the world's poor is central to that.¹⁰

ODA as a catalyst for getting to 'zero' poverty

In developing regions, the proportion of people living on less than \$1.25 a day has fallen from 47 per cent in 1990 to 22 per cent in 2010.¹¹ ODA has played a vital role in reducing poverty. However, over a billion people continue to live in extreme poverty. In sub-Saharan Africa more than 400 million people live far below the \$1.25 a day poverty line. Many of the countries where poverty remains entrenched are fragile states. In such countries there is very little hope of

4 This projection of an ODA percentage below 0.4% arises from requirement from the European Statistical agency, Eurostat, for EU states to adjust calculations of national income and expenditure accounts. The net effect for Ireland is to increase GDP which has a knock on impact on GNP and GNI. The CSO National Income and Expenditure results published July 3, 2014 include the adjustment and this explains projection of lower than predicted ODA percentage for 2014. See <http://www.cso.ie/en/releasesandpublications/er/nie/nationalincomeandexpenditureannualresults2013/>

5 Financing for Development Post 2015: Improving the Contribution of Private Finance, Director General for External Policies (2014) page 18 View report at <http://www.eurodad.org/files/pdf/5346a6b10e9a4.pdf>

6 <http://www.eurodad.org/Entries/view/1546190/2014/04/10/Financing-for-Development-Post-2015-Improving-the-Contribution-of-Private-Finance>

7 Ireland recently topped the newly created 'good country' index, which seeks to measure the contribution a country makes to the international community. www.goodcountry.org

8 'The Quality of ODA' a report by the Brookings Institution. See <https://www.irishaid.ie/news-publications/press/pressreleasearchive/2014/july/minister-costello-welcomes-report-praising-quality/>

9 <http://www.oecd.org/dac/peer-reviews/42704390.pdf>

10 The Good Country Index 2014 <http://www.goodcountry.org/>

11 <http://www.undp.org/content/dam/undp/library/MDG/english/mdg-report-2013-english.pdf>

attracting market based private investments – the risks are perceived to be too high. In such instances, ODA, as the only official international resource flow aimed explicitly at the economic development and welfare of developing countries is a life line. It is the main international resource for countries with low government spending per person.¹²

Given the major role ODA continues to play in the fiscal budgets of numerous LDCs, cuts in support have significant implications for poverty reduction. The latest UN World Economic Situation and Prospects report highlights how ‘the development prospects in LDCs remain severely constrained by many structural factors, such as recurring political conflicts, high vulnerability to adverse weather patterns and commodity fluctuations, lack of productive diversification and fragile institutions’.¹³

‘This generation has the means and tools to end extreme poverty. The question is, does it have the will?’¹⁴

Within the EU, the UK has become the most recent member to reach the 0.7 per cent ODA target. Amongst the member states exceeding the target, Sweden regularly commits 1 per cent of its GNP to ODA. At the May 2014 Foreign Affairs (Development) Council meeting members including Ireland

who have not reached their ODA targets were invited to ‘take realistic and verifiable actions in order to resume or secure a positive trajectory to meet these commitments and to share information on these actions and their planned ODA spending’.¹⁵ The G 77 Summit in June 2014 urged developed countries to fulfil their commitments to 0.7 per cent and expressed their deep concern that ODA commitments remain unfulfilled.¹⁶

2015 – A Watershed for Global Development

2015 is a key watershed year for poverty reduction and sustainable development. The Third International Conference on Financing for Development in July and the UN Post MDG Summit in September present critical moments for setting out roadmaps to eradicate extreme poverty. The World Bank’s representative to the UK and Ireland was in Dublin in July outlining the institution’s 2030 strategy. The strategy is built around the goals of eradicating extreme poverty and the promotion of shared prosperity for the poorest 40 percent.¹⁷ However, fulfilment of these goals demands an effective means of implementation, as stated in the recently published report of the Open Working Group on Sustainable Development Goals.¹⁸

These events provide a welcome opportunity for Ireland to rekindle the momentum shown in reaching the 0.7 per cent target pre-2008 and to demonstrate international leadership in this area. Demonstrating renewed commitment, first and foremost, requires reversing the slide in Ireland’s ODA in the 2015 budget. The continuous slide in ODA since 2008 has meant an ever widening gap between commitments and allocations. Given that so much reputation rests on the fulfilment of international commitments, Ireland must grasp the opportunity presented at the major Summits in 2015 to set out how Ireland proposes to re-establish forward movement towards achieving our 0.7 per cent commitment and protecting such gains from future discretionary cuts. Trócaire believes that the best way to do this is to set out a 2020 strategy for achieving the 0.7 per cent target.

¹² <http://devinit.org/wp-content/uploads/2014/02/Investments-to-End-Poverty-highlights.pdf>

¹³ http://www.un.org/en/development/desa/policy/wesp/wesp_current/WESP2014_mid-year_update.pdf

¹⁴ Joe Costello TD, Minister of State for Trade and Development, June 2013

¹⁵ Foreign Affairs (Development) Council meeting Brussels, 19 May 2014

¹⁶ Group of 77: Declaration of Santa Cruz 17 June 2014, <http://www.g77bolivia.com/en/declaration-santa-cruz>

¹⁷ http://www.worldbank.org/en/news/feature/2013/04/17/ending_extreme_poverty_and_promoting_shared_prosperity

¹⁸ <http://sustainabledevelopment.un.org/focussdgs.html> Goal 17.2 relates to ODA commitments.

G dQ a dW

The Kitui area of Eastern Kenya is classed as ‘semi-arid’. There are two rainy seasons: the ‘long rains’ from April to June and the ‘short rains’ in November/December. Climate change is making these rains increasingly unpredictable. Drought is occurring more frequently. In 2012, after the emergency appeal for East Africa, Trócaire funded several interventions through local partners. These included drilling boreholes, technical assistance to farmers in support of more sustainable farming methods and post-harvest management training so food could be stored for longer. Thousands of people now benefit from access to clean water for their household needs.

Kailu Tumbo (76) a widowed grandmother caring for three of her grandchildren explains how the nearest water point used to be 15 km away. Since the installation of a new water point less than 2 km away Kailu shares that ‘we have enough water to drink now and to give to the goats. We are all healthier. The goats are more valuable because they are not skinny...I get milk from the goats and am able to sell one every now and then to get money to buy food. I have been able to buy some chickens as well and they give us eggs. We are able to wash and I am able to clean the children’s clothes. I have more time to work on the land and am able to plant more crops. I now have beans, maize and cowpeas’. Kailu has also applied for a place for her deaf grandson in a special needs school some 30km from home. All of this has been made possible by the difference accessible and clean water has made to her family’s life.



Reaching 0.7% Target by 2020

The Department of Finance forecast of growth in GDP and GNP for the period 2014-2018 is set out in Table 1. The forecast shows steady growth rates between 2.3 and 2.7 per cent per year for GNP. A steady increase of 2.7 per cent for the years 2019 and 2020 is assumed.

	2014	2015	2016	2017	2018
Economic Output (% change)					
Real GNP	2.7	2.3	2.5	2.7	2.7
Real GDP	2.1	2.7	3.0	3.5	3.5
Nominal GDP	2.6	3.6	4.3	4.7	4.7

Using this as the basis, Table 2 sets out the value of Ireland's GNP in each of the years from 2014 to 2020 and an analysis of what would be required in growth of ODA if it were to reach 0.7 per cent of GNP by 2020. Given a projection of 0.39 per cent in 2014²⁰ this would require an increase of 0.31 per cent of GNP over the period. An incremental pathway to 0.7 per cent by 2020 would see increases of 0.05% per cent per annum for the first five years with an increase of 0.06% in the final year.

Year	GNP in €m's	% of GNP to achieve 0.7 target by 2020 on steady pathway	Required budget for ODA in each year in €m's
2014	152,539	0.39	601.6
2015	156,047	0.44	686.6
2016	159,949	0.49	783.8
2017	164,267	0.54	887.0
2018	168,702	0.59	995.3
2019	173,257	0.64	1108.8
2020	177,935	0.70	1245.5

In practice this means that the annual increase in ODA if it were to follow this pathway to reach 0.7 per cent of GNP by 2020 would be as set out in Table 3:

Year	Increase in Budget allocation for ODA in €m's
2015	85.0
2016	97.2
2017	103.2
2018	108.3
2019	113.5
2020	136.7
TOTAL INCREASE	643.9



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¹⁹ <http://www.finance.gov.ie/what-we-do/economic-policy/economic-forecasts>

²⁰ Based on application of Eurostat adjustment to measurement of GDP as previously elaborated in footnote number 4

²¹ Small variations due to rounding. Table prepared by *Social Justice Ireland* calculations based on Department of finance forecasts in Budget 2014, (with steady-state extension for 2019 and 2020) using CSO's adjusted base for GNP published July 3, 2014.

²² Source: *Social Justice Ireland* calculations