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# Restoring Irish Overseas Aid Expenditure for a more Just and Stable World

TRÓCAIRE SUBMISSION FOR BUDGET 2018

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# Trócaire Submission for Budget 2018

## Summary of 3 Key Proposals

Budget 2018 should provide evidence of the Programme for Government commitment to make progress towards the UN Overseas Development Assistance (ODA) target of reaching 0.7% of GNI.

**1.**

**An Oireachtas cross party political** initiative is encouraged with a view to presenting a proposal in early 2018 to the Minister of Finance and Public Expenditure on a medium term strategy for sustaining progress towards reaching 0.59% of GNI\* by 2022 and then the 0.7% target by 2025.<sup>1</sup>

**2.**

**Ireland has played an admirable** role in working to protect development effectiveness principles and to ensure that ODA is directed to people most in need. There is growing evidence of alarming international trends that risk the instrumentalisation and manipulation of development assistance funding away from poverty reduction needs in less developed countries towards the security, commercial and migration objectives of donor countries.<sup>2</sup> Ireland should continue to work to protect the poverty focused definition of ODA, ensure that Ireland's ODA remains fully grant based, untied and focused on Least Developed Countries (LDCs).

**3.**

**Budget 2018 should be used** as a platform for developing a strategy towards fully reaching the 0.7% target by 2025 to contribute to achieving the Sustainable Development Goals by 2030. Specifically, for Budget 2018, an increase in the ODA spend by 0.05% would enable Ireland to reach an interim 0.38% of GNI\*.

1 The CSO published a new measurement of national income in July 2017 called "Modified Gross National Income" (or "GNI\*") as a more realistic measurement of the Irish economy's size and growth rate

2 [https://concordeurope.org/wp-content/uploads/2016/10/CONCORD\\_AidWatch\\_Report\\_2016\\_web.pdf](https://concordeurope.org/wp-content/uploads/2016/10/CONCORD_AidWatch_Report_2016_web.pdf)



# Critical Challenges to Overseas Development Assistance



Teresina Karini (45), a farmer from rural Tharaka Nithi in Kenya, works on her land, which is constantly hit by drought.

The global commitment to eradicating poverty, advancing sustainable development and human rights, and responding to humanitarian crises is reflected in concrete terms in increased public financing flows and in staying true to principles of aid effectiveness and Good Humanitarian Donorship.

Aid has been a particularly important enabler of many of the world's development success stories, for example halving the global mortality rate of children under 5.<sup>3</sup>

The past year has witnessed hugely significant political events and trends across the US and Europe which, among other far-reaching implications, affect the future of vital public financing flows.

Deepening inequality, climate change, global conflict and ineffective handling of the associated and unprecedented migratory pressures are contributing to major shifts in Europe's own social, political and economic fabric. These trends are among the factors that risk contributing to a continued rise in political movements that seek to undermine global solidarity values working towards global poverty reduction, and who would rather advocate a reduction in ODA spending, or to subvert it for alternative purposes.<sup>4</sup>

There has been an alarming rise in political narratives that dehumanise and promote conflict with "outsiders", including immigrants, refugees and people in other countries, and create a false competition between domestic interests and overseas aid budgets. Such trends are creating political challenges for the quantity, and indeed the quality of ODA in many European countries, and those making the case for continued ambition to fulfil donor states promises to the world's poorest.<sup>5</sup>

Meanwhile humanitarian needs across the globe are at an unprecedented level. Since January 2017, the number of people needing humanitarian aid has risen by 12.5 million people to 141.1 million people in 37 countries where natural disaster or conflict has put people's lives at risk.<sup>6</sup>

3 [http://www.who.int/gho/child\\_health/mortality/mortality\\_under\\_five\\_text/en/](http://www.who.int/gho/child_health/mortality/mortality_under_five_text/en/)

4 [https://concordeurope.org/wp-content/uploads/2016/10/CONCORD\\_AidWatch\\_Report\\_2016\\_web.pdf](https://concordeurope.org/wp-content/uploads/2016/10/CONCORD_AidWatch_Report_2016_web.pdf)

5 [https://concordeurope.org/wp-content/uploads/2016/10/CONCORD\\_AidWatch\\_Report\\_2016\\_web.pdf](https://concordeurope.org/wp-content/uploads/2016/10/CONCORD_AidWatch_Report_2016_web.pdf)

6 <http://www.unocha.org/sites/unocha/files/dms/GHO-JuneStatusReport2017-EN.pdf>

# Ireland's International Role and Reputation as a Champion of International Development

There is growing evidence of alarming international trends which risk the instrumentalisation and manipulation of development assistance funding away from poverty reduction needs in less developed countries towards the security, commercial and migration objectives of donor countries.

In this challenging and complex global context Ireland can be proud of the leading role it played in recent years in supporting the formulation of a set of Sustainable Development Goals to be achieved by 2030, and also the international agreement reached in Paris to tackle climate change. Ireland also became a signatory to the World Humanitarian Summit Grand Bargain. However, the order of magnitude of investment needs to meet the ambition of these agreements requires rich countries, including Ireland, to fulfil their promise to reach the UN agreed target to provide 0.7% of GNI in Official Development Assistance (ODA) and to identify innovative additional sources of public finance.

Aid remains a unique and central source of finance for the poorest countries. In the face of growing competition for international public finance, and trends of donor states security and commercial interests seeking to supersede development goals (for example the adoption in May 2017 of a new *EU Consensus on Development Framework*), Ireland has played an admirable role in seeking to protect development effectiveness principles and to ensure that ODA is directed to people most in need. The quality of Ireland's aid is internationally renowned for its strong poverty reduction focus. The most recent peer review of ODA in 2014 found that 'Ireland's aid is fully untied. It is committed to keeping it that way,' and the CONCORD Aidwatch reports for 2015 and 2016 continue to show that virtually all of Ireland's aid is 'genuine aid'.<sup>7</sup>

Recovering from a decline in ODA during the worst years of the economic crisis, in recent years, 2014-2016, there have been welcome increases in Ireland's year on year ODA budget from €614.86 million to €725million. However, Ireland's reputation and credibility as a development actor is not enhanced by the persistent shortfall in meeting the 0.7% GNI target. Despite the inclusion to honour the 0.7% commitment in the Programme for Government, the broad based support across Irish political parties and high levels of support amongst the Irish public (80% of the public polled think we should contribute more aid),<sup>8</sup> Ireland's ODA allocation for 2016 represented just 0.33% of GNI according to provisional data from the OECD.<sup>9</sup> This is a long way off Ireland's peak performance of 0.59% in 2008 (See Table 1 below). Not alone is there a growing financial gap, there is a policy void with no discernible strategy for renewing progress let alone meeting the 0.7% target.

Ireland should continue to work to protect the poverty focused definition of ODA, ensure that Ireland's ODA remains fully grant based, untied and focused on Least Developed Countries (LDCs).

7 [https://concordeurope.org/wp-content/uploads/2016/10/CONCORD\\_AidWatch\\_Report\\_2016\\_web.pdf](https://concordeurope.org/wp-content/uploads/2016/10/CONCORD_AidWatch_Report_2016_web.pdf)

8 Dóchas commissioned a MRBI poll in March 2017 to assess Irish support for overseas development assistance <http://www.dochas.ie/news/press-release-80-irish-people-think-ireland-should-spend-more-aid>

9 <http://www.oecd.org/ireland/ireland.htm>



As highlighted above, Ireland is currently far from repeating its peak performance in 2008, when 0.59 per cent of GNI was spent on overseas aid. Ireland's progress towards the target has often been made conditional on economic performance. This reflects a misinterpretation of the target which serves as an indicator of relative commitment delinked from economic growth. This is borne out by the UK's ability to fulfil the 0.7% commitment despite challenging domestic economic circumstances. 2016 saw Germany join five other countries – Denmark, Luxembourg, Norway, Sweden and the UK – in meeting the UN target on ODA.

Globally bilateral ODA to LDCs has fallen from just over \$25 billion in 2015 to \$22.4 billion in 2016. This is also a concerning longer-term trend as ODA is still vital for LDCs representing 70% of their total external finance. Ireland previously led on reaching the UN target of 0.15% of ODA to LDCs, consistently exceeding it between 2011 and 2014 but this very positive trend looks set to be broken. Only three donors gave more than 0.15% of GNI as bilateral ODA to LDCs in 2016 and Ireland was not among them, giving just under 0.10%.<sup>10</sup>

<sup>10</sup> <http://devinit.org/post/aid-spending-by-development-assistance-committee-dac-donors-in-2016/>

<sup>11</sup> According to expenditure outlined by Minister McHugh in response to a PQ in April 2017 following the release of the OECD Development Assistance Committee Data for ODA. See <http://oireachtasdebates.oireachtas.ie/debates%20authoring/debateswebpack.nsf/takes/dail2017041200071#WRA02800>

Year	Irish ODA €m	Irish ODA % of GNI
2000	254.86	0.30
2001	319.90	0.33
2002	422.06	0.41
2003	445.71	0.40
2004	488.92	0.39
2005	578.46	0.43
2006	813.96	0.53
2007	870.87	0.53
2008	920.70	0.59
2009	722.20	0.55
2010	675.80	0.53
2011	657.00	0.46
2012	628.90	0.46
2013	637.10	0.46
2014	614.86	0.39
2015	647.51	0.32
2016	725.00 <sup>11</sup>	0.33



# Indicative Pathway to Reaching the 0.7% ODA Target by 2025 based on projected GNI\* Growth<sup>12</sup>

Budget 2018 should be used as a platform for developing a strategy towards fully reaching the 0.7% target by 2025 to contribute to achieving the Sustainable Development Goals. For Budget 2018, an increase in the ODA spend by 0.05% (€128.9million) would enable Ireland to reach an interim 0.38% of GNI\* (€778.93million).<sup>13</sup>

	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Projected GNI*</b>	197,108	204,007	209,719	214,542	219,048	223,648	228,344	233,140	238,035
<b>Macroeconomic forecasts</b>									
Predicted % change in Real GNI*	4.2	3.5	2.8	2.3	2.1	2.1	2.1	2.1	2.1
ODA as a proportion of GNI*	0.33%	0.38%	0.43%	0.49%	0.54%	0.59%	0.63%	0.66%	0.70%
ODA volume (€m)	650.0 (Budgeted)	778.928	909.9	1,042.5	1,178.4	1,319.5	1,431.0	1,546.5	1,666.2
Increase in ODA volume required (€m)		128.9	131.0	132.6	135.9	141.1	111.4	115.5	119.8

Source: Social Justice Ireland, 2017

<sup>12</sup> National Income numbers and growth projections are taken from the CSO’s recently released *National Income and Expenditure Annual Results*, and the *Summer Economic Statement 2017*. GNP growth assumptions up to 2021 are taken from the Summer Economic Statement 2017 and are assumed thereafter. The CSO published a new measurement of national income in July 2017 called “Modified Gross National Income” (or “GNI\*”) as a more realistic measurement of the Irish economy’s size and growth rate. We have assumed a similar growth rate for GNI\* as that as that assumed for GNP in the aforementioned documents from the Department of Finance.

<sup>13</sup> The CSO published a new measurement of national income in July 2017 called “Modified Gross National Income” (or “GNI\*”) as a more realistic measurement of the Irish economy’s size and growth rate.

# Additional Source of Public Financing for Development

In developing a strategy for meeting the 0.7% target on ODA, consideration should be given to identifying additional sources of public financing.

Such sources could involve a more just approach to taxation, tackling tax avoidance and evasion, which is depriving poor countries of an estimated US\$160 billion every year.<sup>14</sup> *"Honest Accounts 2017: How the world profits from Africa's wealth"* published in May 2017 found that in 2015, 47 sub Saharan African countries received around \$19 billion in aid but over three times that much (\$68 billion) was taken out in capital flight, mainly by multinational companies deliberately misreporting the value of their imports or exports to reduce tax. African governments also received \$32.8 billion in loans but paid \$18 billion in debt interest and principal payments, with the overall level of debt rising rapidly. An estimated \$29 billion a year was stolen from Africa in illegal logging, fishing and the trade in wildlife and plants.<sup>15</sup>

The identification and consideration of potentially innovative sources of sustainable public financing should be a key part of a cross party initiative in the Dáil on ODA. The Nevin Economic Research Institute for example have been researching the potential revenue yield from a Financial Transactions Tax, estimating the net revenue yield would be between €320 and €350 million per annum.<sup>16</sup> The addition of up to a third of such revenues to existing aid allocations could provide a very significant kick start to renewing progress towards the 0.7% target



Dorcus is from Kitui County, one of the driest areas of Kenya. Trócaire provided beehives to people in Dorcus' village as well as training on how to look after the bees and produce honey. They call themselves the Mwasuma Beekeepers. Each member has five hives, and earns money selling honey and beeswax for candles and soap.

14 <http://www.christianaid.ie/ActNow/find-out-more/background-information/tax-justice-background.aspx>

15 <http://www.globaljustice.org.uk/news/2017/may/23/africa-subsidises-rest-world-over-40-billion-one-year-according-new-research>

16 <http://www.nerininstitute.net/research/time-for-tobin-ireland-and-the-european-fft-proposal/>

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**Trócaire**

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