Dóchas

The Irish Association of Non-Governmental Development Organisations

Dóchas submission to

Department of Finance Strategy (2011-2013) consultation

November 2010

The Government of Ireland has committed, nationally and internationally, to achieve the UN target of spending 0.7% of GNI on Official Development Assistance (ODA) by 2015 at the latest.

That specific promise was made by the Government in December 2009, when it recommitted to its 0.7% international promise after a year of unprecedented cuts to the Irish aid programme. Those cuts amounted to €228m, or a reduction of 22% of the ODA budget from 2008 to 2009. Further cuts followed in Budget 2010.

Despite the cuts, the Government has maintained its commitment to the 0.7% ODA/GNI, which Dóchas welcomes because:

- 2015 is the target date for achievement of the Millennium Development Goals, agreed at the UN by world leaders, to which Ireland has specifically signed up and to which it re-committed as recently as September 2010.
- ODA expenditure is the cornerstone of Ireland's MDG contribution and Ireland must make meaningful progress on delivering its 0.7% ODA/GNI commitment.
- That is also the target date set by EU Member States for to collectively reach official development assistance of 0.7% of GNI.

Dóchas argues that Ireland must budget to meet key foreign policy goals, including achievement of the Millennium Development Goals, just as it does other national priorities. That requires establishing a multi-year budget framework for ODA, as the OECD has called for.

That would allow for forward projection of the annual ODA spending figures to enable Ireland reach the 0.7% target by 2015, which would provide a degree of assurance to Irish Aid, aid agencies and their partners that they can be sure of their ability to deliver on commitments to some of the world's poorest people and nations.

Multi-year budgeting would:

- Enhance predictability and aid effectiveness, a key priority for Irish Aid;
- Be in line with the OECD/DAC call for a multi-year budget framework for official development assistance. The OECD has called for Ireland to sustain its aid volumes and increase its predictability and clarity on aid spending, over 3- to 5-year cycles;
- Address the European Commission's call, this year, for Member States to "establish realistic, verifiable annual action plans for reaching individual targets; and
- Align with world leaders' united call, in the outcome document of the MDG Review Summit in September 2010, urging donors "to establish, as soon as possible, rolling indicative timetables that illustrate how they aim to reach their goals".

The Government recognises the merits of predictability, stating in the *White Paper on Irish Aid* (2006) that "to be most effective, our assistance must be reliable and predictable."

The EU Action Plan in support of the MDGs also supports the case for donor predictability, established in the Paris Declaration on Aid Effectiveness, by calling on Member States 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” (European Commission, 2010)

Ireland is making a strong push on aid effectiveness internationally, but this interest is not served by the current annual budgeting procedure for ODA or Ireland’s shifts in target dates for delivering 0.7% ODA/GNI, which make for uncertainty rather than predictability, and increase challenges of alignment, strategic planning, financial tracking and accountability for partner countries.

Research suggests that if the delivery of overseas aid expected under multi-annual programmes is unreliable, then its value is diminished because it skews poor countries’ Budget options, fiscal arrangements, strategic planning, accountability, consumption spending and, overall, sound management of the economy.

Aid loses between 10 percent and 20 percent of its value globally when it is not predictable, according to the OECD (June 2010), which cites unpredictability as one of the three systemic factors that cause huge transmission losses in the value of global aid and which requires corrective action.
Volatility and unpredictability in aid reduces its effectiveness and there is evidence to suggest that the losses are felt down to the household level in poor countries. In other words, unpredictability in Ireland’s aid detracts from its effectiveness, impact on the ground and the value for money with which we are all concerned.

So, to cut the ODA budget in a short-term or knee-jerk response to economic difficulties is to reduce the predictability, impact and value for money of ODA spending, while also undermining relations with developing countries that are potential economic and trading partners. Ultimately, failing to invest in development cooperation could come to cost more in the long term (peacekeeping costs, climate change financing, emergency development and humanitarian funding requirements) than it saves in the short.

The Stability and Growth Pact adds a multi-year dimension to the preparation of the Budget and this clearly affords the opportunity to make progress on the reliable delivery of multi-year aid commitments, as called for by the European Commission.

This all suggests a strong case for the Department of Finance to move towards greater ODA predictability, in the short and medium term, in the interests of efficiency and value for money.

One simple move to help restore that ODA predictability would be to follow the OECD/DAC’s recommendation and build on the multi-year funding agreement under which the Department of Finance and Department of Foreign Affairs have previously made medium-term forward plans.

Given that the Government has cut deeply on ODA expenditure in recent years, and especially in 2009, the Department of Finance would help mitigate the damage to the development cooperation programme by increasing predictability – a key pillar of aid effectiveness – by introducing multi-year ODA budget planning that maps clear, incremental progress towards achieving the ODA/GNI commitment.

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See Dóchas Budget 2011 submission at www.dochas.ie

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