

ODA is stretched thin beyond recognition and the DAC's credibility is at stake

Following the 2023 DAC High Level Meeting, we, the DAC-CSO Reference Group, write to express our deep concern about the direction in which Official Development Assistance (ODA) is heading. While we welcome the modalities of the HLM, whose discussions were open to many non-members, we note that on a substantive level, and as reflected in our room document and HLM inputs, our interpretations of what counts as ODA continues to grow further apart.

The trends in recent years to use ODA to fill funding gaps in other international and domestic agendas, has caused ODA reporting to become increasingly convoluted and opaque. This has led to dissonance and a loss of trust, especially from civil society, but also amongst other expert observers. These policies will also further deepen the divide between donor governments and public opinion nationally and globally.

International commitments to provide 0.7% of donor GNI for ODA, and to adhere to the effectiveness principles, have not been delivered on, with only a few DAC members reaching spending and quality targets. Meanwhile, debt to the Global South has been mounting due to these unmet commitments, while sustainable development, climate and ecological challenges remain without an ambitious and action-oriented response. The impacts of this are compounded by persistent poverty and increasing inequalities. Geopolitical conflicts are further worsening this scenario. Efforts to tighten policies supposedly to prevent aid from reaching terrorist groups is also likely to harm those people most in need. There are more than 50 ongoing conflicts worldwide that require consistent attention and resources that should be allocated in line with humanitarian principles: based upon needs, instead of geopolitical proximity.

There is no denying that additional public funding for ODA is needed on a much larger scale than the DAC would like to admit. To this end, supporting regional and global public goods is one way to build resilience, but it cannot come at the expense of continued support for partner countries' development plans. A focus on public goods must be part of a broader process of rectifying the major power imbalances in the international development system. The Global North has benefited and accumulated wealth disproportionately thanks to the people and resources in the Global South. It is time to pay what is owed.

DAC members need to review and overhaul DAC governance and give countries in the Global South a direct say, with much improved transparency in its decision-making. Such a move is crucial to shifting the power dynamics behind the donor-recipient relationship and overcoming the colonial legacy with which ODA is increasingly associated.

CSOs are fervent defenders of ODA as a critical resource for many countries across the Global South. Regrettably, the process of ODA modernisation has brought changes to the rules on what counts as ODA that undermine the integrity, credibility and relevance of ODA statistics, and more importantly diminishes the quantity and quality of ODA reaching partner countries. DAC members need to address these long-standing concerns.

Under the ODA modernisation process, the temporary agreement on Private Sector Instruments (PSIs) has recently become a permanent agreement, like the one on debt relief (2020). These rule changes have raised serious concerns about transparency and accountability and the risk of a further bending of the rules. In-donor refugee costs have also been responsible for a large part of the inflation of ODA each year for close to a decade. An update is needed to make all migration-related funding transparent and additional. An independent and external assessment of the ODA modernisation process is needed as well, otherwise any notion of measuring donor effort will be met with scepticism.

Alongside donor effort, the quality and the impact of ODA needs to be reliably tracked. Particularly on PSIs, there must be robust safeguards to ensure that ODA does not have a negative impact, and that it adheres to international commitments such as the SDGs, and the effectiveness principles. Partner countries need grants instead of loans, especially those who are heading towards or are in debt distress already. The discount rates used to report loans as ODA need to be reviewed with a view to creating incentives for grants and responding to the needs of the countries most in need. Providing debt relief needs to be top of the agenda, as the public external debt burdens of many countries in the Global South continue to grow. Debt relief of concessional loans should not be counted as development assistance, as loans have already been counted once when they were disbursed.

The evolving context of the polycrisis needs a firm and ambitious response in order to leave no one behind. Meeting the needs of Global South countries based on democratic country ownership and a human rights-based approach need to take priority. In the same spirit, DAC members must ensure the essential work of civil society is made possible by ensuring an enabling environment at all levels, by engaging with CSOs across its own work and by supporting genuine participation in key events. Now more than ever, the focus needs to be on maximum development impact and on massively scaling up ODA levels to fulfil longstanding commitments and ensure that the DAC is fit for the future.