

Development cooperation in crisis

Oxfam Policy Brief

NOVEMBER 2016

At a time of great need, aid and other forms of development cooperation are at risk. This month, representatives from donor countries and developing countries alike will meet to discuss the way forward. The direction they take has the potential to affect millions of lives, for better or worse.

The second High Level Meeting of the Global Partnership for Effective Development Cooperation (GPEDC) in Nairobi will bring together countries from all over the globe to deliberate on ways to improve development effectiveness. This time, they meet at a critical moment in the history; when the accomplishment of the Sustainable Development Goals (SDGs) needs renewed and energized international effort.

Life-saving aid to poor nations from richer ones has been a key driver of progress in the fight against global poverty. And, more recently, middle-income countries have played a vital role in poverty reduction, as South-South cooperation (SSC) expands its geographical reach and introduces new and diverse forms of development partnerships.

Development cooperation has saved the lives of millions of who face a death sentence from HIV/AIDS. Development cooperation has helped tens of millions of children attend school for the first time; the majority of them young girls. It has fed the hungry and sheltered many in the face of terrible disaster and war¹. Development cooperation also has a pivotal role to play in addressing emerging global challenges: climate change, extreme inequality and the global displacement crisis. As Oxfam, we are proud to have played our small part in these global successes with hundreds of partner organizations over the last seventy years.

Despite these successes, we are seeing worrying trends that threaten our global commitments and our ability to tackle the greatest challenges of our time. Economic stagnation, along with the rise of popular nationalism has led to the brutal treatment of those escaping war and poverty. The need to increase development funding to fight global poverty and promote social justice is slowly losing political energy as we lose focus on our shared values of solidarity and internationalism. Sadly, at a time when we have the highest number of refugees since WWII, we are seeing the quantity of aid stagnating and its quality being degraded. Donor countries who once blazed the trail for the kind of aid that can have a lasting impact, are reversing course and are increasingly using it as a tool for their self-interest: to secure business for their own firms, to boost trade agreements, to bribe poor countries to prevent refugees from coming to their shores, and even to cover domestic costs of supporting the refugees who have arrived seeking

1. [http://www.un.org/millenniumgoals/2015_MDG_Report/pdf/MDG%202015%20rev%20\(July%2015\).pdf](http://www.un.org/millenniumgoals/2015_MDG_Report/pdf/MDG%202015%20rev%20(July%2015).pdf)

shelter and safety² – funds which are needed, but should not be taken from aid budgets.

The global community is better than this. We have been, we can be, and we must be. Mahatma Gandhi once famously said: “A civilisation is judged by how it treats its weakest members.” We must fight to restore our belief in shared humanity and as a global society.

At the GPEDC meeting in Nairobi, we must clearly reject the trend of degrading development cooperation. We must solidly recommit to the kind of action that the evidence shows works best to save lives and end poverty: aid that supports the development plans of poor country governments; that supports citizens to hold their governments to account; that strengthens governments’ ability to invest in schools, hospitals, the environment and other critical services that help ensure everyone has a chance for a healthy, prosperous future.

The Nairobi meeting offers a chance to start turning this around. To this end we propose a number of concrete steps for the GPEDC and beyond:

1. Support country ownership as the core fundamental principle of development cooperation

Whether in North-South (NSC) or South-South (SSC) development cooperation, ownership is about supporting the needs of developing countries to determine their own development paths. Development programs are led and owned by local people and institutions bring both greater impact and sustainability. Empowering all people to have a say in their country’s development is essential, and in particular, empowering women and ensuring women’s leadership, participation, and rights must be at the core of any ownership approach.

Over the past decade, based on clear evidence of what works best, donors have pledged to strengthen developing countries’ ownership over their own development strategies by using country systems by default, increasing budget predictability, and doing away with “tied aid” or aid that comes under the obligation of using goods and services from sources in the donor country. Country-owned aid helps pay for teachers and midwives, and enables governments to plan and manage their way out of poverty. Despite these commitments, donors are moving away from good forms of aid such as general budget support and other ownership-based mechanisms. The latest GPEDC monitoring report bears out this trend. For example, the report states that only 51 percent of aid meant to strengthen governments actually used country systems in 2015. In addition, medium-term predictability of aid is stagnating at 74 percent, and progress in untying aid has stalled since 2010, with donors still formally providing around 20 percent of their aid with ‘strings attached’³.

Starting in Nairobi, donors will need to honour longstanding promises to enable the development of national strategies that have been planned, formulated, and discussed by developing country governments, parliamentarians and civil society. This is critical to ensuring development results are sustainable and respond to

2. <http://sdg.iisd.org/news/oeed-dac-reports-increased-development-aid-spending-on-refugees-in-2015/?rdr=sd.iisd.org>

3. <http://effectivecooperation.org/2016/11/2016-monitoring-report-released/>

citizens' needs in the fights against poverty, social injustice, climate change and inequality. Oxfam believes that donors can scale up their efforts by using aid as a critical lever in strengthening the "citizen-state compact" which lies at the core of sustainable development, poverty eradication and inequality reduction. This means: 1) helping citizens, particularly women and marginalised groups, actively engage in public decision-making on issues that affect their lives, and 2) supporting governments to become more accountable – including through enhanced parliamentary oversight – so they're prepared to plot their own path to achieving the SDGs.

2. Use development cooperation to enable countries to raise their own revenues to fight poverty and inequality, and counter tax dodging.

Many countries around the world will likely be able to achieve the SDGs without a strong aid intervention. They will do so because their governments, supported and pushed by active civil society organizations and civic engagement, are more likely to raise greater tax revenues from the richest in their societies, and invest these resources in pro-poor public services. The poorest governments, those which can neither raise sufficient revenues domestically nor attract private investment, will still need foreign aid to support even basic service provision. For those countries, aid will be a critical resource for supporting their citizens and meeting the SDGs, even as they work to build their potential to generate domestic revenue and grow their economies. That said, if aid can help lay the groundwork for progressive revenue collection and more efficient and accountable service delivery, aid for domestic resource mobilization (DRM) could accelerate the end of extreme poverty.

Aid for DRM is only part of increasing domestic revenues to fight poverty. Tax systems, the budget cycle and public spending are the most visible and tangible expressions of the social contract between people and their governments. Given that public domestic resources make up the bulk of funds developing countries spend on their own development, using development cooperation to leverage those resources is the most important path to achieving the SDGs.

To do this, we must counter the tax dodging practices that deprive countries of significant revenue that could otherwise be used to improve things like health, education and gender equality. Illicit financial outflows from Africa alone have increased from \$20 billion in 2001 to \$60 billion in 2010. And tax avoidance by multinational firms starves developing countries of approximately \$100 billion per year; which is more than enough to educate all of the 121 million children currently out of school and to pay for health interventions that would save 4 million children's lives⁴. Fair and progressive tax systems provide financing for well-functioning states, enable governments to uphold citizens' rights to basic services and cement the relationship between citizens and their governments. Development cooperation can be a powerful tool to increase domestic resources – by enhancing the capacity of

4. Total annual **financing gap** to achieve universal pre-primary, primary and secondary (as per the SDGs) is \$39 billion (UNESCO Global Monitoring Report 2016). The total number of children out of primary school is 61 million and lower secondary is 61 million. <http://www.uis.unesco.org/Education/Pages/oosc-data-release-2016.aspx>. The cost of the health interventions to save four million lives comes from The World Health Organization, The Partnership for Maternal, Newborn & Child Health and the University of Washington (2014). *Investment Framework for Women's and Children's Health in Africa*. Geneva, Switzerland. http://www.who.int/pmnch/media/news/2014/aif_report.pdf?ua=1

national tax administrations, and promoting technically and politically progressive tax reforms - so long as these efforts don't further burden the poor and the revenue gained from them is used to fight poverty and economic and gender inequality.

- 3. Use development cooperation to help stop the destruction of democracy and the suppression of citizen voice.** The voice of civil society actors is slowly but steadily being cornered and coerced into submission by governments around the world, devaluing democracy with each step. This is happening despite the commitments of countries at the Busan Conference on Aid Effectiveness to protect the space for civil society organizations (CSO) to be development actors in their own right. According to the International Center for Not-for-profit Law (ICNL), more than 156 laws and other restrictions constraining freedoms of association and assembly were reported in 75 countries since 2012. And in a sample of 58 countries reviewed through the GPEDC monitoring process, only one-third (34 percent) experienced an enabling legal and regulatory environment for civil society organization formation, registration and operation. By restricting civic space, governments are effectively silencing dissenting voices and any challenges to their policies, denying their citizens the rights to free speech, expression, and assembly. They are also critically undermining accountability and the fight against corruption.

There is a need to urgently increase development cooperation's utility in protecting and expanding the space for citizens and civil society actors. In alignment with the [Civic Space Initiative](#), we call on all donor and partner countries to commit to protect and enhance the role of civil society and active citizens in policy dialogue and activities such as budget monitoring and social supervision of both public and private sector operations. We also call on the GPEDC to further strengthen its indicator measuring CSO enabling environment. In particular we encourage more independence in the assessment of this indicator, as self-evaluation by governments cannot guarantee a neutral approach on such a sensitive issue. The UN Special Rapporteur on the Rights to Freedom of Assembly and Association could play a key role in overseeing the improvement of the indicator and data collection, and in appointing the appropriate UN agency at the national level to carry out an independent evaluation of the indicator in consultation with civil society and governments.

- 4. Get the role of the private sector in donor strategies right.**

Implementation of the SDGs will require significant financing and the private sector will need to play its part. As a result, many traditional donors have steadily increased the use of their official development assistance (ODA) to support private sector contributions to development, through mechanisms like public-private partnerships and blended finance. Other donors assume that market-based solutions to development challenges are effective, efficient, provide value-for-money and have long-term sustainability. And some donors also seem to concentrate on private sector engagement for more self-interested reasons, where developing countries are key markets and investment sites for donor countries' firms and investors.

However, there is still little evidence on the effectiveness of donor-private sector partnerships and the results they can achieve. There is much less transparency and accountability with these partnerships, and the development finance institutions that donors use often do not meet basic development effectiveness criteria—particularly

around ownership. There is currently poor evidence of impact, and monitoring and evaluation of private sector mechanisms is just getting started. Unless aid increases, putting more of it into leveraging private finance will mean less money for funding schools, clinics or boosting domestic resources, so donors should be wary of increasing the share of development funds used for the private sector.

Where partnerships with the private sector or multi-stakeholder are pursued, recipient countries must have a leading role. Currently, their role is underplayed, which makes it difficult for them to ensure that their citizens benefit most from such partnerships.

Today, private sector remains a relatively small part of development cooperation, but the enthusiastic language around its greater involvement suggest the trend will certainly increase – despite the lack of evidence of its effectiveness. If aid is going to support private investment, those investments should be able to demonstrate clear impacts on poverty reduction, and should adhere to the same development effectiveness principles as traditional aid. We must see a strengthening of measures to ensure financial and development additionality, including minimizing risks for people and the environment by meeting standards of decent work, women’s rights, human rights, environmental principles and civic space and equality. Greater transparency, accountability and due diligence must be at the heart of any partnership to help to reduce risks and failures. Lastly, it is essential that the public sector is not undermined as a result of this trend.

Oxfam believes there is a need to change the terms of the conversation: while there is room for a private sector approach within development cooperation, the share of ODA going to private sector needs to be monitored. Overall, ODA should be directed at the public sector, which in turn is crucial to promoting and expanding private sector investment. A healthy, and educated workforce, and well-functioning institutions and domestic markets are powerful incentives for private sector investment.

5. Stop diverting life-saving aid to serve donor countries’ interests particularly pushing back migrants.

Donors are increasingly using aid as a tool of their foreign and economic diplomacy; and while these practices are contrary to the spirit of country ownership, they are not being formally addressed at the GPEDC. Nairobi should be an opportunity to have an open and frank discussion on these issues, as they pose a threat to the quality of aid. Donors should stop the use of life-saving aid to pay for refugees at home or to pay third countries to stop migration. While resettlement and housing of refugees is vital and a human rights obligation, raiding donor’s ODA budgets to do so is completely unacceptable. The public in rich countries expect their aid to be spent on helping fight poverty and hunger overseas, not on propping up domestic budgets at home. Instead, governments should build whole-of-government approaches to receiving and resettling refugees, using their general budgets and/or those of their relevant line ministries.

It is vitally important that support for refugees in donor countries does not come at the cost of the world’s most impoverished and marginalized people. In 2015, USD \$12 billion of ODA was spent on refugee costs within donor countries, so almost \$1 in every \$10 was spent in supporting refugees at home. In addition, donors should under no circumstance offer aid on condition of agreements on readmission, stronger

border control or stifling the mobility of migrants. The EU is moving in a dangerous direction by boosting programs aimed at security and border control with the sole aim of stopping migrants from arriving on their coasts. The “partnership framework agreements” agreed by EU Heads of State in June 2016 aim to put in place compacts with 16 African countries to halt migration using ODA as an incentive. Their policy emphasizes that the EU’s goal is now “specific and measurable in number and rates of return and readmissions”. In other words, fighting poverty is not the goal any longer.

Oxfam rejects short-term securitised approaches to migration while working to improve the response to protracted displacement and considers in-country refugee costs should no longer be counted as ODA.

6. Preserve the integrity of Official Development Assistance and ensure an inclusive review and construction of new metrics for development finance.

The ongoing process to change the definition of ODA should guarantee that it remains a powerful tool to eradicate poverty and fight inequality. We are concerned that the direction of the reforms is privileging donors’ interest in using ODA for security, anti-migration purposes or to boost trade over preserving the integrity of aid. These aims are completely contradictory to a focus on fighting poverty. In addition, the fact that such critical decisions are being made by the Organization for Economic Cooperation and Development’s Development Assistance Committee (OECD-DAC) behind closed doors goes against the principles of transparency and accountability. Partner countries and civil society organisations have been left out of these discussions, which is unacceptable. The GPEDC, as a multi-stakeholder forum gathering donor and recipient countries, trade unions, private sector and civil society could provide a venue to open up these discussions beyond OECD donors, and ensure the voices of developing countries and civil society are heard, and public trust in aid is not further eroded.

The GPEDC is also be the right place to host inclusive debates around the newly proposed indicator, Total Official Support for Sustainable Development (TOSSD), to ensure it serves as a credible measure of efforts to support the achievement of the 2030 Agenda, and doesn’t undermine attention and commitment to ODA.

7. Build Stronger Development Cooperation with Southern Partners

South-South cooperation (SSC) is now recognised as an important complementary source of development finance, as well as a unique source of knowledge and experience-sharing on development among Southern countries. While SSC differs from the more traditional North-South cooperation, there is common ground on some aid effectiveness principles. For instance, the principle of ownership, affirmed by traditional donors, has also been a prerogative of SSC. Similarly, the UN Nairobi outcome document on SSC (2009) expressed a new set of SSC principles (i.e. transparency, inclusiveness, mutual accountability, quality and results) which are also well-represented in discussions happening among northern donors.

At the same time, traditional donors can learn from the effectiveness of SSC experiences and new models for overcoming development challenges. We support the initiatives from the South such as the Network of Southern Think Tanks (NeST) to

build effective tools for better understanding the unique role and contribution that Southern partners; including the creation of appropriate monitoring and accountability frameworks, research, and information management systems.

The GPEDC must assist in understanding SSC and the value it can add to the achievement of Agenda 2030 and the Addis Ababa Action Agenda. As in North-South Cooperation, accountability and transparency must sit at the heart of SSC to ensure that cooperation delivers the greatest impact, especially in addressing the development priorities of recipient countries.

8. Strengthen the role of the GPEDC as a forum for accountability and learning in the post-2015 era.

The GPEDC should remain a key space for governments and non-state actors to shape, promote and monitor standards for effective development cooperation that will contribute to the achievement of the SDGs.

For Oxfam, the GPEDC has a key part in keeping pressure on donors and other development players to uphold development effectiveness principles through consistent monitoring. This role must be protected and enhanced. The monitoring framework is, in its current state, a valuable achievement for accountability and transparency; and with some improvements and fine-tuning, it can and should play a more relevant role in the future. In particular, commitments should be made to strengthen the inclusivity of the exercise, and explore options for an objective third party to provide technical support, especially on the civic space indicator. All GPEDC stakeholders must commit to an exercise with rigor and high standards that will bring increased accuracy, improved accountability, and learning in the future.

Conclusion

The **next generation of development cooperation** must aspire to have the greatest impact and increase the sovereignty of developing countries over their own development. Thus, there is a need for an increased push toward **ownership** by developing countries, which will require major reforms for **tax justice**, and support for countries' ability to generate increased **domestic resources** in a way that favours and does not harm the poorest. Development cooperation should be rooted in a **citizen-state compact** that strengthens the ability of citizens to influence the decisions that affect their lives, and governments' ability to deliver the policies and services their countries need. It is also extremely important that all development assistance be built around the fundamental role of **women's leadership** and promotes policies that uphold **gender justice**. Finally, **protecting the civic space** to allow for that compact to operate is a fundamental issue for the future of the development cooperation, in order to enable the best possible environment for eradicating poverty and reducing inequality. Accountability and transparency at the GPEDC, and in particular a strengthened monitoring framework will be key for that purpose.



OXFAM INTERNATIONAL
OXFAM HOUSE
JOHN SMITH DRIVE
OXFORD, OX4 2JY
UNITED KINGDOM
www.oxfam.org