



Official Development Assistance: what role in financing for development?

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Presentation: main points

1. The scale of ODA
2. ODA and public financing 'gap'
3. ODA and subsidising private investment
4. Conclusions



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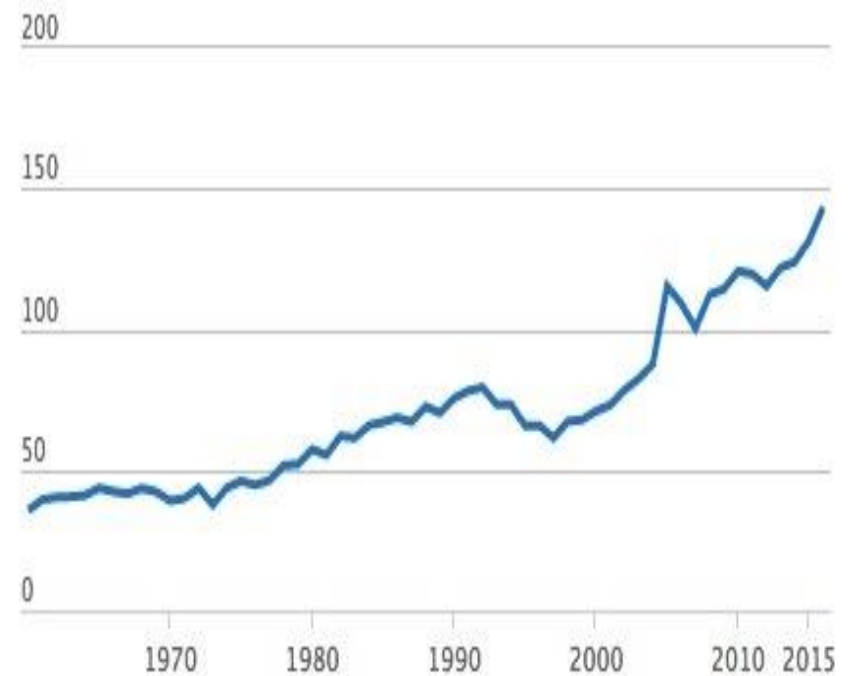
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Scale of ODA: % GNI vs \$

ODA as per cent of GNI



ODA - USD billion (2015 prices & exchange rates)



ODA: how much arrives?

- **ODA spent in donor country high**
 - Refugee costs= 11% total (2016)
 - Country Programmable Aid = \$103bn in 2015 (vs ODA \$132bn)
- **ODA to LDCs low + falling** – 17% of total (2016)
- **Double counting**
 - E.g. 2013-14: 84% of public climate finance = ODA



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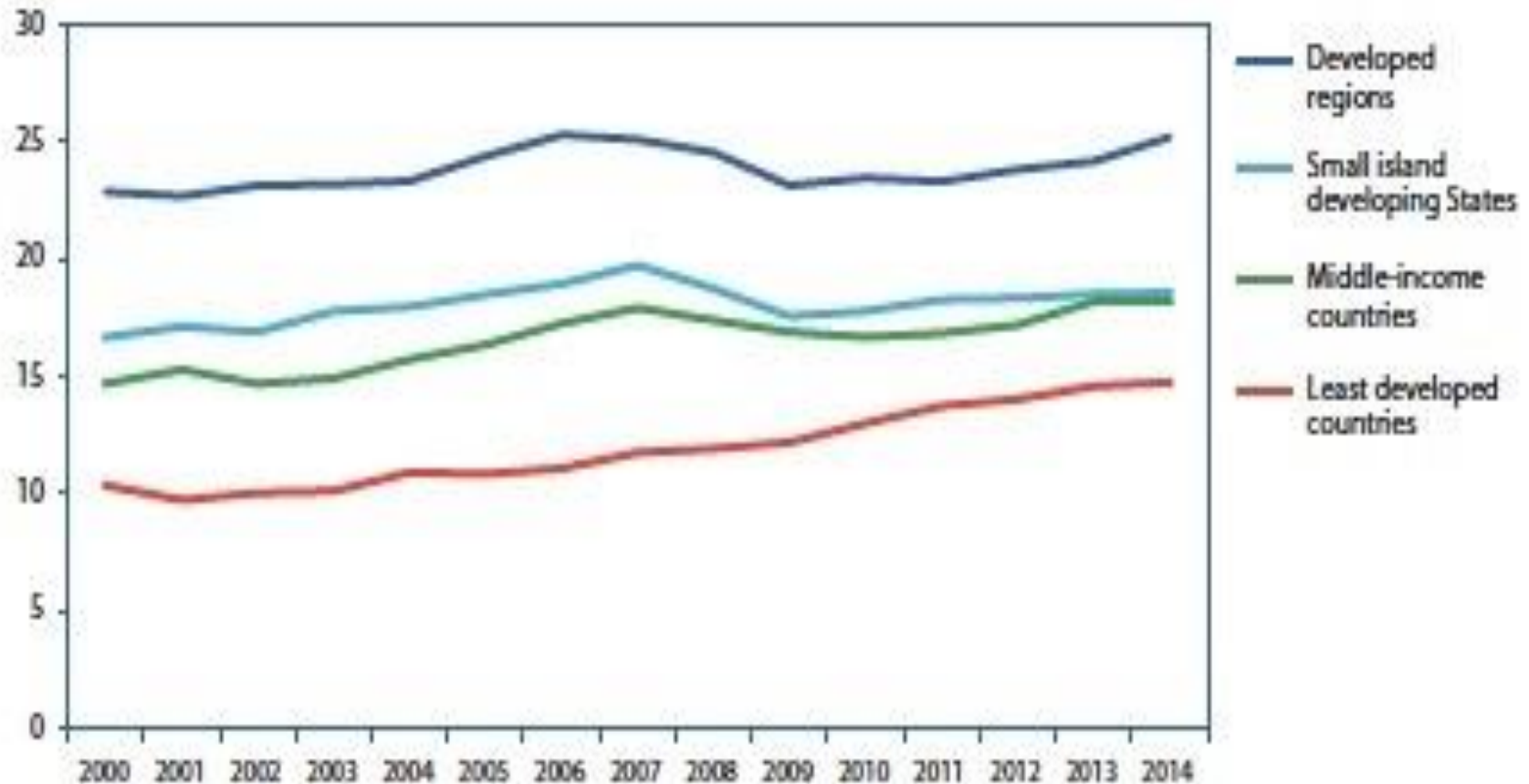
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ODA and the public finance 'gap' - revenue

- Domestic revenue shortfalls:
 - Limited tax bases
 - Losses to tax evasion / avoidance / competition
- Scale of ODA low overall but not in LDCs
 - 37 countries, ODA = <10% GDP (2010)

Domestic revenue



Source: IMF World Revenue Longitudinal Database.



ODA and the public finance 'gap' - expenditure

- Public expenditure for:
 - Rule of law
 - social services,
 - social protection
 - Infrastructure



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ODA and private investment: 3 roles

- Public goods
- Procurement
- Subsidies



ODA and the 'double dividend'

- Tying = undermines poverty focus + increases costs 15-30%
- 2001 agreement on untying – limited
- 17% under agreement still tied
- But 46% went to donor firms



ODA to subsidise private investment

- WTO subsidy definition
 - Financial contribution
 - Public body
 - Benefit
- ODA meets these features



ODA and subsidies: issues

- Key = opportunity cost
 - Vs other forms of public expenditure
 - National level decision
- Impact is critical question



ODA and subsidies : issues (II)

- ‘Leverage’ ratio irrelevant
 - Confuses decision-making
 - Can’t assume ‘additionality’
 - Small \$\$ = lower leverage
- Poor evidence of development impact
- Why link to developed country institutions?



Private Sector Instruments

- PSI = Guarantees, loans, equity:
possible major expansion
- Many concerns with current proposals
 - e.g. higher ODA for private vs public loan
 - Need safeguards first e.g. tied ODA

4. Conclusions

- Aid Effectiveness principles: centre on ownership: who decides on use of ODA?
- Proper ODA measurement – no in-donor costs + no double counting
- End tied aid – in policy and practice
- Rethink PSI – do not ‘incentivise’ it