



Global Donor Platform
for Rural Development

Platform infoNote

For Platform members // May 2014

Modernising ODA for post 2015 development

// Transformation of the global financial architecture

In his [letter](#) to Ministers and Heads of Agencies of the OECD Development Assistance Committee (DAC), the Chairman announced in early January 2014 that in the future development finance will be measured differently. In accordance with the emerging pro-poor [global development framework for the post-2015](#) period and in line with the outcomes of work of the [UN Intergovernmental Committee on Sustainable Development Financing](#), the OECD received a mandate from DAC Ministers to modernise the concept and measurement of ODA and to broaden statistical systems for tracking development finance. While a global financing strategy for the post-2015 development agenda is currently being developed, a [wider concept of development finance](#) beyond ODA has become necessary because of (i) emerging or re-emerging donors, (ii) increasing South-South cooperation, (iii) wider use of guarantees, insurance and equity investments, (iv) already successful, new and/or innovative financial instruments such as vertical funds, ODA-backed securities like [IFFIm](#), development bonds or “[resources for infrastructure development](#)”, (v) remittance [flows](#), (vi) philanthropic contributions, (vii) enhanced public-private partnerships like in [IFAD](#) and [FAO](#) and (viii) the increasing number of middle-income countries which are no longer eligible to receive ODA in the near future as laid out in a [World Bank Group document](#) of October 2013. Additionally, financing global public goods such as climate change has brought about new instruments for adaptation and mitigation such as the [Green Climate Fund](#), the [Climate Investment Funds of the World Bank](#) and those of the Global Environment Facility ([SCCF](#) for developing countries and [LDCF](#) for LDCs) .

// ODA definition - concessional in character

The importance of Official Development Assistance (ODA) has drastically changed over the past decade: its share in total net resource receipts by developing countries has decreased to merely 20% of total resource flows despite an increase of ODA by 63% in real terms. The importance of enhancing the catalytic nature of ODA – ensuring that these scarce resources trigger additional development finance for funding the national priorities of developing countries – is fast-becoming a priority for DAC members. The evolution of ODA has come to a point that measuring finance for development - be it for least-developed or middle-income countries - has to go beyond ODA to capture resources flows that have an impact on development. In turn, a modernized [definition of ODA](#) is necessary because the existing one – in the context of historically low international interest rates structures -- makes it possible to countries to raise resources on international capital markets and relend them to developing countries at interest rates that permit a profit margin while simultaneously scoring the loan as ODA. DAC members are also considering clearer standards for reporting on ODA flows on eligible public finance for students and immigrants, etc.) in an effort to clean up “phantom aid”.

// Diverse financial resources and instruments – recipients’ and providers’ perspectives

In the post-2015 period, finance for development will likely consist of an array of already successful and/or new resources, instruments and approaches, including at global and regional level and covering both domestic and international investment by the private sector. Ideally, these often very different options should be coordinated and complementary to each other. This would demand programmatic approaches as discussed in the implementation of the [Paris Declaration on Aid Effectiveness](#).

While ODA will continue to be an important instrument of direct finance for development as official governmental assistance for development purposes, other available finance is changing the perspectives of “traditional” ODA providers and governmental recipients. Middle-income countries have a wider range of sources of finance and more sophisticated financial instruments at hand, including market-based options. On the other hand, least-developed countries will continue to rely on ODA in the near future as stressed during the [Mexico High Level Meeting](#) of the Global Partnership for Effective Development Cooperation.

Modernising the development finance agenda, therefore, means working towards inclusive and sustainable finance for development from a broad and diverging variety of sources and instruments. OECD-DAC suggested a number of [priorities](#) for consideration in the High-Level Meeting in Mexico and supports a new Global Partnership for implementing the post-2015 development agenda and its associated future financing strategy.

// Relevance for ARD

The international ARD community is debating its strategic reaction to these new trends. Food and nutrition security, responsible governance of tenure, trade and foreign direct investments have become recent financing priorities. This means that new opportunities arise like [climate smart agriculture finance](#) as part of National Adaptation Plans which could increase the grant element of ARD investments. These grants, such as [IFAD's ASAP](#) to finance incremental or additional costs particularly in landscape restoration, capacity building for decentralized institutions, including land administration and participation of civil society, farmers' associations and rural communities.

ODA modernisation – the process

// Objectives and options

Based on a clear, quantitative definition of ODA – including specifics as to what is meant by “concessional in character”, the [OECD-DAC's statistical system](#) of monitoring ODA will respond to the changes in the financial architecture in post-2015. Further, ongoing work to identify and agree new measures, targets and indicators for total official finance for development (including equity and credit enhancements such as guarantees) will contribute to the overall post-2015 development finance strategy .

// Under construction – development finance statistics

In addition to modernising the ODA definition, the DAC is looking to develop two new statistical measures, one that covers total official support for development to better capture donor effort, and another to quantify resource flows actually received by recipient countries (as described in OECD DAC [post-2015, element 11](#)). This work will help maintain the role of DAC statistics in promoting accountability and transparency, including as regards key international commitments such as those to provide 0.7% of gross national income (GNI) as ODA and the goal to provide USD 100 billion in climate finance by 2020.

// Steps to be taken

The next Senior Level meeting in October 2014 will focus on the reformed statistical system of OECD-DAC in 2015. The new system will be developed in close cooperation with the UN process in accordance with the post-2015 development agenda and fully in line with the aspirations of the international community to match scarce financial resources with national development needs and priorities in developing countries.

This InfoNote is compiled for the members of the [Global Donor Platform for Rural Development](#).

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