

Linkages between official development assistance and the Sustainable Development Goals: a scoping review

Amina Said Alsayyad, Department of Sociology, Al-Azhar University

At the heart of the 2030 Agenda for Sustainable Development, financing is recognised as an essential means of implementation included in all 17 thematic Sustainable Development Goals (SDGs) and their 169 corresponding targets. In SDG 17 (“Strengthen the means of implementation and revitalize the global partnership for sustainable development”), which is entirely about the means of implementation, financing is at the top of the list. This is why SDG 17 is the only SDG reviewed at the United Nations High-level Political Forum every year.

Official development assistance (ODA) is considered one of the most important means of implementation in financing for development. ODA includes both debt-creating (i.e. concessional loans for projects) and non-debt-creating (i.e. grants) financial inflows. Since the 2030 Agenda came into effect on 1 January 2016, it has been at the centre of the debate about the theme—indeed, the current state of ODA paints a troublesome picture for the future of the 2030 Agenda and related SDGs.

This One Pager addresses two issues with ODA: donor performance and statistical methodology.

All developing low-income countries (LICs) and middle-income countries (MICs) are eligible for ODA, with special commitments made to least-developed countries (LDCs), including the long-standing commitment to achieve a target for ODA of 0.7 per cent of gross national income (GNI) to developing countries and between 0.15 per cent and 0.20 per cent of GNI to LDCs.

In a note released in April 2019, the Organisation for Economic Co-operation and Development (OECD 2019) outlines some troubling facts. Combined 2018 ODA amounted to USD143.2 billion, representing only 0.31 per cent of GNI, compared to USD147.2 billion in 2017. This decrease reflected a downward trend that had been occurring since 2016 in donors’ funding of costs for refugees from fragile and post-conflict countries. Loans extended to developing countries represented 17 per cent of gross bilateral ODA in 2018. Humanitarian aid fell by 8 per cent in real terms, to USD15.3 billion.

These findings reflect a worrying trend, that the world’s major donors are failing to: (i) align their ODA with the priorities of receiving countries; (ii) meet the United Nations target to provide 0.7 per cent of their annual GNI in ODA and 0.15–0.20 per cent for LDCs in greatest need; and (iii) finance specific priority action areas where significant funding or investments are needed, such as infrastructure for energy, transport, water and sanitation.

In a broader context, the entire financing for development effort renders the multilateral development banks’ ‘billions to trillions’ agenda of blended finance an aspirational—rather than successful—goal.

Since 1970, the OECD’s Development Assistance Committee (DAC) has been the international body tasked with setting the rules and conventions around ODA for its members, gathering the details and data on ODA transactions via its Credit Reporting System (CRS) database and publishing global monitoring and evaluation reports.

The DAC methodology and statistics have recently received heavy criticism due to serious issues, including failure to meet basic statistical quality standards. Currently, the CRS includes sector financing of ODA but does not include any linking to the SDGs targeted by ODA transactions. Additionally, the 2019 methodology shift by the DAC from a ‘flow basis’ to a ‘grant-equivalent basis’ has received significant attention. ODA figures fail to meet basic statistical quality standards and are thus an unfit statistical measure for monitoring and analysis.

Using fixed high discount rates of 6 per cent, 7 per cent and 9 per cent for upper MICs, lower MICs and LICs, respectively, the methodology calculates a grant-equivalent value of concessional ODA loans by calculating a level of benefit to the borrowing country compared to a loan at current market rates. This creates annual grant values out of thin air, rather than injecting new funds. In fact, the present low interest rate environment raises challenges to the use of those high discount rates. The methodology is more than some fuzzy mathematics, as it completely ignores private-sector instruments. Moreover, peer review of ODA reporting by DAC member countries is conducted every five years by other DAC member countries. This single-sided peer review process is insufficient because it pays no attention to the debtor’s side of the coin.¹

To maintain the relevance of ODA in the 2030 Agenda and related SDGs, the way forward is clear: donors need to take ‘concrete’ actions to deliver on their strong ODA commitments. Sensible ODA monitoring requires the DAC to: (i) upgrade the CSR to pay due attention to its linkages and contributions to the thematic SDGs; (ii) establish a broad-based consensus on the methodology for measuring ODA, to obtain comparable figures and to harmonise broken data series; and, finally, (iii) introduce a reporting system with double-sided peer review of ODA—i.e. combining both creditors and debtors. This would be a suggested integrated approach if it receives the right amount of political capital. Multiple prominent ODA experts recently suggested that the United Nations step in.

Reference:

OECD. 2019. *Development aid drops in 2018, especially to neediest countries*. Paris: Organisation for Economic Co-operation and Development. <<https://clck.ru/Pn6DG>>. Accessed 16 July 2020.

Note:

1. See OECD development cooperation peer reviews at: <<https://clck.ru/Pn6DS>>.