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Is the 0.7% target in development cooperation still relevant?

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Is the 0.7% target in development cooperation still relevant?

Bonn, 3 May 2010. It came as no surprise: the recently published figures on development assistance of the OECD countries show that the commitments from the time before the financial crisis cannot be maintained. At the G8 Summit in Gleneagles in the summer of 2005, the most important industrial nations had made far-reaching promises. Thus, the aid for Africa was to be doubled by 2010 to 50 bn US $. According to the latest OECD forecasts however only around 36 bn US $ will be reached in this year. Even before that the EU core countries had agreed a binding step-by-step plan for reaching the 0.7 % target for the first time in the year 2015 – the previously unachieved target specified for decades within the UN context that the rich countries should spend 0.7% of their Gross National Income for development aid.

The figures for the year 2009 show that the OECD countries as a whole have increased their aid (ODA-*Official Development Aid*, i.e. non-repayable grants or low-interest official loans) in real terms from 0.30 % (2008) to 0.31 % (2009) of their Gross National Income. For 2010, 0.32 % is expected. In this regard, Germany has fallen back from 0.38 % (2008) to 0.35 % (2009), despite a higher amount budgeted for development aid in the federal budget for 2009. Why is that? The development aid officially registered by the OECD is made up of many components. Debt relief for developing countries is also included in its calculations and exchange rate fluctuations play a role. The trend is clear however: even with further slight increases in the investments in international development cooperation, the 0.7 % target cannot be reached in the foreseeable future due to the dramatic budgetary situation of the OECD countries, not even by the group of EU countries that have committed themselves to reaching this target by 2015. The USA – by far the largest donor with 29.5 bn US $ gross in 2009 - and Japan have never seriously striven for the target anyway.

Instead of now insisting on the fulfilment of promises that can no longer be fulfilled for the time being, the meanwhile completely altered worldwide economic situation should be recognized as an occasion for considering the 0.7 % target and the traditional development cooperation in general in a new perspective.

Focusing too rigidly on the transfer of public budget funds to the developing countries is no longer appropriate. Undoubtedly, there continues to be a great need for humanitarian aid in the poorest countries and for investments in education, health and infrastructure, which can only be financed out of the public purse. In times in which capital in search of investment flows from east to west and direct investments increasingly flow from south to south (and also from south to north), the sources of finance for development investments have in the meantime long since been diversified and the ODA from the budgets of the OECD countries is just one, if still an important part of the financial flows in developing countries.

A growing number of developing countries have freed themselves completely or made themselves largely independent from development aid. This is the case for a long list of countries in Asia and Latin America, with Brazil, Mexico, Chile, Turkey, China, Indonesia and Vietnam as examples of countries that have already graduated from the status of aid-recipient countries or will soon be mature enough for this because their economic power has in the meantime become great enough to finance themselves from their own economic savings, from their own tax receipts and from private investments and loans. According to the latest forecasts, the Asian developing countries will grow at annual rates of 6-8 %; the Europeans by contrast at hardly more than 1-2 %. Against this background, most Asian countries do not need any additional public budget funds from Europe, but they do require new forms of cooperation - in education, science, trade and climate policy.

For addressing global challenges of the future, which cannot be solved without these countries, other sources of finance and financial instruments are required. This mainly concerns the mix of public and private funds, in the form of long-term loans, guarantees and equity participations, with which a financial volume can be reached which the public sector budgets cannot yield on their own. The crux of the problem is that such financing does not conform to the OECD definition of ODA and for this reason has also been largely disregarded by the public authorities because it does not contribute to the fulfilment of the 0.7 % target.

This is the case above all for climate policy-relevant investments in developing countries – the area in which the greatest need for investment is most evident. Surely, public budget funds from the OECD countries will have to be mobilised for these. But they must at least be used in the developing countries in such a way that leverage for the benefit of private investments is achieved. Thus, the 4.3 bn US $ from the *Clean Technology Fund* administered by the multilateral development banks will be used for leveraging 36 bn US $ of private funds for investments in renewable energies and low-emission transport systems in developing countries.

Against this background, it makes no sense only to consider the effective allocation of official budgetary resources and set targets for this. A way must be found to assessment adequately the mix of public and private funds. The new donors, above all China elude the OECD definition of development aid with their mix of public subsidies and private investments. The time has come to find new criteria, measurement methods and target figures for the financial dimension of the international cooperation – beyond development aid.

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