



**Issues Paper  
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**The DAC, emerging donors, and scaled up global aid**

***The changing landscape of aid***

Over the past years, aid, or development more generally, has regained increasing prominence on the international agenda. This evolution is appearing against the background of four significant phenomena: 1) Commitments of DAC donors to scale up aid to unprecedented amounts; 2) the increasing development contribution and visibility of donors outside the DAC; 3) the evolution of the policy debate on good donor practice with a specific focus on aid effectiveness; and 4) increasing pressure to show real development results, including those set out in the Millennium Development Goals.

As a consequence, the international architecture of aid, which has long shown signs of structural stress, is bound to undergo considerable change – whether as the result of a somewhat planned evolution or as the outcome of an uncontrolled random process.

***The DAC***

The DAC, as the key policy forum of major bilateral donors, aims through its work at improved development co-operation performance, both individually and collectively. The DAC is the source of a wealth of knowledge on aid, and guidelines on good practice in development co-operation, which is based on the large amount of experience of DAC members on what does and does not work in practice.

The donor dialogue of the DAC, among its membership and beyond, is about mutual learning and moving forward a common agenda. It is not about monopolising wisdom, procedure or standards. Participants in the dialogue contribute and learn at the same time. The opportunity to take part in the various strands of DAC work already exists for non-DAC OECD Members in their capacity as such. Indeed, their objective in this should not be seen to passively absorb guidance from and lessons learnt by the DAC, but to follow the issues as they evolve and take shape, and to then take strong ownership of the outcomes.

***Emerging donors***

Emerging donors have drawn increasing international interest in recent years. However, the share of non-DAC donors relative to DAC members has not been high in historical terms, and given commitments to scale up aid further, DAC aid will likely be the dominant source of concessional finance over the years to come.

At the same time, there are several non-DAC donors whose aid programmes are bigger than those of several DAC members, and many non-DAC OECD donors have ambitious plans to further scale up their aid. Also, the emphasis on a collective approach as embodied in the aid effectiveness agenda increases the importance of engaging donors outside the immediate membership of the DAC – including as it implies a potential risk in the form of significantly increased externalities of uncoordinated interventions and policy incoherence.

Stronger engagement of non-DAC donors, and the additional availability of financing for development, should significantly improve the impact in working towards the Millennium

Development Goals. It will also be a test for recipient countries' effective management and use of total donor resources and interventions, and the way donors relate to and condition them.

### ***Scaled-up global aid***

The prospect of significantly scaled-up aid increases the scope of substantially enhanced efforts and impact towards the Millennium Development Goals. At the same time, it poses a challenge to donors and recipients to ensure that greater resource availability will be matched by aggregate effective use and visible results.

The rapidly expanding aid efforts of DAC and non-DAC donors are not taking place in market conditions that would ensure efficient allocation. For the benefits offered by scaled-up aid to be realised, donors need better sharing of information on (planned) future flows, or otherwise will invariably take decisions which are suboptimal both at the systemic level and in terms of individual allocations. Moreover, non-aid resource flows need to be considered in the context of scaling-up, including external flows such as foreign direct investment, export earnings and remittances, as well as low or non-concessional finance.

Related to this is what could be referred to as the mirror-problem to scaled-up aid. In view of overall greater availability of and options for finance, recipient countries may be at risk of undermining the foundations of a sustainable development progress by extensive new borrowing on eventually unsustainable terms. This could happen through private credit, export credit or low-concessional loans, and may be particularly pertinent in cases of ex-HIPC countries which benefit from improved debt service capacity after recent debt forgiveness.

### ***A dialogue towards DAC Membership?***

As questions which require an encompassing dialogue among donors become more pressing, and as non-DAC donors with growing programmes look to share in the learning and knowledge process offered through the DAC, several non-DAC OECD donors have indicated envisaging DAC membership over the years ahead.

The formal conditions for DAC membership are laid out in the official DAC Document "Aide Memoire on Criteria for Accession of New DAC Members" [DCD/DIR(2004)15]. Key criteria are: The existence of appropriate strategies, policies and institutional frameworks; an ODA volume of above USD 100 million or an ODA/GNI ratio over 0.20%; the existence of a system of performance monitoring and evaluation; provision of annual submission of required ODA statistics, and information of summary annual information on aid efforts and policies; maintaining the capacity to participate in all meetings of the full DAC and at least one of its subsidiary bodies; submitting to a regular Peer Review of its aid, undertaken by the DAC and its Secretariat, and serving as examiner in reviewing other member programmes.

Moreover, the DAC has agreed on significant recommendations in two key areas, which are binding for its members. These are the 1978 Recommendation on the Grant element of ODA, which specifies a norm of at least 86% for the grant element of ODA; and the 2001 Recommendation on Untying Aid to Least Developed Countries. Both are important indicators of what the DAC has considered to be the marks of good development practice, which is underpinned by the weight recipient countries attach to them. Finally, DAC members commit to use DAC guidelines and reference documents in formulating national aid policies.

What does this mean in practice? Some of those criteria are straightforward, but the implications of others may not be immediately obvious, and the experience of DAC members in this regard should offer valuable orientation. But DAC members are quite a

divers group, and there is no single answer, as different members are organised differently in terms of their participation in DAC work and in ensuring compliance with requirements. There is also no simple answer regarding the commitment DAC Members take to follow the body of evolving good practice emanating from the Committee. The guidelines are in fact not binding on members, but the impact they have had often occurred in the form of permeating the thinking in DAC agencies, including in many cases through their translation into the specific context of individual donors.

Some non-DAC OECD members have indicated a wish to move to full DAC membership over the next few years. But DAC membership should not be seen as the only option for participating in a structured and sustained dialogue among donors. Rather, options already open to non-DAC donors should be exploited, and the evolving dialogue should aim to reflect preferences expressed on how to enhance them further.

Ultimately, the purpose of a dialogue, and the yardstick for all donors, will be how to effectively contribute to the results as envisaged in the Millennium Development Goals.

### ***Issues for discussion***

- What is the overall development assistance outlook for the future, and the implication for non-DAC donors; and how should donors respond to key challenges that go along with increasing aid?
- How do DAC and non-DAC donors see the role of the DAC, and the evolution of the dialogue, and what are the key concerns of the DAC and of non-DAC members?
- What does a roadmap to DAC Membership look like?
- What are further options to facilitate a dialogue for and among OECD non-DAC donors, including those currently not contemplating DAC membership?