



DEVELOPMENT COMMITTEE
(Joint Ministerial Committee
of the
Boards of Governors of the Bank and the Fund
on the
Transfer of Real Resources to Developing
Countries)



SIXTY-SEVENTH
WASHINGTON, D.C. - April 13, 2003

Statement by

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Chairman, OECD Development Assistance Committee

**STATEMENT TO THE DEVELOPMENT COMMITTEE,
BY THE CHAIRMAN OF THE OECD DEVELOPMENT ASSISTANCE COMMITTEE**

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1. In the last few months, the international development community has decisively embarked on implementing the commitments entered into in Monterrey and Johannesburg, by donors and partners alike, to improve their policies, practices and performance. Experience sharing and strong partnerships have been developing between the World Bank, other multilateral banks, UN organisations and the OECD DAC, to foster and improve aid effectiveness, and to promote greater policy coherence. At the same time, sustaining the momentum for action and the scaling-up necessary to underpin successful implementation of the Monterrey consensus confronts our community with demanding challenges that will call for further steps toward **achieving the MDGs and related outcomes**.

Monitoring and aid effectiveness

2. The DAC will continue to build on its capacity, as the forum for bilateral donors, to monitor the effectiveness of their common efforts. This is achieved in three ways. The DAC tracks ODA commitments and disbursements. It undertakes peer reviews to monitor individual members' policies and programmes and assess their effectiveness against their stated goals and policies. And it produces common guidance on a broad range of issues to make aid more effective (e.g. poverty reduction and sustainable development strategies and policies, strengthened operational partnerships, governance, gender, environment, trade).

3. Following the important joint progress achieved at the Rome High Level Forum on Harmonisation (HLF) to enhance aid effectiveness and promote greater ownership by developing countries, the DAC has resolved to further foster the aid effectiveness agenda in the years ahead, promoting progress in implementing more effective delivery of aid by: (i) developing a framework of indicators on effective aid; (ii) enhancing the DAC peer review mechanism; and (iii) providing a forum where donors report progress against the commitments entered into at Rome. To serve this agenda, the DAC has created a **new DAC Working Party on Aid Effectiveness and Donor Practices**. Its work will concentrate on harmonisation and alignment with country strategies; measures of results and quality of aid programmes; and untying.

4. In the area of aid **untying**, the DAC has shown progress on the implementation of its Recommendation on untying ODA to the Least Developed Countries that may encourage Members to consider further widening of the scope of such endeavours. On **procurement**, it has inaugurated, with the World Bank, a Procurement Roundtable process with development partners to strengthen procurement systems in developing countries around which donors can harmonise their procedures.

5. On **aid effectiveness and results indicators** there are mutually reinforcing initiatives in the Bank, the EC and a number of OECD DAC donor countries, building on experience with results based management, quality assurance systems, refinements to aid allocation systems, and attempts to satisfy the heightened demand for tangible results to justify the increased ODA flows following the commitments at Monterrey and in line with MDG8. This work will also draw on donor Peer Reviews and increasingly address policy coherence, especially between aid, trade and agricultural policies in developed countries. The indicators to emerge are expected to be both quantitative and qualitative, eventually providing a description of progress in this area over time.

6. Overall, the relevance of **Peer Reviews** is prompting the DAC to refine and enhance them. It is investing more thoroughly in methodology, with a view to more comparable analysis and conclusions that can better serve aid effectiveness through improving the policies and practices of Members, individually and as a whole. There is also willingness to increase the sharing of Peer Review conclusions with partners.

7. This emerging agenda will help to shape approaches to shared responsibility, or **mutual accountability**, as the pursuit of enhanced partnerships requires both partner countries and donors to implement them with equal responsibility, clarify and abide by their commitments, and mutually monitor and manage results in an open and transparent manner. This includes interaction with NEPAD, which will be discussed at the April 2003 DAC High Level Meeting. Exploratory discussions have been carried out by the DAC and UNECA Secretariats to identify possible ways and means for facilitating a consultation process—including mutual reviews—between African countries and OECD Member countries. The process would permit each community to assess performance of all concerned in working to achieve the MDGs, including through: improved governance for development progress in Africa; greater policy coherence; increased aid flows; and further harmonisation efforts on the part of the donor community.

8. This work, along with reflections below on aid allocations and alignment, will—through the strong partnership between bilateral and multilateral donors—help to inform the **monitoring platform** being proposed by the Bank. The measures of aid quantity are well developed, but can be enhanced by looking at how ODA addresses the MDGs. Measures of aid quality and summary analysis of donor programmes and policies will become available from Peer Reviews and the new DAC Working Party on Aid Effectiveness and Donor Practices. The DAC are also well placed to help with three other aspects of the platform: promoting the necessary statistical capacity in partner countries through the PARIS21 initiative hosted by the DAC Secretariat; working with WTO to provide data and analysis of trade capacity building; and further work in the DAC's Governance network to select and refine governance indicators.

Scaling up to meet the MDGs

9. As well as calling for making aid more effective and delivering it more efficiently, the Monterrey Consensus secured **donors' commitments to reversing the long decline in aid volume**. Since the Conference, a number of DAC Members have made further announcements of increases to their development co-operation budgets. These commitments are starting to be delivered, but will take time to show up in the aid numbers. The DAC has estimated—through Secretariat simulations—that fulfilling these commitments and plans would raise ODA in real terms by 31%—about USD 16 billion—by 2006. This would raise the ODA/GNI ratio from 0.22% in 2001 to 0.26% in 2006. **Table 1** at the end of this statement shows the commitments made by each DAC Member.

10. As one step in measuring aid effectiveness, there have been a number of calls to **link ODA inputs to the MDGs**. The DAC Secretariat has drawn on its comprehensive data collection to produce a first attempt at such a linkage. This is shown in Charts 1 and 2, in the Annex to this statement, which supplement existing analyses of ODA by volume, destination (countries, income groups, regions) and by sector. They provide a baseline snapshot from which to discuss the needs for, and targeting of, further ODA to meet the MDGs. The presentation is an approximation, but is about as accurate as possible given the data available. Chart 1 indicates that in 2000–2001 over 40% of total ODA—some US\$ 21 billion—directly addressed MDG Targets 2 to 18 as well as MDG Target 1—income poverty reduction. Chart 2 shows that the picture was similar for each income group—with between 40 and 45% directly addressing other MDGs in addition to income poverty.

11. New global funds may be instrumental in scaling up. But the **relationship between global funds and country funding** is an emerging issue that merits in depth consideration by the international development community, in the Development Committee and other fora. Seizing the opportunity of a Seminar recently held on aid allocations, DAC Members acknowledged again the importance of allocating increased aid for global and regional approaches and joint action. Agricultural research represents an area directly relevant to poverty reduction, where evaluation has shown high returns. There are also needs for global programmes in health research and in other areas, such as ICT. And such programmes can help build public support for further increases in aid to implement and go beyond the encouraging commitments made at Monterrey. There are calls, partly in the name of the MDGs, for additional global funds that would carry out activities at the national level.

12. At the same time, we are agreed that key to aid effectiveness and poverty reduction is supporting country-owned and led Poverty Reduction Strategies. These two approaches will be mutually supportive provided they lead to, and nurture, operational partnerships fostering consistency and coherence. To limit the number of global funds whose objective is not global or regional research and innovation but is rather financing national programmes may constitute a step in this respect. Another would be to systematically ensure that, when such funds carry out national programmes, there are mechanisms for consistency with overall country sectoral programmes and Poverty Reduction Strategies. The ECOSOC meeting in July on the financing of UN operational activities may provide a further opportunity to reflect on fostering coherent approaches to alignment of development financing.

Growth and the role of the private sector

13. The Monterrey platform has vividly illustrated that ODA is only part of the picture, when it comes to considering development finance in all its dimensions. Achievement of the MDGs will require **pro-poor growth** and creating an enabling environment in which private enterprise, especially SMEs, and investment—local and foreign—and can flourish, as the engines for growth, enhanced income and expanded employment.

14. OECD ongoing work on growth also applies, *mutatis mutandis*, to developing countries situations and policies. Efforts are needed in areas such as entrepreneurship and enterprise creation, business services, ICT deployment, innovation and technology, physical infrastructure, access to assets and human and institutional capacity building in order to strengthen supply side capacities. This will be instrumental for developing countries to better take advantage of investment and trade opportunities resulting from their own and others' efforts on the policy front. These concerns will continue to shape DAC Members' reflections and orientations for development policies.

15. Governments, developed and developing, have a key role to play in ensuring that growth is pro-poor, i.e. involving the poor in generating growth and in benefiting from it. The DAC is dedicating its work on sustained growth and poverty reduction to two interconnected themes. One concerns the OECD horizontal project on **policy coherence for development**, to enhance understanding of the development dimensions of OECD member policies and their impacts on developing countries, and to focus squarely and monitor progress on strategic areas such as trade, agriculture, investment, migration and new technologies.

16. The other concerns ODA contributions to generating rapid growth that is pro-poor, embracing areas such as private sector development, FDI, trade capacity building, agriculture, ICTs. The role of using **ODA as a catalyst** for attracting private funding and the role of public-private partnerships should attract increasing attention when it comes to discuss such innovative financing mechanisms, for instance for infrastructure or ICT for development.

Table 1. DAC Member ODA Commitments at or since Monterrey

Simulation of ODA prospects for 2006 after Monterrey								
Country	Net ODA in 2001 (US \$m)	ODA/GNI in 2001	Recent Commitment/ Announcement/ Assumption	Year to be attained	Net ODA in 2006 (in millions of 2001 US \$)		Real change in ODA in 2006 compared with 2001 (at 2001 prices and exchange rates) ¹	
					ODA/GNI in 2006	(US \$m)	Percent	
Austria	533	0.29%	0.33%	2006	676	0.33%	143	27%
Belgium ²	867	0.37%	0.7%	2010	1,368	0.53%	501	58%
Denmark	1,634	1.03%	>0.7%	n.a.	1,489	0.85%	-145	-9%
Finland ²	389	0.32%	0.4%	2007	514	0.39%	125	32%
France ²	4,198	0.32%	0.5%	2007	6,740	0.46%	2,541	61%
Germany	4,990	0.27%	0.33%	2006	6,708	0.33%	1,718	34%
Greece	202	0.17%	0.33%	2006	427	0.33%	225	112%
Ireland ²	287	0.33%	0.7%	2007	591	0.62%	304	106%
Italy	1,627	0.15%	0.33%	2006	3,948	0.33%	2,321	143%
Luxembourg	141	0.82%	1%	2005	189	1.00%	49	35%
Netherlands	3,172	0.82%	0.8%	Already	3,410	0.80%	237	7%
Portugal	268	0.25%	0.33%	2006	390	0.33%	121	45%
Spain	1,737	0.30%	0.33%	2006	2,090	0.33%	353	20%
Sweden	1,666	0.81%	1%	2006	2,277	1.00%	612	37%
United Kingdom	4,579	0.32%	0.4%	2005-06	6,321	0.40%	1,742	38%
EU Members, Total	26,290	0.33%	0.39%	2006	37,138	0.43%	10,849	41%
Australia ³	873	0.25%	3% real increase	in 2002-03	964	0.25%	91	10%
Canada	1,533	0.22%	8% annual increase	to 2010	2,252	0.28%	719	47%
Japan ⁴	9,847	0.23%	Stable at circa \$8.5 bn	from 2003	8,500	0.20%	-1,347	-14%
New Zealand	112	0.25%	Future level is under review		123	0.25%	12	10%
Norway	1,346	0.83%	1%	2005	1,799	1.00%	453	34%
Switzerland ²	908	0.34%	0.4%	2010	1,097	0.37%	190	21%
United States ⁵	11,429	0.11%	Increase by \$7 bn	2006	16,692	0.15%	5,263	46%
DAC Members, Total	52,336	0.22%			68,566	0.26%	16,229	31%

¹ Assumes average real growth in GNI of 2% p.a. [3% for Canada and 0.6% for Japan] from 2001 to 2006.

² ODA/GNI ratio for 2006 interpolated between 2001 and year target scheduled to be attained.

³ Assumes static ODA/GNI ratio from 2002-03.

⁴ Assumes ODA constant at around \$ 8.5 billion after budget cuts in 2002 and 2003.

⁵ Assumes, for 2006, additional \$5 bn from the Millennium Challenge Account and \$2 bn from the Emergency Plan for AIDS Relief, and 2% p.a. inflation in the USA to revalue to 2001 prices.

Source: OECD Development Assistance Committee Secretariat Estimates, April 2003.

Annex. Linking ODA inputs to the Millennium Development Goals

Charts 1 and 2 supplement existing analyses of ODA by volume, destination (countries, income groups, regions) and by sector¹. They provide a baseline snapshot from which to discuss the needs for, and targeting of, further ODA to meet the MDGs. The presentation is an approximation, but is about as accurate as possible given the data available.

Chart 1 provides an analysis that sums to 100% so that it can be presented in a single pie chart². There is, though, one exception—MDG Target 1 on income poverty. All ODA addresses poverty reduction either directly or indirectly—whether the ODA is for transport or energy, education or health, governance or institutions. The chart has two portions. The left hand side is a pie chart of aid not directly addressing any MDG target except poverty reduction. The right hand side is a bar chart, expanding the slice of the pie that represents ODA that directly addresses an MDG target in addition to income poverty reduction³.

Chart 1 indicates that in 2000-2001 over 40% of total ODA—some US\$ 21 billion—directly addressed MDG Targets 2 to 18 as well as MDG Target 1—income poverty reduction. The other 60% addressed poverty reduction through assistance to industry, infrastructure, government and social services, etc. Of the 40%, some US \$ 2 billion is targeted on hunger; US\$ 3.5 billion on education and gender equality and youth employment; US\$ 4 billion on health and access to drugs; US\$ 6 billion on environmental sustainability and water and sanitation; and US\$ 5 billion on trade capacity building, debt relief and new technologies.

Chart 2 compares ODA addressing the goals and broad sectors by income group. It offers a similar picture to that for total ODA, with between 40 and 45% directly addressing MDGs other than income poverty. For LDCs, the goals for education, health, environment and debt relief receive about equal shares. The environment—particularly water and sanitation—takes a larger share for other low income, middle income and high income countries. In all groups about a quarter of ODA is for building government capacity and budget support, while infrastructure takes a smaller share in the LDCs than other groups—a factor that may need attention in promoting pro-poor growth.

For ease of interpretation of the Charts, the list of the 8 MDG Goals and 18 Targets is appended at the end of this Annex.

¹ The charts draw on the DAC's Creditor Reporting System (CRS), using sector codes and policy markers attached to aid activities reported to the CRS by DAC Members, Multilateral Development Banks and parts of the UN. They are based on commitments in the years 2000 and 2001, averaged to even out the effect of large, infrequent commitments. The data cover all bilateral aid, with the exception of aid from Greece, Luxembourg and New Zealand and some technical co-operation from France and Japan. They also cover multilateral commitments by the World and Regional Development Banks, the EC, and some UN agencies, though not UNDP. The coverage is of the order of 85% of ODA from all sources.

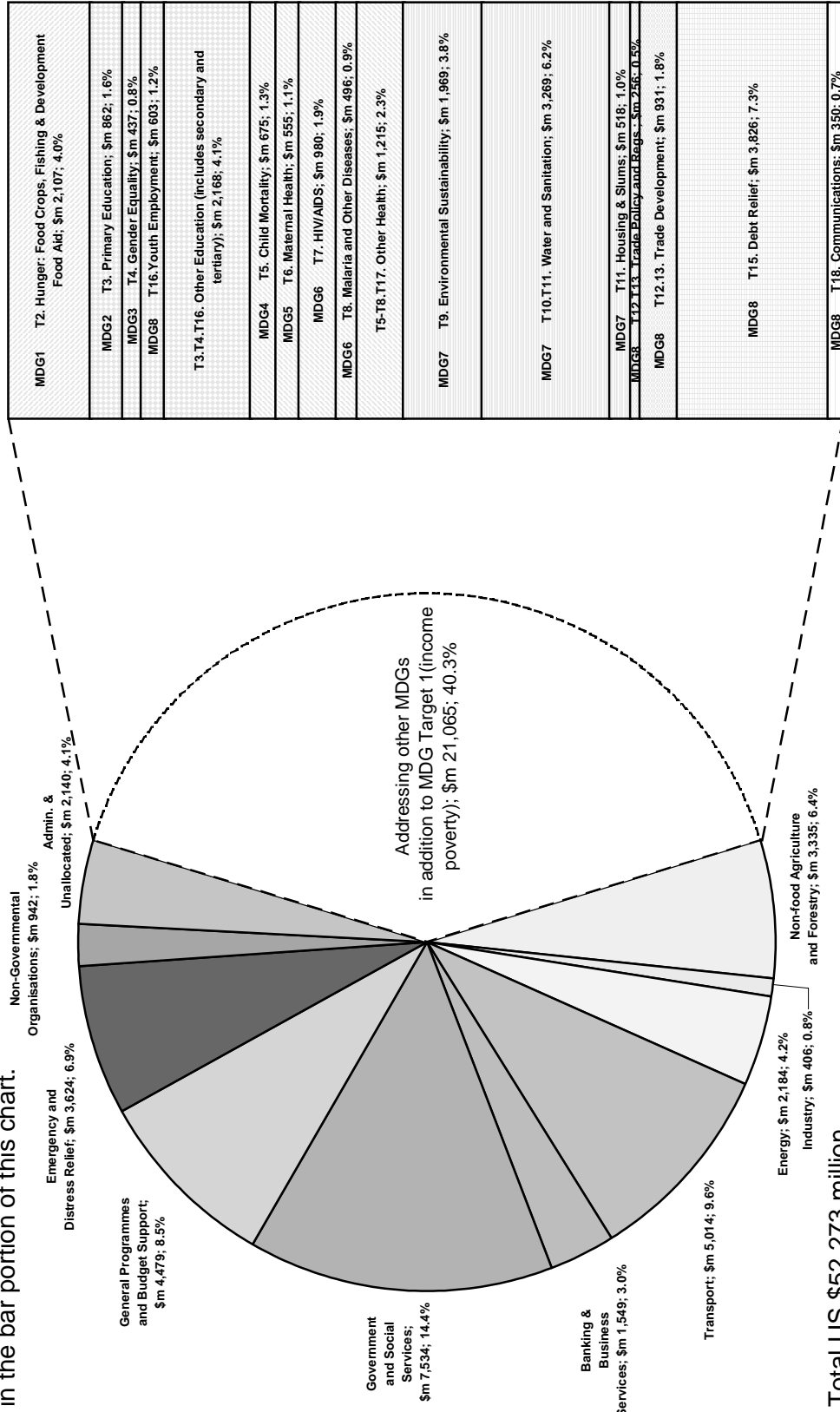
² While many ODA activities address more than one MDG target, a pie chart aids understanding and conclusions on scaling up. Moreover, the data on targeting of multiple objectives are so sparse that no other approach is possible. The slices of the pie are calculated by aligning the sector classification of the activities reported to the CRS with MDG targets wherever possible. For some it is straightforward, e.g. basic and primary education. Other sectors are too broad, e.g. general capacity building: in education—only some of which is for primary education; or in health—most of which could address all four MDG health targets. The chart includes these amounts adjacent to other education and health segments with a note of which targets the aid might address.

³ ODA volume is, of itself, part of MDG Goal 8—"more generous ODA for countries committed to poverty reduction."

Chart 1. How ODA addresses the Millennium Development Goals and Targets

(Average annual Total DAC ODA committed in 2000-2001)

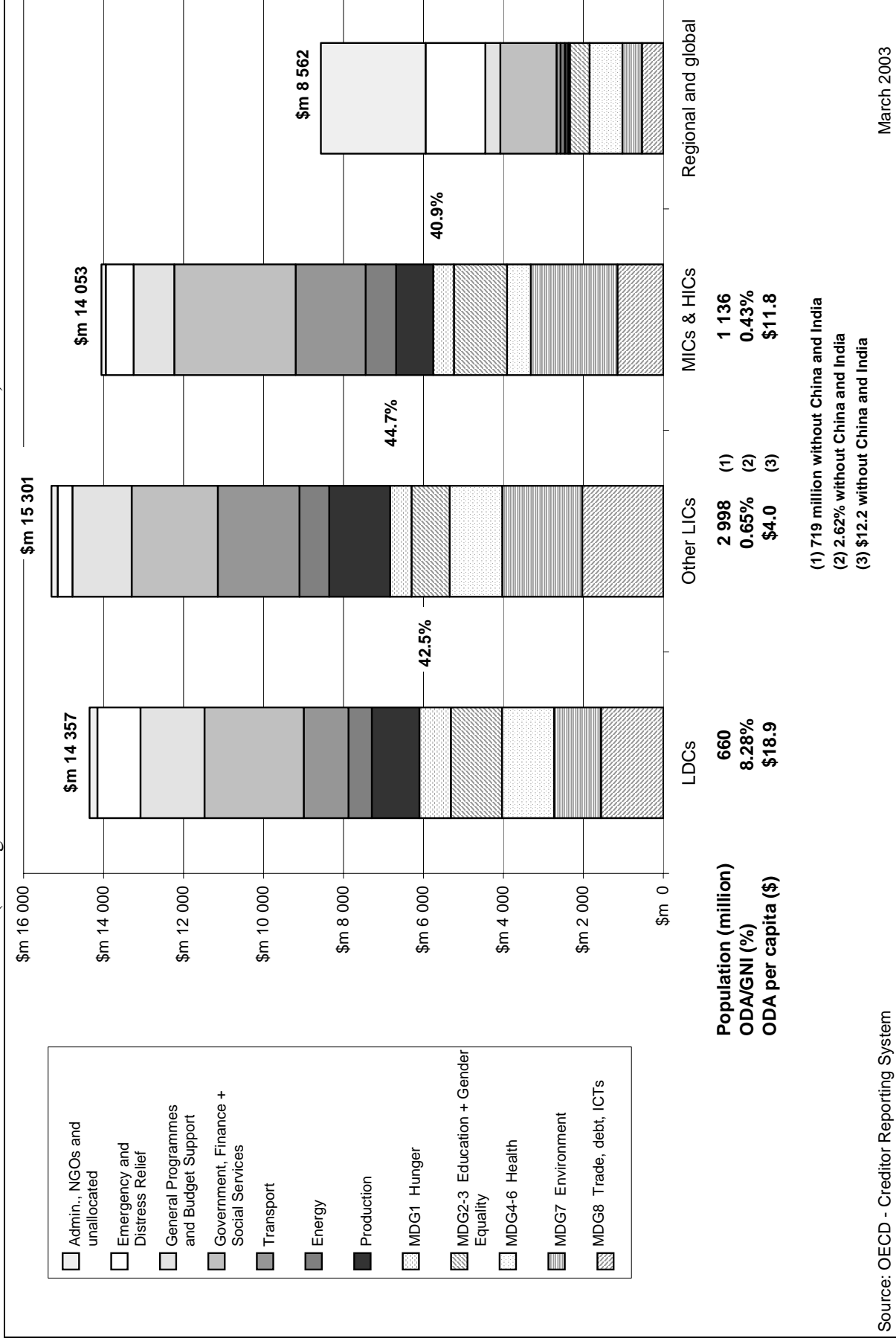
All ODA addresses poverty reduction directly or indirectly. In addition some 40.3% addresses other MDG targets as shown in detail in the bar portion of this chart.



Total US \$52,273 million

Source: OECD - Creditor Reporting System

Chart 2. How ODA by income group addresses the Millennium Development Goals
(Average annual Total DAC ODA committed in 2000-2001)



Millennium Development Goals (MDGs)

Goals and Targets from the Millennium Declaration

Goal 1: Eradicate extreme poverty and hunger

Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day

Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger

Goal 2: Achieve universal primary education

Target 3: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling

Goal 3: Promote gender equality and empower women

Target 4: Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015

Goal 4: Reduce child mortality

Target 5: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate

Goal 5: Improve maternal health

Target 6: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio

Goal 6: Combat HIV/AIDS, malaria and other diseases

Target 7: Have halted by 2015 and begun to reverse the spread of HIV/AIDS

Target 8: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases

Goal 7: Ensure environmental sustainability

Target 9: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources

Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water

Target 11: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers

Goal 8: Develop a global partnership for development

Target 12: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system
Includes a commitment to good governance, development, and poverty reduction – both nationally and internationally

Target 13: Address the special needs of the least developed countries
Includes: tariff and quota free access for least developed countries' exports; enhanced programme of debt relief for HIPC and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction

Target 14: Address the special needs of landlocked countries and small island developing States
(through the Programme of Action for the Sustainable Development of Small Island Developing States and the outcome of the twenty-second special session of the General Assembly)

Target 15: Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term

Target 16: In co-operation with developing countries, develop and implement strategies for decent and productive work for youth

Target 17: In co-operation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries

Target 18: In co-operation with the private sector, make available the benefits of new technologies, especially information and communications