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DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE

Working Party on Financial Aspects of Development Assistance

SUMMARY RECORD OF THE 132ND MEETING

held in Paris on 12-13 October 2000


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I. Adoption of the Agenda


II. Approval of the Summary Record of the 131st meeting

2. The summary record of the Working Party’s 131st meeting, held on 21 January 2000 [DCD/DAC/FA/M(2000)1/PROV], was approved, taking note of the comments made by Belgium.

III. Untying ODA to the least developed countries: effort-sharing

3. The discussion was in two parts, first on the note setting out the dimensions of the effort-sharing problem and suggestions to guide identification of a mechanism [DCD/DAC/FA(2000)8] and, second, on illustrative examples of possible mechanisms [Room Documents 1 and 2].

a) Discussion of DCD/DAC/FA(2000)8

4. A number of Members commented that the note represented a good starting point for the discussion and was helpful as a precursor to looking at actual mechanisms. They shared its views on the underlying causes of the problem and supported the concepts and principles set out to guide efforts to identifying mechanisms. These Members also agreed that the focus of the work to find a mechanism should be that of the different efforts required, or expected, of Members in untying ODA to the LLDCs. It was also mentioned that agreement on the Recommendation would be an important contribution to the May 2001 Third United Nations Conference on the Least Developed Countries.

5. Other Members felt that the note did not reflect or address their views on how effort-sharing could be best achieved. It was suggested that the Working Party should also examine approaches whereby certain donors might do less than others in implementing the Recommendation, as compared with an approach where all Members fully implement coverage clause but, in addition, some Members make supplementary efforts beyond that. Some Members also felt that their perspectives on the objectives or targets of an effort-sharing mechanism were not addressed by the note. In their view, an effort-sharing mechanism should have the broader perspective of the balance of efforts concerning ODA volume/performance in the LLDCs. In this connection, it was signalled that this issue would be raised at the DAC meeting on 7 November.
6. Other matters raised related to the concern that ODA flows to the LLDCs might decline as a result of the Recommendation, and that the approach outlined in the note could, in effect, reopen the debate on coverage, which Members generally agreed should be not be reopened.

7. Members also felt that the data required for an assessment of approaches to effort-sharing should be improved in general, as well as in respect of Members that do not report to the CRS. Members supported a Secretariat proposal to address this which would invite Members to verify and/or supplement reporting for 1998 [see RC(2000)236, which was subsequently transmitted to Members of the WP/FA and WP/STAT]. On the basis of responses from Members, data required for the assessment of mechanisms will be updated and a framework table provided by Denmark, France and Japan to the Secretariat could be completed.

b) Discussion of Room Documents 1 and 2

8. Members discussed an illustrative example of a mechanism provided by the Secretariat [Room Document 1] and a suggestion from Denmark [Room Document 2]. Some Members also recalled their previous suggestions concerning, for example, the use of the 0.15 per cent LLDC ODA/GNP ratio and the setting of 70 per cent untied ODA benchmark/objective.

9. A number of Members commented that the example set out in Room Document 1 provided an instructive and useful illustration of an approach based on the principles figuring in note DCD/DAC/FA(2000)8. It was also felt that this illustration put forward some helpful ideas on the process for monitoring and reviewing progress with effort-sharing.

10. Members also welcomed the suggestion set out in Room Document 2, whereby “high performance” donors might initially do proportionately less than others as the latter move to full implementation of the Recommendation. It was suggested that this approach, as well as others that might be brought forward by other Members, should also be pursued in the next stage of discussions. A particular comment was that approaches of this nature should encompass provisions concerning the timeframe for all Members to fully implement the Recommendation.

11. Members generally supported the suggestion to hold another meeting on the Working Party prior to the December SLM in order to explore more fully specific mechanisms to deal with effort-sharing. The agenda and date for such a meeting will be communicated to Members in due course. [This meeting will now take place on Friday 17 November 2000.]

IV. Review of the 1996 DAC Recommendation on Anti-Corruption Proposals for Aid-Funded Procurement

12. On the basis of the draft report DCD/DAC/FA(2000)6, Members reviewed the provisions taken pursuant to the DAC Recommendation, their experience with its implementation and suggestions to strengthen its impact and other possible actions by donors to fight corruption.

13. Switzerland (whose submission reached the Secretariat just after the draft was issued) informed the Working Party of the results of its internal review. Switzerland noted that while the Recommendation has helped build awareness, partner countries have reacted in quite different ways to the introduction of anti-corruption provisions and local staff sometimes feel rather powerless in their attempts to avoid, identify, and sanction corruption. Much of this is related to the general conditions prevailing in partner countries (particularly the breadth and depth of poverty) but also to the increasing sophistication of corrupt practices. The United States informed the Working Party that the anti-corruption provisions have greatly
assisted the Office of the Inspector General to tackle corruption, citing an example where they successfully pressed criminal charges in a bid-rigging case associated with USAID funding.

14. Members considered that combating corruption is an essential part of the development agenda. The Recommendation provides a good basis for building longer-term strategies and action plans, where our efforts should be commensurate with the dimensions of the problem. This would provide a reassuring signal of the importance donors attach to the problem and their intentions to tackle it. In respect of aid procurement, specific suggestions included:

- strengthening technical co-operation activities with partners to build procurement capacities which are better placed to avoid, identify and sanction corruption;
- providing a forum or “clearing house” to improve co-ordination of efforts by sharing information, tools and experiences.

15. More generally, Members suggested that any specific work related to aid procurement should link up with work that the DAC might undertake from a broader governance perspective. Linking up WP/FA and other DAC work on corruption could be an issue addressed in the planned meetings of the Chairs of the DAC and its subsidiary bodies. More generally, DAC work on corruption should ensure that it provides value added in connection with other activities in the OECD and beyond on corruption.

16. Members agreed that the review, revised to take account of the discussion and recent submissions, should be submitted to the December 2000 Senior Level Meeting, via the DAC “SLM preparations” meeting on 7 November 2000.

V. Strengthening Local Procurement Capacities

17. Members supported the proposed work on the strengthening local procurement capacities as proposed in note DCD/DAC/FA(2000)4. The work should bring in the experiences in countries such as Mali and Tanzania, as well as that from the multilateral development institutions. Depending on the outcome of DAC discussions on the issue of donor procedures, it was suggested that it would be valuable to identify synergies between these two areas.

18. The Secretariat indicated that it was in the process of preparing the terms of reference for that part of this work to be undertaken by a consultant, identifying possible consultants and contacting Members in respect of voluntary contributions to support this work. Depending on progress in these areas, a note on this first stage of work could be prepared for the next meeting of the Working Party.

VI. Development Finance

a) Private Sector-Led Growth for Poverty Reduction in the Less Advanced Developing Countries

19. The Secretariat informed the Working Party that the present staffing situation would mean that bringing together a draft on this work would take longer than initially foreseen. Some Members recalled the importance they attach to this work, with its strong connections to the poverty reduction objective, and more generally on the role of the Working Party in assisting Members’ preparations for the forthcoming Financing for Development Event and the Third UN Conference on the Least Developed Countries.
b) The UN Special Event on Financing for Development

20. The Secretariat informed Members of the present stage of preparations in the UN for this Event, as set out in DCD/DAC/FA(2000)7, with a view to Members outlining the main messages and perspectives they would like to bring at this formative stage of preparations.

21. Some Members considered that it is important to identify if, and where, there is a DAC value added role to play in this context. Others commented that the DAC should be involved in shaping the agenda for the Event, and that its role is likely to be in terms of strengthening international consensus on roles and approaches rather than in looking for new approaches, and in bringing forward clear messages. The latter could include the importance of the efforts required by all actors to raise the resources needed to support the international development goals, the primary role of domestic resource mobilisation and the importance of improving the attractiveness of partner countries for foreign direct investment. More specifically for ODA, we should look at its roles in catalysing other resources, as well as in supporting actions where other resources are not available, e.g. in areas such as governance, gender and capacity building.

22. It was felt that the present discussion, and building on the joint DAC/DEV seminar on “Development Finance - the Way Forward”, held in March 2000 [see DCD/DAC(2000)13], should be helpful in tailoring the preparations for the December 2000 SLM discussion on this Event.

VII. Other business

23. Peter Freeman, the Chairman of the Working Party, indicated that he would be leaving the UK government at the end of this year and that, in consequence, the Working Party would be required to elect a new Chairperson at its first meeting next year [see RC(2000)234, subsequently communicated to Members of the DAC and WP/FA, requesting nominations].
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