Development Assistance Committee
High Level Meeting, 25-26 April 2001
Press Statement by the Chairman, Mr. Jean-Claude Faure

Development Co-operation Ministers, Heads of Aid Agencies and senior officials met on 25-26 April at the Annual High Level Meeting of the OECD’s Development Assistance Committee (DAC), with poverty reduction and policy coherence as the central themes. The World Bank, IMF and UNDP also participated as permanent Observers to the DAC.

The High Level Meeting identified ways in which the international community can tackle the complex challenges involved in achieving the International Development Goals (IDGs), notably the goal of halving the proportion of people living in extreme poverty by 2015. These goals were adopted by the High Level Meeting in 1996 and were incorporated in the UN Millennium Declaration in 2000, providing a common basis for action by the whole international community.

The DAC Chairman, Mr. Jean-Claude Faure, summarised the main outcomes which together constitute a comprehensive approach to confronting these fundamental challenges.

The High Level Meeting:

• Adopted, ad referendum, a Recommendation on Untying of Official Development Assistance to the Least Developed Countries.

• Agreed to promote policy coherence for poverty reduction in DAC Member country governments, both in their capitals and in the OECD.
• Endorsed four new sets of DAC Guidance and issued associated Statements\(^1\) on:

  - Poverty Reduction;
  - Strategies for Sustainable Development;
  - Helping Prevent Violent Conflict: Orientations for External Partners;
  - Capacity Development for Trade in the New Global Context.

• Deepened the debate on strategies and instruments for approaching countries with severe governance problems.

**Poverty Reduction and Policy Coherence: A Global Challenge.** The consensus in the international community on poverty reduction as a key global objective has widened and deepened over the last year. Development frameworks based around poverty reduction strategies at the country level are now the foundation for both bilateral and multilateral co-operation. The new guidelines agreed by the DAC and the untying of aid to the least developed countries contribute further important elements to this comprehensive approach. Participants welcomed this progress. Implementation is now the main challenge. This is requiring new approaches and capacities in development co-operation agencies and improved institutional co-ordination including between bilateral and multilateral agencies at the country level. In this context DAC Members recognised that substantial progress is needed on their contribution to making partnership principles work - including supporting poverty reduction strategies on a medium-term basis. Aid levels will have to reflect the needs of effective poverty reduction strategies. While a majority of DAC Members increased their aid effort in 2000, the overall ODA/GNP ratio fell.\(^2\) Participants emphasised the importance of building a broader consensus with Parliaments and public opinion on the need to reverse this trend, in the effort to achieve the agreed international development goals.

Reducing the burden of multiple donor procedural requirements is also a major objective. Diversity of procurement and reporting systems tend to limit the capacity of partner countries to shape their own policies. Participants urged the new DAC Task Force on Donor Practices, in accordance with its mandate, to produce good practice reference papers.

Impacting on poverty reduction will depend not just on development co-operation but on generating coherence across a range of policy areas affecting development prospects, including trade, finance, agriculture, environment, migration, health, information and communication technologies (ICTs), corruption and conflict prevention. Participants welcomed the Illustrative Checklist on Policy Coherence for Poverty Reduction, which is attached to the Poverty Reduction Guidelines, which although non-binding, provides a flexible and useful reference point for governments. They undertook to work in their capitals to promote the integration of the poverty reduction objective in other policy areas and to monitor progress through the regular DAC country examinations. They recognised this would require devoting time and analytical capacities to interacting with other parts of their government systems and with the private sector and civil society.

They also recognised that policy coherence requires strong political commitment, and leadership, in their countries. In this respect participants emphasised the need to work for a stronger mutual understanding on key policy issues with a public which has become very concerned with the complex challenges involved in reducing poverty in the context of globalisation.

Special attention was given to the relationship between trade and poverty reduction and providing the conditions for globalisation to benefit poor countries and poor people. Participants welcomed the joint session held on 24 April between the DAC and the Trade Committee, attended by Mike Moore, Director General of the

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\(^1\) A Policy Statement by the DAC High Level Meeting on endorsement of the DAC Guidelines on Poverty Reduction is attached. Statements on the other new Guidelines are available on the OECD Website at: [www.oecd.org/dac](http://www.oecd.org/dac)

\(^2\) See ODA Press Release at Website: [http://www.oecd.org/media/release/nw01-37a.htm](http://www.oecd.org/media/release/nw01-37a.htm)
WTO. This was seen as a promising start for further collaborative work, recognising that trade policies and the multilateral trading system have a vital contribution to make to poverty reduction. Current initiatives to expand market access and help build trade capacity in developing countries were encouraged in this regard.

Participants saw a key role for the OECD to help Members identify policy coherence issues and to generate greater coherence, using its unique access to policy makers in many different areas of government. They look forward to systematic OECD work on policy coherence embracing all relevant parts of the Organisation, and welcomed the efforts initiated in this direction, including through the Development Group recently established by the OECD Council to reinforce coherence and horizontal work on development. Early priorities for such work should be trade and environment.

**Untying of ODA to the Least Developed Countries.** The DAC High Level Meeting adopted (ad referendum until 11 May) a Recommendation on Untying ODA to the Least Developed Countries. Extending loans and grants in a wide range of financial and project support will no longer be tied to procurement from the donor source. The Recommendation will contribute to broader efforts in the DAC to increase the effectiveness of aid and to strengthen the ownership and responsibility of partner countries in the development process. Securing effort-sharing among DAC Members will be an integral element in implementing the Recommendation and will be monitored by the Committee. The Recommendation will represent a very concrete signal, including to the upcoming Third UN Conference on the Least Developed Countries, of the DAC’s commitment to the reform of aid practices.

**Working in Countries with Severe Governance Problems.** Participants reconfirmed their commitment to working on the development needs of these countries, which present a wide range and degree of specific situations. The large number of poor people living in these countries cannot be abandoned, and violent conflicts frequently have a regional dimension, with material risks to neighbouring and other countries. Timely responses within a long-term strategic approach are essential involving complex challenges with no common solutions.

The emphasis should first and foremost be to maintain the dialogue with change agents within and outside governments. Participants also recognised that local governments, civil society organisations and NGOs constituted a potential alternative to central government for channelling aid to these countries. Bilateral donors and UN agencies may have more direct ways to work with such alternative interlocutors than the international financial institutions, which do, however, have important roles in post-conflict situations.

Thus all parts of the international development community have a role to play in these countries and effective co-ordination among them, reflecting the comparative advantages of each, is critical. It is equally important that DAC Members work to ensure coherent policies towards these countries across their government systems. The participants underlined the need for stronger dialogue among all actors, including development agencies, in order to achieve a fuller consensus on the approach to be adopted in difficult cases.
Developing countries have achieved remarkable, although uneven, improvements in living standards over the past 30 years, and development co-operation has played a strong supportive role. But poverty reduction, in the context of sustainable development, remains a major challenge. Extreme poverty ravages the lives of one person in four in the developing world. Illiteracy, hunger and disease are still widespread, and HIV/AIDS has become a scourge in many developing countries. About half of the poor are children suffering from hardship, want and violence — and the majority of poor adults are women. Social and economic inequality within nations is an obstacle to sustainable poverty reduction. Globalisation offers promising avenues for spurring growth and reducing poverty, but special effort will be required to ensure poor countries and poor people share adequately in its opportunities and benefits.

We are profoundly concerned with the plight of people living in severe poverty. Beyond our shared moral concerns for those less fortunate, we consider that reducing poverty and global inequalities is essential to our common interest, given the potential impact on regional and global security, international co-operation, sustainable development and prosperity. Developing countries must assume leadership and formulate effective national strategies for reducing poverty. These strategies should integrate economic, social, environmental and governance concerns within a comprehensive approach to development at the country level. We pledge to help them meet this challenge, in partnership with civil society, the private sector and multilateral institutions. We further pledge our best efforts to help developing countries address the challenges of globalisation and the digital age, and deal with HIV/AIDS and other killer diseases.

We confirm our commitment to reducing poverty in all its dimensions and to achieving the seven International Development Goals (IDGs). We view the IDGs in the context of the broader set of goals – including on hunger, safe water and HIV/AIDS – agreed in the Millennium Summit Declaration and in the context as well of the ultimate objective of poverty eradication. The IDGs include: by 2015, halving extreme income poverty, lowering infant, child and maternal mortality, and ensuring universal primary education and access to reproductive health services; and by 2005, achieving gender parity in education as a step towards gender equality and the empowerment of women, and implementing strategies for sustainable development as a step towards reversing the loss of environmental resources.

We restate our determination to promote qualitative factors of development – including effective, democratic and accountable governance, the protection of human rights, and respect for the rule of law – in supporting partner country efforts to build stable, safe, participatory and just societies. We resolve to ensure centrality of sustainable poverty reduction in development co-operation, particularly at country level. We resolve also to enhance the coherence of our overall policies that impact on development including, for example, opening markets and implementing accelerated debt relief. We will intensify our efforts to increase the effectiveness of aid and mobilise additional resources for reducing poverty. In so doing, most Members are guided by the 0.7 per cent ODA/GNP target.

We have developed Guidelines on Poverty Reduction in consultation with our international partners: the World Bank, the International Monetary Fund and the United Nations Development Programme. The Guidelines represent an emerging international consensus and a shared commitment and understanding of how to work together more effectively to help developing country partners reduce poverty. We agree on the following principles that underlie these Guidelines:
1. Poverty is multidimensional

Poverty encompasses different dimensions of deprivation that relate to human capabilities including consumption and food security, health, education, rights, voice, security, dignity and decent work. Poverty must be reduced in the context of environmental sustainability. Reducing gender inequality is key to all dimensions of poverty.

We share a broad understanding of poverty and its many dimensions.

2. The coherence of our policies matters

Reducing poverty requires better coherence in government policies affecting development. Key policy areas with potentially strong poverty reduction impact include debt relief, trade, investment, agriculture, the environment, migration, health research, security and arms sales.

We will strive to elevate policy coherence for poverty reduction as a general concern in government policies and develop the means necessary to promote it across our governments and in international fora.

3. Economic growth: pace, quality and equity

Reducing poverty calls for rapid and sustainable pro-poor growth. This requires good governance, prudent macroeconomic management, competitive markets and a vibrant private sector, efficient institutions and sustainable use of natural resources. Making growth pro-poor requires equitable participation by poor men and women in generating and benefiting from growth. It also requires reforms to reduce inequalities regarding human capabilities and access to assets and productive resources such as land, training and credit.

We will support partner efforts to promote sustainable pro-poor growth, reduce inequality and increase their shares of global trade and investment flows.

4. Reducing poverty calls for political will by all partners

Poverty reduction involves a political process. It requires dedicated efforts to empower the poor by strengthening their voice and fostering democratic accountability. Strategic partnerships with reform-minded forces within government and civil society can be helpful in fostering social and political transformation. Support for broader country dialogue and stakeholder participation must be consistent with partner efforts to build democratic institutions.

We will support partner country efforts to engage civil society in setting priority poverty reduction goals and measures to reduce inequalities, consistent with their efforts to build democratic institutions.

5. Needs and performance will be key factors in aid allocations

Development co-operation resources must be used effectively for reducing poverty. Priority will be accorded to countries with low incomes. Some targeted assistance to other countries with a large proportion of poor people may also be provided. The level of political commitment to fight poverty and the effectiveness of government policies will be key considerations in this regard. At the same time, it is important to support the poor in countries with severe governance problems, including conflict-prone countries.

We will give priority to poor countries with government commitment to reducing poverty and using aid effectively, but will also target aid, selectively, to poor people in countries with severe governance problems.
6. **Supporting poverty reduction strategies of partner countries through different types of assistance**

Development co-operation will support goals and priorities as set out in national strategies for sustainable poverty reduction, which should be country-driven, participatory, comprehensive and results-oriented. To ensure ownership and sustainability, the development community should be moving from agency-driven to country-led activities, creating space for partnership through integrated programme, project and sector-wide support. Key priorities for supporting the implementation of partner strategies include resources for capacity building, institutional reform and broad participation of local partners.

We will increase the use of co-ordinated programme, sector and project assistance supporting the implementation of country-led strategies and programmes for reducing poverty.

7. **Better aid management for increased effectiveness**

Effective aid calls for improved aid co-ordination by working collaboratively, undertaking joint tasks, and combining skills and resources. While maintaining high standards of accountability and transparency, DAC Members can simplify and harmonise administrative and financial requirements, adjust to local procedures where these are adequate and help partners improve their administrative capacity and performance.

We will undertake best efforts to work collaboratively, streamline our administrative requirements where possible, and co-ordinate our approaches and actions with those of our partners.

8. **Assessing performance**

Strong partnerships are based on dialogue, mutual trust and joint accountability. Each partner should be assessed in terms of meeting agreed commitments and achieving poverty reduction impact. Development agencies should develop specific partnership performance goals, such as promoting country leadership, providing resources more flexibly, more predictably and over longer time frames, and ensuring that development assistance to the public sector is fully reflected in government budgets.

We will assess our development co-operation efforts in terms of their effectiveness in promoting genuine partnership and their impact on reducing poverty.

9. **Strengthening agency institutional alignment with poverty reduction, partnership and policy coherence goals**

Integrating poverty reduction as a critical agency-wide concern, developing partnership capacity and promoting policy coherence are key institutional goals for development agencies. This will often call for changes and creative approaches to agency organisational structures, practices, incentive systems and cultures.

We are committed to incorporating poverty reduction and partnership in the policies and operations of our agencies, and will undertake best efforts to adapt our institutional practices, systems and cultures accordingly.