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Is there good news for developing countries despite the crisis? Aid-for-trade experts agree that the answer is "yes".

A survey recently concluded by OECD and the WTO – the second of its kind – demonstrates that the Aid-for-Trade Initiative is a success. Since its inception in 2005, developing countries have given higher priority to trade in their development strategies. Donors have responded by offering more funds to help them overcome their supply-side constraints. This issue of DACnews also looks at recent guidance designed to ensure that development policies won't have a negative impact on the environment. It features new donor initiatives to help minimise the negative effect of the financial crisis in developing countries and looks at how the experts on aid effectiveness are realigning and stepping up their efforts to produce more and better results by 2011. Finally, Eveline Herfkens offers a thought-provoking look at *Dead Aid*, the book that has people talking about aid effectiveness.

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Aid for trade: Good momentum, good news

A recent survey carried out by OECD and WTO shows that despite the current economic crisis, there is good news for developing countries. The survey – the second Global Review of Aid for Trade – shows that in 2007, total aid for trade reached USD 25.4 billion - USD 4.3 billion (21%) more than the 2005 baseline. In the same year, non-concessional loans provided a further USD 27.3 billion in trade-related financing.

The additional funding not only helped countries to overcome hurdles on the supply side; it is particularly welcome because it did not happen at the expense of other assistance

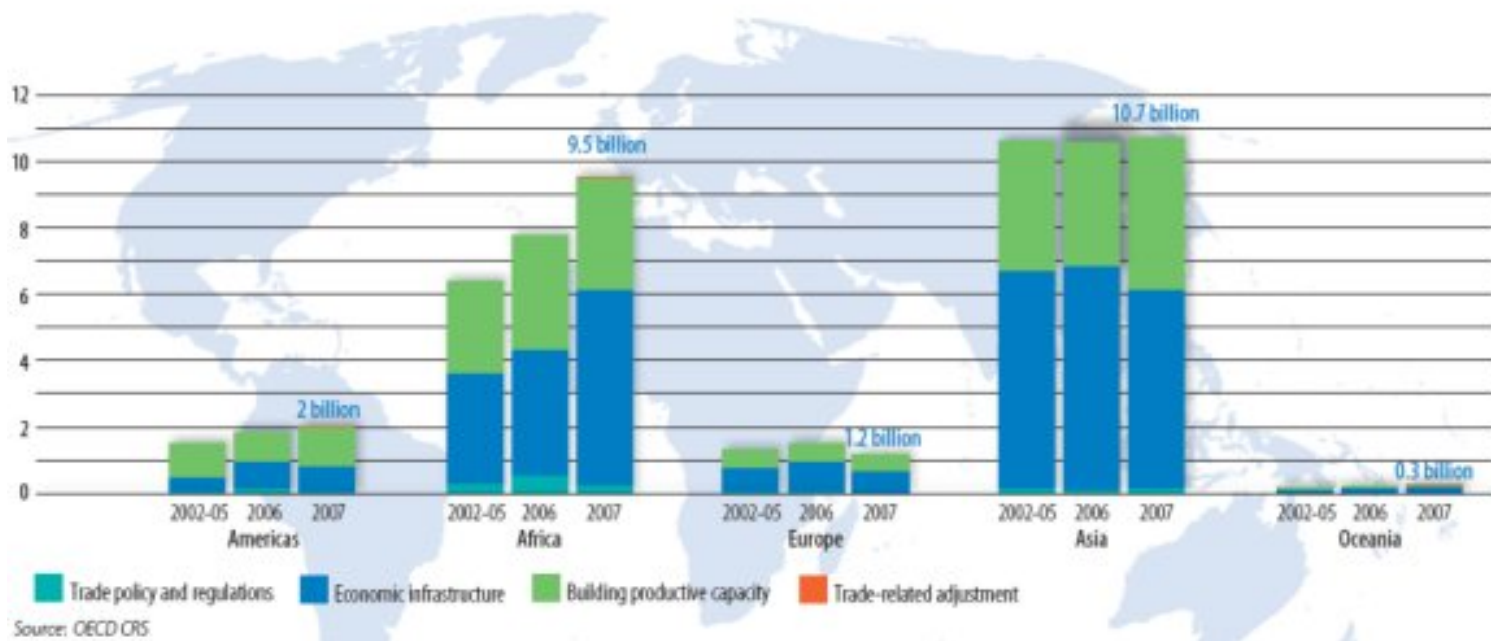
programmes. OECD calculations show that 9 out of 10 aid-for-trade commitments have resulted in actual aid-for-trade projects and programmes. Finally, funding for global and regional programmes – identified as an area for special attention by the first Global Review – has more than doubled in volume since 2005.

More and better aid for trade is particularly important in the context of the crisis. It can help to build the foundations of economic growth and poverty reduction that will enable developing countries to stand on their own and contribute to shared global prosperity.

Nearly 150 countries and international organisations took part in the second Global Review, designed to monitor the impact of the Aid for Trade Initiative that was launched in 2005. The results are clear: the Initiative has, indeed, helped. Developing countries are prioritising trade in their development strategies and clarifying their needs; and bilateral and multilateral donors are responding by improving the delivery of aid for trade and increasing their commitments.

What's more, growth is happening where it is most needed. Low-income countries have seen their share of total aid for trade increase from 44% to 54%. And while Asia continues to be the biggest aid-for-trade recipient in overall terms, most of the 2007 additional funding went to sub-Saharan Africa, with an impressive growth of 59% (or USD 2.9 billion) compared to the 2005 baseline (see chart).

Aid for trade: regional and sector distribution
2002-2005 average, 2006, 2007
Commitments, USD billion (2006 constant)



Developing countries are using these funds to overcome infrastructure bottlenecks and to build their capacity in trade-related fields: aid targeted for economic infrastructure dominates in terms of overall volume (53%), followed by productive capacity (43%). Trade-related technical assistance accounts for the remaining 4% of total aid-for-trade flows.

The analysis and outcomes of the second survey are presented in the joint OECD-WTO

publication, [Aid for Trade at a Glance 2009: Maintaining Momentum](#), which will be launched by the Secretary-General Angel Gurría at the Global Review of Aid for Trade meeting in Geneva on 6 July.

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Climate change and development: Adjusting the lens

Weak governance of the environment and natural resources is undermining development in many countries. This was one of the major conclusions reached by high-level policy makers at a meeting organised to look at development through the lens of climate change adaptation. The participants – some 250 in all, including ministers, vice-ministers and heads of aid agencies – agreed that if we are to cope with these dual challenges, improved environmental governance and management must be placed high on the political agenda.

To help achieve this, two flagship documents were endorsed at the meeting: a [Policy Statement and associated policy guidance on Integrating Climate Change Adaptation into Development Co-operation](#). These will be important inputs from the OECD to the COP15 Climate Change Conference (Copenhagen, December).

Paul Collier, author of *The Bottom Billion*, gave a thought-provoking speech to participants, suggesting that with increasing water scarcity and the impacts of climate change, Africa should move quickly out of agriculture and toward industrial production. To improve the sustainability of agricultural production in Africa (or what remains of it), he recommended that Europe stop its ban on imports of GMO crops; this would enable Africa to benefit from low-irrigation and high resilience GMOs.

Other discussions at the meeting highlighted the importance of engaging all countries, including the poorest, in low-carbon development. In closing, the participants highlighted two priorities for continued action:

- examine the links between climate change and development co-operation, including greenhouse gas mitigation and adaptation;
- explore how capacity development can support sound management of natural resources in developing countries.

The meeting took place on 28-29 May and was chaired by Bert Koenders, Minister for Development Co-operation, Netherlands and Kak-soo Shin, Vice Minister of Foreign Affairs and Trade, Korea.

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DAC donors endorse Action Plan in response to the crisis

Globally, [aid rose in 2008 to its highest level ever](#). While a few countries have slightly reduced the targets they set in 2005 for 2010 (at the Gleneagles G8 and UN Millennium +5 summits), the bulk of the commitments remain in force. However, reduced growth in 2008 and economic contraction in 2009 have shrunk the dollar value of these commitments (which are expressed as a percentage of national income).

The result: already weakened by the food and energy crises, low-income countries are suffering the most from the global downturn. And while these countries are the least responsible for the crisis, they are the least able to cope with its impact. The World Bank estimates that, because of the crisis, the number of people living on less than USD 1.25 a day will grow by 53 million.

This means that extraordinary efforts are needed to bring global aid performance back on track, especially for Africa. The major international institutions are responding quickly to emerging needs with the funds they have available, but there is a risk that this money will soon run out. On 28 May, the DAC donor community issued an [Action Plan](#) to ensure that these institutions will be able to count on the financial support they need to backstop developing countries over the medium term.

In the Action Plan, members of the Development Assistance Committee agree to assist developing countries by:

- meeting their existing aid commitments, in particular in Africa;
- helping low-income countries finance both short- and long-term priorities;
- making the most effective possible use of aid;
- financing international institutions in a timely and predictable manner;
- tackling the crisis using all instruments available, not just official aid.

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After Accra: Progress despite the turndown

In September 2008, the [Third High Level Forum on Aid Effectiveness \(HLF3\)](#) sent out a clear message: it is urgent that we change the way we finance development. The validity of the agreed roadmap to achieve this – [the Accra Agenda for Action \(AAA\)](#) – was reaffirmed in December at the Doha Review Conference on Financing for Development. DAC members reconfirmed their commitments to the AAA, promising to keep up peer pressure for progress in implementing a series of “beginning now” issues, five actions for which the stakeholders committed to putting in place immediate change.

In this context, the DAC-hosted [Working Party on Aid Effectiveness](#) has not stood still. The motor behind the movement to make aid more effective since it was set up in 2003, the Working Party includes an ever-growing number of donor and developing countries, as well as civil society institutions, foundations and parliaments.

Since the High Level Forum in Accra, the Working Party’s programme has not only been refocused to concentrate on key roadblocks and opportunities identified there; it is also looking at critical issues that were not sufficiently addressed at Accra. A series of new “clusters” and networks will focus attention where it is most urgently needed: ownership and accountability; country systems; transparent and responsible aid; assessing progress; managing for development results; sector approaches to aid effectiveness; and South-South co-operation. At the same time, these groups will act as political drivers of change.

The Working Party is already beginning to prepare the Fourth High Level Forum on Aid Effectiveness (HLF4), which will be held in the Republic of Korea in 2011. This forum – and the analysis that feeds into it – will enable us to assess how countries have performed in delivering on their commitments.

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Feature article

Eveline Herfkens, Executive Coordinator, UN Millennium Campaign

At the United Nations Millennium Summit in 2000, 189 world leaders made a historic promise: to end poverty by 2015. They did so by agreeing to the Millennium Development Goals (MDGs), a set of key global targets that grew out of a DAC report, *Shaping the 21st Century* (1996) and a joint United Nations, OECD, IMF and World Bank publication, *A Better World for All* (2000).

Eveline Herfkens was asked to lead a campaign to raise awareness and mobilise public support around the MDGs and the fundamental issues they embody. Thanks to the effectiveness of the Campaign, the MDGs have become the framework for development policy and communication and a yardstick for measuring and communicating results. They have helped to create public awareness and to mobilise political support.

At a moment when the economic crisis threatens the progress already made towards the MDGs and the effectiveness of development assistance is under fire by critics such as Dambisa Moyo in her book *Dead Aid*, Eveline Herfkens shares her insights.

"Dead Aid", or Recovering Patient?

Dambisa Moyo's book *Dead Aid* has created quite a storm within the development community, which struggles to find an appropriate response.

Of course, the easy retort is that her recipe – more foreign investment and access to international capital markets – while feasible – and actually happening at the time she wrote her book – offers no alternative for the present moment. Because of the economic crisis, foreign money flows have been reversing. There were no international bond issues by African countries in 2008. In fact, Kenya, Nigeria, Tanzania and Uganda have all cancelled plans to raise funds in the capital market. In the meantime, some well-performing African economies are re-evaluating their intentions to phase out official development assistance (ODA).

But regarding her criticism of aid, frankly, I feel the "aid business" has reacted too defensively. The practices she condemns are exactly the ones the OECD Development Assistance Committee (DAC) and more enlightened donors have been trying to reform. I see Moyo's book as a great opportunity for a public discussion regarding aid effectiveness and trade, for which it has always been hard to get public attention. Such public attention might create the constituency and political will to finally implement the reforms in aid delivery that were agreed by all donors in the Paris Declaration of 2005 and the Accra

Agenda for Action last year.

I am especially delighted that Africans join the debate, which has been dominated for far too long by westerners, some of whom have too often portrayed Africans as incompetent and helpless. It is time for Africans to stand up against the insulting paternalism of some parts of the international aid community, who suggest that it is up to us to fix global poverty, denying that it is the primary responsibility of the developing countries to fix themselves – as embedded in the division of labour embodied in the Millennium Goals. It is high time to attack the underlying myth of western superiority: we lecture – you listen; we give – you receive; we know – you learn; we take care of things – because you can't. Undermining Africans' self-confidence, we take over. Neo-colonialism is what I call it. Or, as an African friend of mine once told me: "When you move to Africa, you are by definition an expatriate expert. But when I move to Europe I am only an immigrant."

It is essential to get rid of these perceptions if public opinion is to understand what underpins the necessary reforms agreed in the Paris Declaration and the Accra Agenda for Action: the recognition that we, donors, don't develop them – they develop themselves. Only if Africans – not donors – set their development agenda, can aid be used productively.

In particular, Moyo's point that "without aid, it would be easier for citizens to hold governments accountable" should not be dismissed. Indeed, the attitude of "we" (standing for experts/money) will save Africa or "we" will end poverty, leads to undermining incentives for poor people to demand action from their own government to improve governance, fight corruption, and ensure that resources – not just aid, but also the far larger domestic resources – are spent transparently and well. This implies that donors have to deliver aid in a fashion that does not allow developing country governments to shirk that responsibility, nor shift their citizens' expectations away from their own governments to those of the donors. Indeed, the type of aid that removes the link of accountability between political leaders and their electorate has ultimately perpetuated poor governance and poverty. Aid must be channelled through recipient budgets to allow domestic accountability.

I also agree with Moyo's observation that too much aid has been driven by donors' own economic and geopolitical interests. Where "aid" is given for geopolitical or export promotion objectives, it was never intended to reduce poverty; thus, we should not be surprised if it does not.

Finally, she is also right about the importance of trade, relative to aid, and the need to make trade rules fairer. Alas, while the EU has pledged more coherence of trade policies with development objectives for more than 15 years, we still fail to provide genuine market access to the poorest countries or reform our agricultural policies.

But I disagree with Moyo's conclusion that if aid does not work, we should quit the aid business. We should not throw out the baby with the bathwater, but should draw lessons from its failures and successes. And that is exactly what we have been doing over the past decade. Now, seriously, for the first time in aid history we have an agreed upon, broad-ranging agenda of measures to ensure that aid genuinely contributes to development. The Paris-Accra agreements are not just slogans or buzzwords – each is

backed up by a series of practical reforms, deeply grounded in reality, and responding to past failures, including many ills Moyo points out.

What worries me most about Moyo, is that she does not say much new; it has all been said before by Peter Bauer in the sixties and seventies (she was fair enough to dedicate her book to him) and by William Easterly a few years ago. By now, it is not good enough for us in the aid business just to say we heard it and debate the finer points.

It is time to implement the Paris-Accra agenda so that aid responds to genuine local needs, builds local capacity to manage development, and makes governments responsible and accountable. Yet implementation has been lagging. And this is because it requires political leadership and understanding of the rationale for the Paris-Accra reforms by the public in general and parliamentarians in particular.

Moyo has done us a great favour by providing the platform, generating interest for these issues in mainstream media, and providing the right arguments for these urgent reforms.

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Also in this issue...

News in Brief

Dambisa Moyo leads discussion at OECD

Dambisa Moyo, economist and author of *Dead Aid*, was at OECD recently to lead a discussion on international development and the importance of addressing the coherence of policies that go beyond aid. Participants at the meeting agreed that opening global trade and investment, reducing tariff barriers, and collecting taxes are fundamental if African leaders are to finance much needed jobs, healthcare, schools and infrastructure for their citizens. In a taped interview with Brenda Killen, Head of OECD Development Co-operation Directorate's Aid Effectiveness Division, Moyo discussed a moratorium on development aid by 2050. [Listen to the interview.](#)



Development: Are countries prepared to do it?

Without strong, reliable capacity at home, developing countries will never work their way out of aid. This is why, shortly after signing up to the Accra Agenda for Action, developing countries came together to form a strong, Southern-led coalition for capacity development. The [CD Alliance](#) will help political leaders to confront the challenges outlined in the AAA and develop priorities and mechanisms for addressing them. Members of the Alliance [met in Berlin in May](#) to forge an action-oriented and realistic work plan for 2009-2010, with a strong focus on inclusiveness and learning from experience. To this end, it will launch a learning platform in Africa.

3Cs: A Roadmap out of conflict and fragility

Coherence, co-ordination and complementarity – this is what engaged the participants in an international gathering around the complex issues that create roadblocks to development in states where there is conflict and fragility. The [3C Conference](#) – as this meeting was called –

brought together senior-level actors in foreign affairs, defence, development, humanitarian aid, finance, trade, peace keeping and justice (19-20 March, Geneva). Together they developed a [Roadmap](#) to help achieve sustainable peace, stability, statebuilding and long-term development.

The Conference was organised by the Government of Switzerland in association with the co-convenors OECD, United Nations, World Bank and NATO. Close to 300 policy- and decision-makers from 40 countries and international and regional organisations, as well as selected civil society representatives, took part in the event.

Investment in security: A penny now, or a dollar later?

"In times of economic crisis, and where the evidence base for success is thin, how can we continue to make the case for the enormous financial and human effort required to work in a comprehensive way on the security and development nexus?" This was the question raised by Stephen Groff, Deputy Director of the OECD Development Co-operation Directorate in his keynote address to the [8th International Security Forum](#) in Geneva, 18-20 May 2009. "My response to this question, simply put, is we have no choice."

Groff cited the cases of Guinea Bissau, where "the costs of prevention would have been far less than the costs of the country's current crisis and the wide ranging spill-over effects in the international community."

Guinea Bissau, where rampant poverty created fertile ground for drug trafficking – is not unique. And it showcases the complexity of security and development questions that require early, complex, holistic and comprehensive responses. "The many drivers of conflict, plus the hostility, fear and humanitarian fallout in places like the Swat valley in Pakistan today or the Gulf of Aden off the coast of Somalia require a very sophisticated and nuanced response from the international community," said Groff.

In his address, Groff stressed the importance of the work of the OECD DAC's new [International Network on Conflict and Fragility \(INCAF\)](#) in taking forward and promoting whole-of-government/system approaches based on in-depth studies of successes and challenges in the past.

Better results for women and men

At a June meeting of the [DAC Network on Gender Equality \(GENDERNET\)](#), speakers from Ghana, the Philippines, Morocco and Tanzania shared their experiences in reforming public financial management to deliver improved development results for women and men. South Africa also participated for the first time in GENDERNET, sharing their approach to gender-responsive budgeting. Another workshop in the framework of this event looked at the impacts of the financial and food crises on women. The delegation from Korea, which included representatives from the Korean Women's Development Institute, made a strong commitment to work with the GENDERNET to systematically integrate gender equality and women's empowerment into the planning for the Fourth High Level Forum on Aid Effectiveness in 2011.

Statistics at the core of development

While the challenges to development are many, there is now international consensus on the fact that without efficient national statistical systems, developing countries lack the solid information they need to develop their own poverty reduction programmes. To address this

need, some 400 high-level participants will gather in Dakar, Senegal in November 2009. There, policy makers, statisticians, analysts, civil society and private sector representatives will discuss statistical capacity building in developing countries and the continuing role of the [PARIS21 Partnership](#). A key output of this [PARIS21 Consortium meeting](#), organised jointly with the Government of Senegal, will be a Dakar Declaration on Statistics for Development.

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DAC Peer Reviews

[Austria](#): Commendable efforts

Austria's official development assistance (ODA) was 0.42% of its gross national income (GNI) in 2008, putting it in 11th place among OECD's Development Assistance Committee (DAC) donors.

[Ireland](#): A champion in making aid more effective

Ireland's net official development assistance was USD 1.3 billion in 2008, a 90% increase over 2003, in real terms. Ireland's aid grew from 0.39% of gross national income in 2003 to 0.58% in 2008, during a period of exceptional national economic growth.

[Australia](#): A rigorous whole-of-government approach conducive to policy coherence

Australia has made substantial, positive changes to its aid programme since 2004: it has completely untied it and reinforced its focus on reducing poverty, while remaining engaged in states in fragile situations. Its aid volume was USD 2.67 billion in 2007, representing 0.32% of its gross national income (GNI).

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Publications and Products

[Development Co-operation Report 2009](#): In his introduction, the DAC Chair focuses on the new environment for development assistance, making a call for heightened collective action. The report also reviews the outcomes of the [Third High Level Forum on Aid Effectiveness](#) and the need to step up our efforts to make aid work better for developing countries. It addresses the fragmentation of aid and its predictability. Finally, it offers five lessons on how the Paris Declaration can be used to make the link between development policy and human rights, environmental sustainability and gender equality. Read comments made at the [DAC Chair's presentation](#) of the Development Co-operation Report 2009.

Better Aid series has three new titles:

[Managing Aid: Practices of DAC Member Countries](#): Outlines what individual donors are doing to fulfil their development co-operation ambitions and their part of the international agreements – reached in Paris in 2005 ([Paris Declaration](#)) and Accra in 2008 ([Accra Agenda for Action](#)) – to make aid more effective.

[Aid Effectiveness: A Progress Report on Implementing the Paris Declaration](#): This report is a mid-term review of progress towards the commitments embodied in the Paris Declaration on Aid Effectiveness, drawing on the *2008 Survey on Monitoring Paris Declaration* and the *Evaluation of the Implementation of the Paris Declaration Synthesis Report*, among many other

sources.

[*Managing Development Resources: The Use of Country Systems in Public Financial*](#)

[*Management*](#): This publication takes stock of progress in strengthening public financial management systems and provides recommendations on how best to facilitate achieving the 2010 targets set out in the Paris Declaration. It argues the benefits of and rationale for using country systems, assesses progress in meeting the Paris Declaration targets, and reviews the landscape of public financial management reforms in partner countries.

The first two titles in the new publication series “Conflict and Fragility” are now available:

[*Preventing Violence, War and State Collapse: The Future of Conflict Early Warning and*](#)

[*Response*](#): Despite the recent evolution of early warning systems, the international community today is hardly in a position to avoid recurrence of genocide, as witnessed in Rwanda, for instance, in 1994. This publication aims to support the efforts of OECD-DAC members and other organisations active in the field of conflict prevention and peacebuilding to better integrate conflict early warning analysis and response into their programming. Do we have the tools we need? Listen to an [interview with David Nyheim](#), the author of this publication.

[*Armed Violence Reduction: Enabling Development*](#): Every year some 740 000 people die across the world because of armed violence. This publication warns that urban violence, youth gangs and criminality will continue to rise unless we all start to deal with the causes of violence, and provides advice on how to go about it.

Other reading

[*2008 DAC Report on Multilateral Aid*](#): This report offers an overall picture of multilateral aid. It maps out patterns, financial flows, and strategies and policies. The report also touches upon the fragmentation of aid and the effectiveness of multilateral organisations and reform processes, incorporating the views of partner countries.

[*2009 DAC Report on Aid Predictability: Survey on Donors’ Forward Spending Plans 2009- 2011*](#):

This year’s report clearly emphasizes the need to revisit programmed allocations to Africa and the LDCs, which are clearly not in line with the commitments donors have made. This is especially important in the light of mobilizing sufficient Country Programmable Aid to achieve the MDGs.

[*DAC work on aid to water supply and sanitation*](#): New analyses are available covering statistics on aid to the water sector, donor profiles on aid, commitments and disbursements over 2004-06. See in particular the publication [*Creditor Reporting System on Aid Activities 2008*](#), which presents comprehensive statistics on aid flows in support of water supply and sanitation for the years 2001-2006, including trends in donors’ aid and the degree of targeting of countries most in need.

[*DAC Guiding Principles for Aid Effectiveness, Gender Equality and Women’s Empowerment*](#):

These Guiding Principles focus on opportunities for using the Paris Declaration principles to harmonise approaches to gender equality, implement concrete actions and promote accountability for agreed commitments. See also [*Aid in Support of Gender Equality and*](#)

[Women's Empowerment.](#)

[OECD IDS CD-ROM 2009](#) provides economists and researchers with a unique source of up-to-date comparative statistics and information on international development.

[Policy Brief: Managing for Development Results](#): In a time of global economic downturn, governments are increasingly looking for ways to ensure that their resources are used effectively. Managing for Development Results (MfDR) has emerged as a centrepiece of global efforts to improve the effectiveness of public resources.

[Development aid was at its highest level ever in 2008](#): The latest figures are clear: last year ODA reached USD 119.8 billion, the highest dollar figure ever recorded. DAC donors' ODA and Secretariat simulations complete the picture.

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OECD DAC countries' ODA in 2008

**USD 119.8 billion up 10.2% in real terms and
0.30% of DAC members' combined GNI**

OECD [DAC Statistics](#) including Aid at a Glance charts for [DAC members](#), [recipient countries](#), and [by region](#).

DAC job opportunities

The Paris-based OECD DAC Secretariat is recruiting for the position of Director of the Development Co-operation Directorate, ref. 3232; closing date for applications is 11 July 2009. The Development Co-operation Directorate, with a team of around 100 staff, acts as the Secretariat for the DAC. It is a centre of excellence on policies and practices on development co-operation. Its cadre of professional staff provides intellectual input, technical expertise and operational capacities to provide sound analytical work and to facilitate dynamic international processes related to development co-operation.

For more information on this vacancy and how to apply, please go to [OECD job vacancies](#).

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