

DEVELOPMENT ASSISTANCE COMMITTEE REFLECTION EXERCISE

Investing in Development: A Common Cause in a Changing World



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BACKGROUND AND RECOMMENDATIONS

This report responds to a recommendation of the Council in the In-Depth Evaluation for the Development Assistance Committee (DAC) to undertake a strategic Reflection Exercise. The objective of the exercise was to address how to sustain and increase the relevance of the Committee in the changing development landscape over the next ten to fifteen years by reviewing its role, structure, functioning and composition. The result is to form the basis of a revised DAC mandate, expected to be renewed by the Council for five years starting 2011. To take the exercise forward, a senior level Reflection Group was formed. Annex I lists the members of the Group and provides a description of the reflection process. The DAC High Level Meeting (HLM) discussed and endorsed the report on 28 May 2009. The DAC is now proceeding to work out the details of implementing the recommendations (see box below) as well as draft a revised mandate for Council's submission in mid 2010.

RECOMMENDATIONS

Strategic Priorities

Strengthen core areas of statistics, Peer Reviews, aid effectiveness, and policy guidance.

Engage actively in the global governance reform for development co-operation.

Deepen work on policy coherence for development.

Integrate global public goods into development strategies.

Organisational Arrangements

Articulate its future role in the revised mandate.

Deepen inclusion of key development stakeholders.

Carry out a reform to enhance its overall performance.

Expand advocacy work within OECD and for public support to development co-operation.

Encourage OECD to carry out a review of its overall work on development.

EXECUTIVE SUMMARY

The world has seen unprecedented welfare gains in the last 50 years

1. The Development Assistance Committee (DAC) of the OECD, the world's principal donor forum, has contributed to these gains. The DAC's *Shaping the 21st Century: The Contribution of Development Co-operation* has shaped its work since it was published in 1996. It led directly to the Millennium Development Goals (MDGs) that continue to guide the collective global development enterprise. It enshrined the ownership principle by which developing countries take the lead in defining and implementing their own development strategies as a central tenet of donor policy. Its recommended commitment to adequate resources saw a significant increase in official development assistance (ODA), which reached a record level of 120 billion USD in 2008. Its emphasis on ownership, partnership and co-ordinated assistance led to the DAC-initiated Working Party on Aid Effectiveness, now a de facto international partnership that has contributed to increasing the effectiveness of higher aid levels.

New global challenges demand new answers from the DAC and the wider development community.

2. The most immediate challenge comes from the global economic crisis. Others include climate change, conflict and insecurity, pandemics, as well as the consequences of longer-term global demographic, economic, and environmental shifts. Even if the MDGs are met by the target date of 2015, large numbers of people will remain in poverty and vulnerable. This report makes several recommendations to strengthen global development. It calls for leveraging development policies with policy actions in other areas that affect development results, the integration of global public goods alongside national priorities in development strategies, and a reformed governance framework for development co-operation that provides more legitimacy, accountability and effectiveness. The report calls for renewed commitment to the MDGs, to making adequate resources available for development, and to increasing the effectiveness with which those resources are used. Finally, it calls on the DAC to adapt its activities and processes to support these priorities.

Development co-operation must adapt to meet today's global challenges.

3. In 2000, the international community committed itself to sustainable development and poverty eradication. Development was recognised not as charity from rich countries, but as a collective responsibility that addresses the interests of all the world's nations by upholding the principles of human dignity, equality, and global equity. Delivering on this common cause remains the central challenge of development today. If it fails, billions of people are condemned to continued poverty, and all of the world's citizens, rich and poor alike, and the earth's eco-systems become more vulnerable. Renewed urgency is needed, accompanied by a relentless focus on delivering results. Against this background, this report recommends four strategic priorities to guide a sustained and co-ordinated global response:

- Successful development needs more than aid. It needs policy actions in areas like trade, investment, security, migration, tax co-operation, and anti-corruption as well as leveraging all sources of development finance (domestic resources, export revenues, foreign investment, and remittances) for concrete results. National development strategies and donor assistance programmes must integrate global public goods, such as climate stability, control of infectious diseases, financial stability, an accessible and equitable global trading system, access to knowledge and international peace and security.
- The global development architecture must be reformed to improve its effectiveness and broaden its support. It must become more inclusive and less fragmented. A world that needs more effective global responses needs a strengthened multilateral development system.
- The international community must step-up its commitments—financial and other. Aid promises—whether the UN target of 0.7% of GDP or those made by the G-7 countries in Gleneagles in 2005 — have not yet been met. Since then, the financing needs of developing countries have increased due to the economic crisis and issues like climate change. Implementation of commitments to make aid more effective is lagging and must be accelerated.
- The international community must step up action to achieve agreed development targets, including halving poverty by 2015, the current timeline for the MDGs. It must also put in place a renewed process for the post-2015 period that will address any unmet targets, that will help the more than one billion people projected to continue to suffer

extreme poverty, that will emphasise reduced inequality and inclusive globalisation, and that will address shared global priorities.

The DAC must adapt its activities

4. As the primary global forum for providers of development assistance, it has a unique role in the development community. Guided by the Millennium Declaration and the OECD's commitment to stronger, cleaner and fairer in globalisation, it should work to ensure leverage between ODA and other sources of development finance, development-friendly policies, and programmes that integrate global public goods to achieve concrete, sustainable and equitable results. Specifically, the DAC must:

- Sharpen its core tools and working methods (such as aid effectiveness, statistics, peer reviews and policy advice and guidance) that help its members and the expanded donor community to deliver on existing quantitative and qualitative commitments.
- Take an active role in the process of reforming the global governance framework for development co-operation, demonstrating leadership through reform of its own governance arrangements.
- Deepen and accelerate its work to promote policy coherence for development, as it does so being more strongly anchored with other policy communities within the OECD.
- Focus on integrating global public goods into development strategies and programmes in ways that are pro-poor and sustainable.

These changes will require adaptation of existing DAC organisational arrangements

5. The DAC must:

- Articulate its role in a changing development landscape in its mandate (to be renewed in 2010 for a five-year period).
- Extend and deepen inclusion of key development stakeholders in all areas of its work. It should invest heavily in reaching out to and building effective relationships with other donors and other key stakeholder groups. It should work pro-actively to welcome new members. It must strengthen arrangements whereby DAC members are held to account for meeting the commitments they make and implementing the policies they endorse.
- Help the wider process of reforming and strengthening the multilateral development system.
- Expand its advocacy work.
- Adapt its internal structures and processes.
- Encourage the OECD to carry out a review of its overall work on development, the results of which may impact how the DAC works itself and with other parts of the OECD.

I. Introduction

1. The world has seen unprecedented welfare gains in the last 50 years. These gains have been shared unevenly. For many, they are at risk of reversal. Poverty remains a huge global problem. A more inter-connected world faces increased global threats such as conflict, climate change, and disease. The most immediate threat—the current global economic crisis—has exposed hundreds of millions to the risks of hunger, loss of employment, poverty, and economic insecurity. Acute and growing pressure on resources, especially land, energy and fresh water supplies, means that the current global consumption model cannot be sustained.

2. Development co-operation has contributed to these welfare gains. At the same time, it has been criticised for shortcomings in its ability to demonstrate results, for an excessively narrow focus on aid, and for the incoherence and inefficiency of an international development system that has evolved in a fragmented and poorly co-ordinated manner. Development focuses on those who have been left behind and are at risk in the world. It is a world in which the fates of rich and poor alike are more intertwined than ever. It is a world that is experiencing the most acute economic crisis in decades at the same time as facing profound challenges such as climate change and insecurity that demand immediate attention. This report recommends how development needs to respond to a radically changing global landscape. It also makes recommendations on how the OECD's Development Assistance Committee (DAC), the world's principal donor forum, should best support that response.

II. The development landscape has changed profoundly

3. **Since the middle of the 20th century, the welfare of a substantially larger global population has seen great improvements.** Life expectancy at birth increased by 20 years. Real incomes per person increased more than threefold since 1950. The proportion of people living in extreme poverty fell to around one-quarter in 2005, from around one-half in 1981. The proportion living in hunger halved between 1970 and 2007. Youth and adult literacy in developing countries increased by more than ten percentage points between 1988 and 2000. However, these benefits have not been experienced equally. Some countries and groups have been left behind, while others have experienced reversals. Some progress indicators mask absolute numbers that may have worsened—for example, around one billion people continue to suffer from hunger, and 1.4 billion live in extreme poverty. Although a number of countries in sub-Saharan Africa have seen progress, the region as a whole has been particularly disadvantaged. There is widespread concern about both the sustainability and equitable distribution of the gains achieved.

4. **The gains made are now under threat.** Acute crises, the most recent of which is the global economic crisis, now happen with increasing frequency. At the same time, the world faces a series of longer-term but no less urgent global challenges. These include climate change, conflict and insecurity, pandemics, and the consequences of a range of longer-term demographic, economic and environmental shifts. A more inter-connected world increases the sense in which these threats are shared. Nation states by and large remain the primary unit of identity in the world. Yet welfare is increasingly influenced by global phenomena, and much human endeavour takes place through non-state structures. States experiencing conflict and fragility, in which one billion people live, struggle to function at all.

5. **Development co-operation has a key role to play in supporting countries through and beyond the crisis.** The world is now experiencing the worst economic crisis since the 1930s. The sharp contraction in global economic activity is affecting both advanced and developing countries. Global GDP will decline in 2009 for the first time since the middle of the 20th century. Financial conditions have deteriorated sharply for developing countries through a combination of falling exports, lower remittances, and reduced access to financial markets. Around 50 million more people are projected to be in poverty in 2009. More than 50 million are expected to lose their jobs. The welfare of hundreds of millions is at risk. With fewer resources, developing countries face the challenge of protecting or expanding critical spending and investment, including on social safety nets, human development and essential infrastructure, and restoring sustainable growth. Lower income countries will need more assistance to protect critical expenditures and prevent further erosion of progress made in reducing poverty. While the crisis will reduce global growth, at least in the short-term, the relatively stronger growth performance of emerging economies and developing countries suggests a continued if uneven shift in the geographic distribution of economic power.

6. **Demographic and other trends pose major challenges to human development.** The world's population is projected to increase to around 9 billion by 2050. This is almost fifty percent above the level in 2000 and more than three times that in 1950. The aggregate increase will largely take place in developing countries, especially in the fifty least developed. It will

be accompanied by increased ageing, urbanisation, and migration. Global economic output has grown more rapidly than population, driven mainly by developing countries in recent decades. Even if the MDGs are met by 2015, large numbers of people will remain in poverty. Women and children are the most vulnerable. Gender inequality, so costly in development terms, continues. On current trends, at least 29 million children will not be in school in 2015, and there will be over 700 million illiterate adults. Substantial challenges remain in the areas of health, social protection, food security, and the provision of humanitarian aid to those who need it.

7. Earth systems are less secure. Increased consumption by a growing global population over an extended period has put enormous pressure on ecosystems and natural resources. The current global consumption model is not sustainable. Changes in climate are expected to affect everyone profoundly. The adverse impact will be most severe on people in developing countries. The existing level and profile of energy consumption are at the heart of global warming and overall sustainability concerns. The world is struggling to meet current demand for food, which is projected to grow significantly. Access to fresh water is under ever-increasing stress, with the poor being most vulnerable. These aggregate trends mask a wide diversity of national experience, with developing countries disproportionately vulnerable and underequipped to respond.

8. Globalisation and inter-connectedness have continued to grow. By the advent of the crisis, trade, foreign direct investment, and remittances to developing countries had all reached record levels. Cheaper and more accessible communications and transport services have facilitated the sharing of goods, services, ideas, information, and technology. In aggregate, this has brought great benefits. However, these benefits have been unevenly distributed, and often the associated costs have been borne by those who benefited least. Greater economic integration and interdependence have increased awareness of the importance of global public goods,¹ while the three crises of 2008—food, fuel, and finance—have underscored how vulnerability is shared and the need for co-ordinated global responses.

9. Helping states in fragile situations and promoting good governance are shared objectives. Fragile and conflict-affected states and areas are home to one-sixth of the world's population and to onethird of all those who live on less than 1 USD per day. The spill-over effects—violent conflict, instability, organised crime, increased domestic and gender-based violence, migration, and human trafficking—both within and between states affect the entire global community. With their populations among the fastest growing, the risks they face and pose to the international community will grow. The last two decades have seen progress in strengthening governance, including the advance of democracy, the fight against corruption, integration of human rights in development, and stronger institutions for public accountability. Yet much remains to be done.

10. Development co-operation has made important advances. The UN Millennium Declaration in 2000 committed the global community to development and poverty eradication. It did so in the context of a broader commitment to global peace and security; protection of the environment; advance of human rights, democracy and good governance; and protection and empowerment of the vulnerable.² It noted that the benefits and costs of globalisation are very unevenly shared, and that developing countries and countries with economies in transition face special difficulties in responding. The Declaration set out a series of eight Millennium Development Goals (MDGs) that have since been adopted by the international community as the agreed framework for global development co-operation. There has been progress in meeting the targets, but it has been uneven. Until the global economic crisis struck, the target to halve poverty by 2015 was ontrack to be met at a global level. Yet absolute numbers remain high. The number of poor people living in sub-Saharan Africa has increased, and it now accounts for more than one quarter of the global poor compared to around one-tenth in 1981.

11. Both the volume and sources of development finance have increased substantially. The Monterrey Consensus in 2002 expanded the debate over financing for development.³ By 2007, developing countries' own resources, their export earnings, net private flows, and receipts from remittances had all reached record levels. Official development assistance

1. The International Task Force on Global Public Goods noted in its 2006 report that a global public good is one that "benefits all countries and, therefore, all persons". The report identified climate stability, control of infectious diseases, financial stability, an accessible and equitable international trading system, knowledge, and international peace and security as the principal global public goods (see www.gpgtaskforce.org).

2. The Millennium Declaration was reinforced and further elaborated in a series of follow-up global events that led to the Monterrey Consensus (2002), the Johannesburg Plan of Action (2002), the World Summit Declaration (2005) and the Doha Declaration (2008). The ongoing evolution of international co-operation approaches towards human security was re-affirmed in the OECD statement to the follow-up of the United Nations Millennium Declaration and Monterrey Consensus in April 2005.

(ODA) reached a record level of USD 120 billion in 2008, around two-thirds higher than in the late 1990s. This followed years of static or declining levels, especially relatively to GNI. However, at a weighted average of 0.30% of DAC member countries' GNI in 2008, it remains below the ratio seen in the early 1990s (0.33%), and below the UN target of 0.7% of GNI. The target of reaching USD 130 billion a year (in 2004 prices) envisaged at the 2005 G8 summit in Gleneagles remains very challenging. Meanwhile, the number of donors—both public and private—has increased dramatically. Many operate outside established aid co-ordination structures and limited data are available on their activities. The scale of new entry has brought a rich diversity of approaches, but also considerably more complexity and fragmentation. Although the donor community lacks an overall global co-ordinating or regulatory mechanism, important initiatives have taken place in the last decade. These include the DAC-initiated aid effectiveness agenda that resulted in the Paris Declaration and Accra Agenda for Action. More recently, the UN launched its Development Co-operation Forum.

12. Global institutions are struggling to respond. A world that has seen unprecedented advances in human welfare faces profound challenges. The risk of reversal of the gains made is higher than it has been for a long time. The fate of all the world's citizens has never been more inter-linked, yet predominantly national structures for public action are ill-suited to address problems that are increasingly trans-national. Development co-operation has responded, yet the structure within which it does so is neither co-ordinated nor coherent. As with the broader international system, the institutional framework for development co-operation has not kept pace with a changing world.

III. Development is a common cause

13. Development is vital to global stability and welfare. The current economic crisis affects both developed and developing countries. It illustrates global inter-connectedness and the mutual interest in taking collective action. Developing countries need help to deal with the consequences of the crisis, in particular to restore sustainable growth and to protect vulnerable communities. Developed countries need to help as their contribution to a collective global responsibility to uphold the principles of human dignity, equality and equity and as their own welfare is directly affected by events in developing countries. Emerging economic powers have an increasing responsibility to contribute to global responses as their economic means increase. All have a shared stake in maintaining the hard-won development gains of the last several decades. Equally, all have a shared interest in addressing global priorities like climate change and international peace and security. As never before, global development is a common cause.

14. Realising this common cause is difficult. Since the Millennium Declaration, the global approach to development model aspires to reflect shared values, common interest, country ownership, co-ordinated effort, and mutual accountability. Implementation of this model faces profound challenges. Collective global action is difficult when the costs of a public good are borne locally, but the benefits may be global or are only seen in the longer term. Global institutional structures, while adapting, are seen to do so slowly and to be inadequate to the challenges now faced. It is difficult to secure commitment to shared values and standards from new aid providers when the structures that produced them may not adequately reflect their voice. Donor commitments are seen to be lagging in implementation. Immediate problems, such as the economic crisis, can reduce the focus on longer-term challenges.

- *Successful development needs more than aid.* Global, regional and national policies in areas like tax, trade, investment, migration, anti-corruption, access to technology, and security can have a greater impact than aid on the ability of developing countries to make sustainable progress. National development programmes need to integrate global priorities, notably the response to climate change. Likewise, responses to global issues need to reflect development priorities. Development co-operation must internalise both of these dimensions—promoting policy coherence and addressing global public goods. This will require stronger working relationships between the development and other policy communities at national, regional and global levels. It will require stronger voice and participation from developing countries themselves, especially from emerging global economic powers whose policy decisions have an increasing impact on global outcomes. And it will require development policy to find an appropriate balance between

3. The Monterrey Consensus conceived a new partnership for global development. It recognized both the need for developing countries to take responsibility for their own poverty reduction and the necessity for rich nations to support this endeavour with more open trade and increased financial aid. It embraced several sources of development finance: domestic financial resources, international resources such as foreign direct investment and other private flows, revenues from international trade, increased international financial and technical co-operation, external debt, and systemic issues such as enhancing the coherence and consistency of the international monetary, financial and trading systems. The follow-up Doha Declaration in 2008 re-affirmed Monterrey, included a strong commitment by developed countries to maintain their ODA targets irrespective of the current financial crisis, and committed to a number of additional measures to enhance the adequacy and effectiveness of development financing.

country-specific and global programmes and interventions. Alongside these policy measures, ODA must leverage non-aid sources of development finance, such as domestic resources and private flows, including foreign investment and remittances.

- *The global institutional framework for development must evolve further to make it more effective and to broaden its support.* Legitimacy, accountability, and effectiveness must guide the reform outcome. The voice of developing countries must be strengthened, acknowledging that they do not comprise a homogenous group. Some have become global economic powers and have started their own international aid programmes even as they continue to have significant national development needs. Others are more vulnerable and continue to need substantial levels of external assistance. The responsibilities assumed by developing countries need to grow in line with their increased economic weight. Both public and private donors need to be represented, as well as providers of South-South collaboration (see also Box 1).
- *Development commitments need to be stepped up.* ODA, while growing, remains below the levels committed for 2010 at the G8 Summit in 2005, and less than half the UN target of 0.7% of GDP. Developing countries need substantial additional resources to address the economic crisis and the costs of meeting global challenges like climate change. The Copenhagen climate conference later this year will address how to finance mitigation and adaptation costs that may reach hundreds of billions of dollars annually in developing countries. A key question is how to ensure complementarity between the additional financing needed for climate change and existing development financing including ODA. Against this background, crisis-induced fiscal pressures must not lead to cuts in aid. Global conditions rather call for a major step-up in resources, a point underscored in the 2008 Doha Declaration of Financing for Development. Commitments made to make aid more effective are lagging. Implementation by both developed and developing countries needs to be accelerated.
- *Agreed global development goals, including halving global poverty by 2015, require more decisive action and need to be followed by arrangements for the post-2015 period.* The leaders of the G20 group of countries have re-affirmed their commitment to meeting the MDGs. They did so in the context of a wide-ranging global response to the economic crisis. The global development community will need to draw on all of its instruments, including ODA, to ensure that this commitment is met. MDG successor arrangements for the period after 2015 should set out a framework for results and action by the international community. The framework should include a focus on meeting any MDG targets that have not been met by that date, measures to help the large numbers of people (projected to be in excess of one billion) who will continue to be vulnerable and live in extreme poverty even if existing targets are met, an emphasis on reduced inequality and inclusive globalisation, and commitments to address shared global priorities.

Box 1. Possible features of a global development framework for the future

Reform of the global governance framework for development should evolve in a manner consistent with wider reform of the global institutional system. It should follow an inclusive process that provides substantive voice to all stakeholders. The resulting structure is unlikely to be a single institution, but will likely involve networking among institutions, building upon, and adapting as appropriate, elements that are already in place. The UN Development Co-operation Forum is likely to have an important role. The DAC's Working Party on Aid Effectiveness, now a *de facto* international partnership, provides a foundation on which to build and offers several lessons that can inform the wider debate. New structures should address the need to co-ordinate global strategies for development to ensure they reflect shared commitment to reach agreed goals; provide a mechanism to enhance co-ordination; include arrangements for mutual learning as well as setting, monitoring and mutual holding to account for implementation of broadly agreed standards; agreed measures to strengthen the multilateral development system; and provide a vehicle to build public understanding and support for aid and development co-operation.

IV. DAC activities should support strategic priorities

16. The DAC has been the world's main donor forum for 50 years. Its members provide the bulk of ODA, which reached USD 120 billion in 2008, and is committed to grow. One of the principal committees of the OECD, it has a distinct normative identity, global reach, ready access to other policy communities, and the benefit of structured OECD working practices. It provides a unique forum for sharing views and exchanging lessons. It has an established brand name with a reputation for objective neutrality and quality work. It has shown an ability to adapt and be flexible in the application of a mandate that remains unchanged since 1961. It has demonstrated global leadership in areas such as the elaboration of the MDGs and the aid effectiveness agenda. It sets and monitors global standards in a number of key areas of development. It carries out a range of de facto regulatory functions in selected areas. Its definition and monitoring of ODA provide the context within which DAC members commit substantial amounts of aid. While ODA continues to be central to its work, it has more recently broadened to include a wider range of development activities through developing themes and approaches of common interest, co-ordination, and reaching out to other policy communities and development stakeholders (see Box 2).

Box 2. Selection of recent innovative DAC work activities

Among the cutting-edge activities carried out by the DAC are:

- Aid effectiveness.
- Establishment of a new international network on fragility and conflict, with participation from around 15 states experiencing fragile situations.
- New forward information surveys and the concept of country programmable aid, both of which are essential for management of scaling-up development impact.
- Review of trends in multilateral aid.
- Integration of climate change into development co-operation (on-going as part of preparation for the 2009 Copenhagen conference).

17. The DAC should adapt to contribute to the strategic priorities noted above. Its core activities should comprise assisting its members and the expanded donor community to deliver on existing qualitative and quantitative commitments; actively engaging in the process of reforming the complex global governance system for development co-operation; deepening and accelerating the work it has already undertaken to promote policy coherence for development; and working to integrate global public goods into development strategies. The DAC should be guided by a stronger focus on demonstrating results in all areas of its work. This requires changes to how and with whom the DAC works.

18. The DAC should continue to assist its members and the expanded donor community to deliver on existing qualitative and quantitative commitments. Central to this effort will be enhancing the impact of ODA. Much work remains to be done in this area. The DAC should adapt and further enhance its long-standing core areas of strength:

- The DAC should continue to play a leading role in the *aid effectiveness agenda*, one of its most innovative and valuable activities in the last decade (see Box 3). Its longer-term institutional home after the Fourth High Level Forum on Aid Effectiveness in 2011 should be collectively decided by the now-expanded membership of the Working Party. The DAC should continue to actively support this activity, guided by the Accra Agenda for Action, including in any new institutional home. The aid effectiveness agenda should evolve to address issues of new strategic emphasis, such as policy coherence for development and global public goods.
- The DAC's *statistical work* should expand its efforts to capture the totality of development finance flows, public and private, including improved coverage of multilaterals. Beyond the current provision of ODA statistics, the DAC should draw more on its strength in this field to produce reports that are tailored to key concerns of policy makers. In this regard, donors should provide more timely, detailed and accessible information about all resource flows for development, including future plans in a manner that will facilitate tracking of actual performance. There will be scope for much of this work to be drawn from that of other organisations, or for it to be performed jointly with others. There is also a need to develop and report more information on other dimensions of aid and development. This would go beyond

the concept of strictly historical quantitative data, would build on those being developed through the aid effectiveness initiative and, working with other parts of the OECD, include policy coherence. The DAC should continue to improve accessibility of this information to the public.

- *Peer reviews.* Peer reviews of DAC member practices serve an important role in holding donors accountable to each other, to their publics and to their partners. They should retain their peer characteristic. As a broader range of stakeholders become engaged in all areas of its work, the DAC should draw on this pool of expertise to support reviews and learning. These stakeholders – including partner countries, multilateral organisations and civil society – should be involved in, and contribute to, the peer reviews. Greater use should be made of quantifiable indicators and of DAC guidelines as reference points. The experience with reviews is a valuable resource that should be expanded into other areas. The DAC should actively assist major non-DAC donors and especially potential new members as they prepare to accede, for example through carrying out special reviews of their aid programmes and organisations. It should consider conducting reviews of the performance of multilateral organisations. It should support mutual accountability assessments conducted at partner country level. Together with interested developing countries, the DAC should also pursue recipient country focused and thematic reviews. Lessons should be drawn across reviews and shared with the wider donor community.
- The DAC should continue to *provide policy advice and guidance* on development issues. The willingness of members to adopt and implement policy in a way that can be explicitly monitored, for example in peer reviews, should be a test applied to proposals to develop new DAC guidelines.

Box 3. The OECD DAC Working Party on Aid Effectiveness (WP-EFF)

The WP-EFF was established in 2003, taking over the work that had previously been done by the DAC Task Force on Donor Practices. Its membership comprises all members of the DAC, twenty-two partner countries, and most of the larger multilateral development organisations. Some other countries and institutions have been active observers. Hosted by the DAC, it has become the de facto international partnership on aid effectiveness. It uses traditional OECD methods to promote behavior change, share experience, pursue evidence-based dialogue, and share lessons, guidance and good practices. It has organised three high-level fora on aid effectiveness, in Rome (2003), Paris (2005) and Accra (2008).

Aid effectiveness has become one of the DAC's most high profile activities. It has extended the already broadening DAC focus from aid volumes to aid quality and, increasingly, development results. It has also brought together all major development stakeholder groups in a form of joint decision-making. A new mandate is scheduled for approval by June 2009. Guided by the Accra Agenda for Action, it is expected to focus on implementing aspects of the aid effectiveness agenda, monitoring progress, supporting donor and developing country efforts to implement their commitments, and preparing the 4th High Level Forum. Issues that continue to be debated are whether the DAC is the most appropriate body to lead the international development community's engagement in aid effectiveness, the Working Party's institutional consistency with the rest of the DAC and OECD, and the resources needed to sustain intensive and broader participation.

19. The DAC should actively engage in the process of reforming the complex global governance system for development co-operation. Governance related to development co-operation is evolving, most recently with the emergence of the WP-EFF. There is recognition that much development work remains largely ad hoc, fragmented, and unco-ordinated. Debates to enhance effectiveness, legitimacy, accountability and discipline demand the DAC's full attention. This will require engagement with the UN Development Co-operation Forum, with a broad range of donors beyond the membership of the DAC, and with other institutions committed to strengthened governance. The DAC's role should be consistent with that of the OECD, itself likely to evolve in the years to come. The DAC should strengthen the processes by which members are held to account for delivery of the commitments they have undertaken and implementation of the policies they have endorsed. In a world that needs more effective global responses, it should contribute to strengthening the multilateral system. In response to substantive reforms and indications of improved efficiency, it should examine the case for increasing the proportion of ODA delivered through multilateral organisations.

20. The DAC should deepen and accelerate the work it has already undertaken to promote policy coherence for development. It should work particularly closely with other relevant parts of the OECD to this end. It should exploit opportunities to work with other international organisations, regional groupings and civil society organisations. Given the scope for different OECD policy communities to work together for better development results, the OECD should consider publishing regular progress reports on its work on policy coherence for development. The following are specific suggested priority activities on which the DAC itself should work:

- Help increase public awareness of the importance of policy coherence for development.
- Develop a knowledge-based centre of excellence, linked as appropriate to OECD policy communities and to the work of international partner organisations. This would build on existing DAC initiatives and instruments, including the aid effectiveness agenda, peer reviews, and mechanisms to measure results.
- Advocate for policy coherence for development in global fora, with an explicit link to the MDGs and selected global public goods. It will do this most effectively when it can point out how development contributes to other policy objectives.
- Provide guidance on how to build developing country capacity to manage public policy coherently, including a strong results dimension, and whole of government approaches.
- Include in its monitoring work the establishment of, and on-going reporting of performance against, a set of coherence indicators. Such indicators would need to attract broad support, involve other communities of the OECD as appropriate, and be accompanied by a monitoring mechanism that is objective.

21. The DAC should work to integrate global public goods into development strategies. Its location within OECD positions it well to do so. The following are specific tasks that the DAC should undertake:

- Be a voice within OECD and globally for the pro-poor and sustainable provision of global public goods. As in the area of policy coherence, its advocacy work will be helped by being able to demonstrate how progress in developing countries on global public goods brings benefits to all countries.
- Include global public goods in its work on policy coherence.
- Increase engagement with developing countries, especially those with increasing impact on global outcomes.
- Give particular priority to climate change and international peace and security. In the case of climate change, key challenges are how to ensure the global response contributes to poverty reduction and development objectives, how funding is to be governed, and how to ensure complementarity between climate change funding and existing development financing, including ODA.
- Help develop standards and guidelines and work toward co-ordinated donor policy and action, adapted as appropriate for the income and capacity diversity of developing countries. Provide assistance on how donor programmes and ODA can best help developing countries to internalise effective support for global public goods.
- Develop mechanisms for defining, classifying, and monitoring development-related funding for global public goods, in co-operation with other organisations.

V. Adaptation of the DAC

22. **The DAC should articulate its future role in the updated mandate for the next five years planned for 2010.** This role should be guided by the UN Millennium Declaration (and any replacement framework), by the OECD's commitment to stronger, cleaner and fairer globalisation, and by the OECD's own evolving role in the international system. The DAC's work on ODA should be situated in a broader development context. Members' understanding of development and development policy would be articulated, and would include the new strategic priorities set out in this report—a focus on policy coherence for development, global public goods, and a reformed system of global governance for development co-operation. The DAC should continue to provide a facility for members to share views and experiences on and consider policy responses to key development objectives and challenges. It should actively encourage and support co-operation in pursuit of these objectives, both among member countries and between members and other stakeholders. It should engage with non-member countries—both providers and recipients of development assistance—as well as a broad range of other development stakeholders, including representatives of civil society, the private sector, and international organisations that work on development and matters that affect development outcomes. The DAC should commit to working effectively with other parts of the OECD, both those who work directly on development issues as well as those whose work affects development outcomes more broadly. The DAC should begin immediately with implementing these changes, and they should be reflected in its next programme of work. In this context, the DAC should consider whether to amend its name to better reflect its new role.⁴

23. **The DAC should extend and deepen inclusion of key development stakeholders in all areas of its work.** It should provide key groups with a greater substantive voice in the Committee's decision-making processes. It should use its High-Level Meeting to engage in a discussion on a broader nature of development policies with senior participants from developing countries and other key stakeholders. The DAC should work pro-actively to expand membership over time as a means achieving better results through an enlarged footprint of its values and impact of its work, thereby benefitting its members and the wider development community. It should step up the services it provides to new and prospective members. Work on out-reach and inclusion should be informed by the overall process of governance reform.

24. **There is scope for reform of existing organisational arrangements to enhance overall performance.** In common with other OECD committees, the DAC's networks and working parties—known as “subsidiary bodies”—are where much of the Committee's most highly valued work takes place. Most of the administrative resources are appropriately dedicated to supporting their work. The subsidiary body structure should remain at the heart of the DAC. The DAC should pursue a dynamic reform of their current priorities and deliveries to ensure the relevance of the structure to the new strategic priorities. Options for doing so include replacing the existing structure with a smaller number of more thematically, cross-cutting bodies; bringing networks together under a new working party that would focus on development strategy and policy; or reforming the existing structure by furthering recent initiatives to improve prioritisation and communication with the Committee. The choice made should provide greater flexibility to respond to shifting priorities and increase work across networks and with other parts of the OECD. These bodies should focus on producing work that is more policy-relevant, developing guidance, standards and recommendations against which DAC members are willing to be monitored. The DAC is encouraged to explore opportunities to make the Committee itself more streamlined, open and transparent, and to reduce process and transaction costs.

25. **The DAC should expand its advocacy work.** The DAC and its members have an important role to play in communicating the importance and value-added of effective development policy. This will be essential to sustaining and growing public support for development activities, including ODA. The DAC should advocate for development within the OECD as well as in those global fora in which it participates. It should build linkages with other policy communities to promote coherence, and in support of global public goods. The DAC should support its members in their efforts to increase public support for development assistance at the national level.

26. **The OECD should carry out a review of its overall work on development.** The DAC is one of a number of organisational units engaged in development that are part of or are located within the OECD. Each has a distinct identity and they each involve developing countries and other players in their governance and activities in varying ways. At the same time, co-ordination and cohesion is a challenge. Reviewing these groups fell outside the scope of this review. Beyond these development units, the OECD has a rich diversity of activities and engagement mechanisms with developing countries

4. Possible new names for the Committee include Development Affairs Committee, Development Policy Committee, and Committee on Development Policy.

across the spectrum of its overall work. The OECD should undertake a review of how development-related work across the organisation can be done more effectively. The results of this review, together with the recommendations of this report, should be taken into account in the articulation of a new DAC mandate from the end of 2010.

VI. Conclusion

27. The last 50 years have seen substantial global development gains, but also un-met targets. In a more inter-connected world that faces immediate and longer-term challenges, many people are at risk of losing gains won, others of never achieving them. Development has never been more central to global stability and welfare. The global development community now needs to adapt to the challenges presented by a radically changing world. It must help to connect global priorities to national strategies, better connect development policies to other policies that affect global welfare, and connect all key development players in structures that are effective and command broad support. The international community must step up its commitments to agreed targets and provide support to address new challenges.

28. The DAC has a unique role to play in the development community's global response. Its own efforts to situate its work in a broader development context and to work with others provide a solid foundation on which to build a stronger DAC for the future. To enhance its relevance and effectiveness, it must find mechanisms to support the strategic priorities set out in this report. Doing this will require change — significant change. The DAC has shown an ability to adapt. Now is the time to extend and accelerate these efforts in support of development as a common cause.

ANNEX I

Description of process

1. *Background.* Against a rapidly changing global landscape, the 2007 OECD Council's In-Depth Evaluation of the DAC recommended, inter alia, that the DAC should undertake a Strategic Reflection Exercise. The overall purpose was to address the key question of how to sustain and increase the relevance of the DAC and its Subsidiary Bodies in the changing development co-operation landscape, building on its strengths and comparative advantage, with a time horizon to 2020. In view of the Reflection Exercise, the OECD Council approved a two year extension of the current DAC mandate to the end of 2010 to enable the DAC to submit a revised mandate where necessary based on the reflection results.

2. *Terms of Reference.* The terms of reference for the reflection exercise were approved by the DAC High-Level Meeting in May 2008.⁵ They asked that the exercise:

- a. take stock of the changing global landscape and assess the role of development financing and co-operation in poverty reduction for the next 10-15 years;
- b. spell out the DAC's comparative advantage and value added in poverty reduction, including in promoting policy coherence for development, by adapting to new realities, demands and opportunities; and
- c. make recommendations on:
 - the role, structure, and operating modes of the DAC and its Subsidiary Bodies in carrying out a focused work programme and in achieving results; and
 - strengthening DAC's interface with other directorates and committees within the OECD, relevant international organisations (World Bank, United Nations, etc.), non-DAC donors, new actors and partner countries.

3. *Reflection Group.* The reflection exercise was undertaken by a Reflection Group (RG) of senior level individuals nominated by DAC members and observers. Originally foreseen as eight to nine in number, it eventually comprised 22 individuals. The following lists the members.

4. The RG met on about six occasions, in June 2008 (New York), October 2008 (Washington DC), December 2008 (Paris), February 2009 (Rome), March 2009 (Geneva) and April 2009 (Washington DC). The meetings were chaired by the Chair of the DAC, Mr. Eckhard Deutscher. The group's work was supported by the DAC Secretariat and a facilitator.

5. *Other discussions within OECD.* A Support Group (SG) was established, composed of delegates from DAC members and observers, chaired by the DAC Chair, and assisted by the Secretariat. The SG had a particular responsibility for stakeholder consultation under the guidance of the RG, and for providing feedback on the reflection process. The SG held four meetings, all in Paris, in June 2008, September 2008, December 2008, and February 2009. A Progress Report on the reflection exercise was discussed by the DAC Senior-Level meeting in December 2008. SG members were provided access to reflection exercise documentation through the internal reflection website. A copy of the Reflection Group's draft report was made available to the DAC for discussion at its meeting on April 21, 2009, in advance of the final RG meeting on April 24. The reflection process involved discussions with representatives of individual DAC delegations, units of OECD with whom the DAC works, and staff members of the secretariat.

6. *Intellectual inputs.* The RG considered several sources of information on the global and development landscape within which development co-operation takes place. A number of these were based on analysis carried out within agencies in individual DAC member countries. Others were provided from other development agencies, as well as a range of official and unofficial sources. The RG requested and considered intellectual contributions in the areas of aid architecture, global public goods, and policy coherence for development. Each area is reflected in the final report.

5. See *Terms of Reference: DAC Strategic Reflection Exercise*, DCD/DAC (2008)28/REV1, 30 April 2008.

Reflection Group members

Country/Institution	Name	Title
Belgium	Mr. Herman de Croo	Ministre d'État, Vice-président de la Chambre des Représentants
Canada	Ms. Christine Hogan	Vice-President, Canadian International Development Agency
Denmark	Mr. Ulrik Vestergaard Knudsen	Ambassador, Permanent Representative to the OECD
European Commission	Mr. Maciej Popowski	Director, Horizontal Issues, European Commission
Finland	Mr. Pertti Majanen	Ambassador, Permanent Representative to the OECD
Germany	Mr. Adolf Klope-Lesch	Director General, Federal Ministry for Economic Co-operation & Development
Greece	Mr. Grigoris Tassiopoulos	Deputy Director of YDAS3
Japan	Mr. Masato Watanabe	Deputy Director General, Japanese Ministry of Foreign Affairs
Korea	Mr. Kang-ho Park	Director-General, Ministry of Foreign Affairs and Trade
Luxembourg	Mr. Marc Bichler	Directeur, Direction de la Co-opération et Développement, Ministère des Affaires Étrangères et de l'Immigration
Netherlands	Prof. Peter Van Lieshout	Member of the Scientific Advisory Council to the Government
New Zealand	Ms. Jackie Frizelle	Director, New Zealand Agency for International Development
Norway	Mr. Atle Leikvoll	Assistant Secretary General, Ministry of Foreign Affairs
Poland	Mr. Jan Bielawski	Ambassador-at-Large
Portugal	Ms. Ines Rosa	Vice-President, Portuguese Institute for Development Assistance
Sweded	Mr. Jan Knutsson	Director-General for International Development Co operation
Switzerland	Mr. Joerg Frieden	Head, Development Policy & Multilateral Co-operation, Swiss Agency
United Kingdom	Mr. Owen Barder	AidInfo@DevelopmentInitiatives
United States	Ms. Lisa Chiles	Counsellor, US Agency for International Development
UNDP	Mr. Bruce Jenks	Director, Bureau for Resources and Strategic Partnerships
World Bank	Mr. Jeffrey Lewis	Senior Advisor & Head International Policy & Partnerships Group, Poverty Reduction and Economic Management Vice Presidency

7. *Former DAC chairs.* The views of five former DAC Chairs were sought. They feel that the DAC should continue to have a role as a key OECD Committee over the period to 2020, but that it needs to change and adapt to a changing international environment. It should continue to deliver its core functions in relation to development co-operation (statistics, aid effectiveness, Peer Reviews). Improvements in the present arrangements are suggested, such as more policy-relevant statistics, some tightening up of Peer Reviews and a more ambitious agenda around evaluation. Account needs to be taken of the various objectives that development co-operation serves in practice. The DAC needs to prioritise, to focus on impact, to manage relations with subsidiary bodies, and avoid supporting too many objectives. It needs to pay greater attention to global issues (particularly those where aid may have a key role to play) and the policy coherence agenda, against a background of increasing interdependence and inequality. Issues mentioned include population, agriculture (especially in Africa), energy, water, environment and climate change.

8. The DAC needs to forge relationships with assistance providers outside the DAC, but in a pragmatic way (e.g., drawing on mutual interest). This should include more dialogue with the private sector. Some issues (e.g., capacity development) may be better discussed in a more inclusive forum than the DAC alone. In addition, the following points were raised: the need to re-draft the DAC mandate (or associating the original mandate with some sort of memorandum of understanding about common ground between DAC members); the case for re-considering the policy on charging for publications; and having a light calendar of key events that could bring DAC and its various partners together for dialogue.

9. *External Consultations.* In-country consultations were organised in six countries, led in each by the local representation of a DAC member. The countries were Afghanistan, Bangladesh, Indonesia, Tanzania, Uganda, and Ukraine. Fifty seven organisations responded to requests from the DAC Chair to complete a questionnaire.⁶ Of these, twenty-six came from countries, of which seventeen were DAC members or observers, three were OECD accession candidate countries, and three were OECD enhanced engagement countries. Responses were received from four international or private organisations. Several DAC members involved a range of other stakeholders in their national consultations or dialogue, and in some cases have submitted the individual responses of industry groups, civil society organisations or representative bodies, or others.

10. Respondents identified the following as the primary global challenges:

- Environmental sustainability, with climate change and global warming the most commonly cited issues, followed by energy, agriculture (including food) and water resources.
- Governance, with most comments on governance arrangements for development co-operation at a global level, but also with a significant number on the importance of governance at the national level. Social exclusion and increased inequality were frequently cited themes, as was the need for increased empowerment and voice for those seen as excluded or under-represented. International institutions, including the DAC, are seen by many as not having sufficient representation from new economic powers/new donors, from partner countries, and from non-official development stakeholders. Several note a global shift in relative economic power from west to east.
- Poverty and the MDGs were mentioned extensively, with a number of contributions focusing on the widening gap rather than absolute levels.
- Fragile states and instability.
- The global economic crisis, with comments more prominent among the later submissions as the scale and impact on developing countries began to become clearer.

11. Suggestions on the international response to these challenges and the role of development co-operation within that response were more varied. In general, there was a clear expression of the need to act on the identified global challenges, with suggestions on reforming the governance arrangements for development co-operation at a global level and mainstreaming climate change particularly prominent. A number of respondents suggested a need for a new development framework. Many of the recommended actions for development co-operation focused on the theme of aid effectiveness.

12. With respect to the DAC, respondents supported continuing traditional core DAC activities, notably statistics and peer reviews, albeit with recommendations for improvement. The need to respond to changing aid architecture was also prominent, but how to do so less clear. Some seem to wish to have subsidiary bodies go further in involving non-DAC players, while others would like more fundamental change, especially non-DAC members who would like to see more voice for new donors and developing countries. Working on PCD received support, as did a shift in focus from aid to development, and a stronger evidence-based focus on results. There is a broad sense throughout of the need to deliver on existing commitments made by donors, whether in terms of aid volumes or aid effectiveness. Some respondents called for the aid effectiveness agenda—which received broad support—to be transferred over time to what some called a more inclusive and representative process. Many would welcome greater frankness in DAC assessments of performance

6. The questionnaire was broken in four main sections: what do respondents see as the three most significant challenges that the world will face in the next ten to fifteen years?; what should be the international political response to these challenges and what should be the role of development co-operation within that response?; what would you wish to see the DAC do as part of this, and how and with whom should the DAC work?; and how can the work of the DAC become more effective and relevant?

by both donors and developing countries. There is also support for a greater focus on whether what the DAC advises is being operationalised at the country level, a point that is particularly notable in the feedback from the in-country consultations.

13. *Impact of global financial crisis.* The impact of the global financial crisis on developing countries became more apparent after commencement of the reflection exercise. Having started in developed countries, it was noted that the crisis became global and was profoundly affecting developing countries. Its effect was compounded as it came on top of the earlier food and energy crises. Reflection Group members shared the views of many consulted that the crisis poses a grave threat to development and needs to be central to the development community's work.

ANNEX II

Overview of the DAC

1. **The OECD.** The Organisation for Economic Co-operation and Development (OECD) traces its roots to the Marshall Plan. Today, it groups 30 member countries committed to democratic government and the market economy and provides a forum where governments can compare and exchange policy experiences, identify good practices and promote decisions and recommendations. Dialogue, consensus, peer review and pressure are at the heart of the OECD. Its mission is to help governments and society reap the full benefits of globalisation, while tackling the economic, social and governance challenges that can accompany it.

2. **The DAC.** The Development Assistance Committee (DAC) is a unique international forum where governments and multilateral organisations, such as the World Bank and the United Nations, come together to help developing countries reduce poverty and achieve the Millennium Development Goals (MDGs). Founded in 1960 as the Development Assistance Group, the DAC became part of the OECD by Ministerial Resolution on 23 July 1961.

3. **The DAC's Mandate.** The DAC's mandate is to "...consult on the methods for making national resources available for assisting countries and areas in the process of economic development and for expanding and improving the flow of long-term funds and other development assistance to them." The mandate is due to be reviewed at the end of 2010.

4. **Context of DAC Activities.** Like the 40 or so principal bodies that make up the OECD, the DAC is essentially a community of policy professionals who engage in collective thinking to co-ordinate approaches in a major area of public policy – in this case the provision of official development assistance (ODA). Also referred to as aid or development co-operation, these funds are designed to improve the economic and social emergence of developing countries. The DAC follows the common OECD practices of peer learning and review, identification and analysis of key emerging issues, articulation of good practice, and operation and use of statistical databases. DAC statistics set the international standard for defining and recording ODA. The DAC's collective work commonly results in joint policy statements and agreed guidance on particular areas of development co-operation policy and practice. Occasionally, the DAC issues formal recommendations. This work is motivated by a shared OECD objective: to produce impact. The DAC shares ideas, information and good practice through its extensive system of networks and working parties to generate ongoing learning and peer pressure. In this way, it helps to shape the evolving consensus on practices and performance among official aid donors. The DAC also contributes to the analysis and understanding of wider issues of development co-operation and policy coherence faced by OECD governments, interacting with a range of policy communities across the OECD.

5. **Membership.** The DAC, one of OECD's oldest committees, was founded to guide, promote and enhance co-operation with developing countries. Today, it comprises 23 members: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, United States and the European Commission. The World Bank, the International Monetary Fund (IMF), the United Nations Development Programme (UNDP) as well as the remaining OECD member countries—Czech Republic, Hungary, Iceland, Korea, Mexico, Poland, Slovak Republic and Turkey—participate as observers.

6. **The Secretariat.** The Development Co-operation Directorate (DCD) acts as the secretariat for the DAC, providing technical expertise and operational capacity to enable it to:

- Be the definitive source of Official Development Assistance statistics and mobilise its increase
- Assess members' development co-operation policies and implementation through Peer Reviews
- Enhance the effectiveness of aid by making it more aligned, harmonised, results focused and untied
- Provide analysis, guidance and good practice in key areas of development such as environment, conflict and fragility, gender equality, governance, poverty reduction, evaluation, capacity development, aid for trade, and aid architecture
- Support policy coherence for development through peer reviews and collaboration with other policy communities

7. **How the DAC Works.** Under a full-time, elected Chair (there is only one other full-time Committee Chair in the OECD), the DAC functions at various interacting levels:

- The annual DAC High Level Meeting (April/May) and the Senior Level Meeting (December) bring together aid ministers and agency heads and their most senior advisers to agree on strategic policy directions, review performance and effectiveness and discuss current problems that require collective action.
- The DAC working parties and networks are communities of policy makers and experts from aid ministries and agencies who work in thematic areas across the development co-operation agenda (see paragraphs through 16).
- DAC Delegates, most of whom are based in their countries' OECD Delegations in Paris, carry forward the business of the DAC in co-ordination with their capitals. They agree on the programme of work and budget, overview and facilitate the work of the various DAC networks and working parties, prepare the High Level and Senior Level Meetings and conduct DAC peer reviews. They also undertake work on a number of specific issues which include aid untying, capacity development, aid for trade, and the forward planning on aid levels and allocations of DAC donors, as well as of multilateral institutions and global funds and programmes.
- The OECD Global Forum on Development, a joint venture between the DAC and the OECD's Development Centre, brings together a set of stakeholders from within and beyond the OECD to work on specific themes.

8. **Main DAC Activities.** Activities carried out by the Committee directly include peer reviews, outreach, the Global Forum for Development, work on untying aid, policy coherence for development and capacity development. Detailed explanations are as follows.

9. Each year, the DAC conducts regular **Peer Reviews** of four or five members' development policies, strategies and activities. These reviews look at how members are putting into practice the policy work carried out by the DAC and its subsidiary bodies. They also look at how members are responding to international commitments and what they are doing to live up to their own national goals and commitments. Peer Reviews are designed to encourage positive change, support mutual learning and raise the overall effectiveness of the development programs of DAC members. The DAC uses peer pressure as one way of promoting sometimes difficult changes – but change is, largely, a factor of discussions and suggestions for improvements. The recommendations made in a given review are revisited five to six years later to evaluate progress in the next cycle of Peer Reviews. The DAC also carries out “mid-course” checks (i.e. two to three years after the initial review) to monitor implementation of recommendations. The DAC is the only official international forum that regularly examines and critically reviews key bilateral development co-operation systems and offers constructive commentary for their reform. Several non-DAC members of the OECD participate actively in the work of the Committee and are becoming increasingly important as donors. To help them establish their aid programmes based on good practice, the Committee offers special “mini” Peer Reviews.

10. **DAC outreach** actively engages non-DAC and non-OECD providers of development assistance in policy dialogue and technical exchanges. It attaches particular importance to reaching out to new donors, bringing them into its substantive work to add new dimensions and enhance its relevance and impact. In this context, several non-DAC OECD members participate regularly in the DAC's work. The DAC also seeks continued and increasing engagement of aid recipient countries in its working groups and other bodies.

11. The **Global Forum on Development** was launched in 2006 to promote dialogue on priority development issues among OECD and non-member governments, the private sector and civil society. Its multi-year thematic cycles are organised jointly by the DAC and the OECD's Development Centre around an annual plenary meeting and a series of events that include informal experts' and policy workshops. The Forum's first thematic cycle (2006-2009) is centred on identifying options for more effective development finance. Four major themes have emerged: understanding the present development finance system; putting ownership into practice; matching instruments to needs; and reshaping international development finance.

12. **Aid for Trade** experts from OECD and non-OECD members work in close co-operation with the World Trade Organization (WTO), the international financing institutions and the United Nations System to transform globalisation into a more inclusive process by helping poor countries build their trade capacity. The OECD Trade Committee (TC), in a joint effort with the WTO, has established a three-tiered (global, donor and recipient) monitoring framework to provide a comprehensive picture of Aid for Trade. The DAC is working to build recognition among the development community that trade is an important tool for development so as to increase financial support and improve its effectiveness.

13. Under its landmark Recommendation on **Untying ODA** to the Least Developed Countries (2001), DAC members undertook to untie most aid to the LDCs, with the exception of food aid and free-standing technical co-operation. Since the entry into force of the Recommendation, both the volume of ODA to the LDCs and these countries' share in total bilateral ODA has increased. Many donors have untied all or most of their programmes above and beyond the requirements of the Recommendation. Annual progress reports on the implementation of the Recommendation are presented to the DAC and analytical reports are prepared to facilitate policy discussions on the contribution of untying to aid effectiveness. Work also continues on the parallel issues of encouraging more use of developing countries' procurement systems and, when donors are still responsible for procurement, encouraging more local and regional sourcing.

14. The importance of **policy coherence for development** (PCD) has been reinforced by globalisation. PCD helps to ensure that non-aid policy decisions taken in DAC capitals will not have negative impacts on developing countries, and to exploit potential positive synergies across policies that go beyond aid. The DAC collaborates with other parts of the OECD on analyses of the development dimensions of OECD countries' policies across a number of areas. In doing so, the peer review process plays a vital role.

15. A new DAC work stream was started in 2008 to help to shape effective and practical approaches to **capacity development** in support of the implementation of the Paris Declaration on Aid Effectiveness, building on the internationally recognised DAC guidance document *The Challenge of Capacity Development: Working Towards Good Practice* (2006).

16. Other important activities are carried out by the DAC's subsidiary bodies. See the following paragraphs.

17. The **Working Party on Statistics** (WP-STAT)'s core objective is to provide the public with reliable data on aid through the DAC's statistical systems, a unique and definitive collection of data on the global aid effort. Through the WP-STAT, the DAC upholds the integrity and credibility of the concept of ODA, while adapting it to changing development realities and new aid instruments. This is essential to enable the tracking of DAC members' aid efforts over time and their international comparison. It also provides a firm basis for analytical work on aid trends and for assessments of aid effectiveness. The WP-STAT's data collection also includes other official and private flows to developing countries. As required, it proposes and implements changes in the directives for reporting ODA, seeking the DAC's approval for substantive changes and new rules. The Working Party consists mainly of statisticians and other experts from DAC capitals. Almost all DAC members are represented at each meeting.

18. The **Working Party on Aid Effectiveness** (WP-EFF) is the major international forum where partner countries join with the multilateral and bilateral community of donors to work on improving the effectiveness of aid. It was set up in May 2003 following a consensus – reached at the International Conference on Financing for Development (Monterrey, March 2002) – on actions required to promote a global partnership for development and accelerate progress toward achieving the Millennium Development Goals. It provides guidance on policy and good practice for aid effectiveness. One of its landmark outputs is the Paris Declaration on Aid Effectiveness, a practical roadmap for improving the quality of aid, endorsed by over 100 signatories in 2005. The Declaration was taken further in the Accra Agenda for Action approved at the High Level Forum in Accra, Ghana in September 2008. Today, much of the work of the DAC is centred on implementing the commitments made in Paris and Accra. The network comprises senior policy advisers from the 23 DAC members, as well as representatives from 23 developing countries and 11 multilateral organisations.

19. The DAC works to increase the effectiveness of international development programmes by supporting robust, informed and independent evaluation. Through the **Network on Development Evaluation**, it carries out two main areas of work: promotion of joint evaluations of the effectiveness of aid, and improvement of evaluation standards and norms. The 30 network members include heads of evaluation from all DAC member countries and from the following multilateral organisations: African Development Bank (AfDB), Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD) and the World Bank. OECD countries that are not members of the DAC attend as observers. Partner countries and evaluation associations often participate in workshops and meetings.

20. The **DAC Network on Gender Equality** (GENDERNET) produces practical tools to help integrate gender equality and women's empowerment into all aspects of development co-operation. It brings together gender equality experts from DAC member agencies, multilateral institutions, non-governmental organisations, research institutions, and representatives from partner countries to define common approaches, share good practice and propose innovative ideas. The Network strives to ensure that practice and implementation match global and national commitments to gender equality and women's empowerment. It also provides strategic support to integrate gender equality perspectives into the DAC's work, reinforcing this issue in members' programmes.

21. The DAC supports the integration of environmental aspects into development co-operation through the **Network on Environment and Development Co-operation (ENVIRONET)**. ENVIRONET works to enhance the coherence of OECD country policies in the areas of environment and development co-operation. In April 2006, at a Joint Ministerial Meeting, OECD Development and Environment Ministers adopted a Framework for Common Actions around Shared Goals, which commits OECD member countries to collaborating on key issues relating to environment and development. Three main work streams have evolved: integrating climate adaptation into development co-operation, financing water supply and sanitation governance, and capacity development for natural resources and environmental management. ENVIRONET brings together senior-level representatives of development co-operation agencies responsible for environment and environmental specialists from multilateral agencies like the World Bank and the United Nations, and non-governmental organisations.

22. The DAC **Network on Poverty Reduction (POVNET)** promotes economic growth for poverty reduction. POVNET works to ensure that growth is broad-based and inclusive. Reflecting the multi-dimensional nature of poverty, POVNET participants have various responsibilities in their home agency, ranging from infrastructure to agriculture to social development. The Business and Industry Advisory Committee (BIAC) and Trade Union Advisory Committee (TUAC) participate regularly in POVNET meetings, as do a variety of multilateral agencies including the World Bank, UNDP, ILO and IFAD. The Chairs of GENDERNET and ENVIRONET are *ex officio* members.

23. The DAC **Network on Governance (GOVNET)** is a resource for DAC member countries, providing a perspective on the challenges of state building in developing countries. GOVNET helps donors to be more effective in supporting democratic governance by providing a forum to exchange experiences and lessons, identify and disseminate good practice and develop policy and analytical tools. GOVNET's members include representatives from DAC members' ministries and observers. It also invites experts from international organisations, academia and non-governmental organisations to participate in its work programme to enhance its implementation.

24. The **International Network on Conflict and Fragility (INCAF)** was formed in January 2009. It works to improve development co-operation and coherent international action in situations where the Millennium Development Goals are undermined by threats of violent conflict, human insecurity, fragility, weak governance and instability. It is structured around three complementary pillars: tracking results in state building and peace building providing practical guidance for conflict prevention, peace building and state building in situations of conflict and fragility promoting lessons learned in security system reform and armed violence reduction. This forum brings together experts on governance and conflict prevention from bilateral and multilateral development co-operation agencies, including the EC, the UN system, the IMF, the World Bank and regional banks, and representatives from fragile states.

