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- Aid statistics
- Aid for trade
- Conflict and fragility
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- Environment and development
- Evaluation of development programmes
- Gender equality and development
- Governance and development
- Peer reviews of DAC members
- Poverty reduction
- › Untied aid

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THE DEVELOPMENT ASSISTANCE COMMITTEE:
ENABLING EFFECTIVE DEVELOPMENT

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JULY 2014

Signs of change

This issue of DACnews looks at numerous areas where change and innovation are not only aspirations, but fully engaged processes underway to prepare for the challenges of post-2015. From the Global Partnership for Effective Development Co-operation, to capturing opportunities offered by global value chains, to devising new measures for concessional finance, to greening growth in Zambia – change and innovation are the key words. The DAC has recognised this by creating a prize for taking innovation to scale.

POINT OF VIEW
Seven reasons for success: the first High-Level Meeting of the Global Partnership for Effective Development Co-operation

By Brenda Killen, Deputy Director of the OECD Development Co-operation Directorate

The first High-Level Meeting of the Global Partnership for Effective Development Co-operation, supported by the OECD and the United Nations Development Programme was held in Mexico City, 15-16 April 2014. Participants in the meeting agreed on a forward-looking communique backed by some 40 voluntary initiatives to implement this agreement.

Why was Mexico such a big success? Here are my seven reasons:

1. An inclusive discussion: More than 1 600 participants from 156 national governments and 25 international organisations attended the conference; they included representatives of governments (donors, middle-income countries and low-income countries), multilateral development organisations, UN agencies, civil society, private enterprise, philanthropic foundations, parliamentarians, think-tanks and trade unions. The diversity of participants highlights the particular value of the Global Partnership as a forum where all development actors can share best practices and identify practical solutions that work.

2. A frank conversation about official development assistance: Discussions and agreements at Mexico underlined that official development assistance (ODA) remains a precious resource that is key to development. ODA's relative predictability, flexibility, timeliness and focus on poverty reduction are unique features that contribute to making it the most important source of development finance for poor, fragile and vulnerable states. The High-Level Meeting coincided with the announcement of a real increase (6%) in ODA in 2013, with new

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> Point of View
> The new development finance landscape
> DAC Development Debates
> The future of multilateral concessional finance
> Feature article

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> News in brief
> Peer reviews
> Publications
> Vacancies

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players (the United Arab Emirates and Turkey) playing a major role. But concern was raised about the fall in ODA to Africa – to be effective, aid must reach the poorest.

3. Real progress in moving forward: With an overall conclusion that “no country should be dependent on others’ resources for its own development”, the High-Level Meetingfeatured dynamic and focused discussions on how to complement ODA by raising additional resources for development. The forward-looking agenda that emerged from the meeting builds on the partnership’s diverse membership and the opportunity it offers to break silos between different forms of development finance and build alliances to ensure that countries (and communities) receive the mix of assistance they need, in the right way and at the right time.Agreement on concrete actions included initiatives that are already being implemented to raise domestic resource mobilisation and tackle illicit financial flows.

4. Recognition of the role of the private sector: Open and frank discussions on the role of the private sector – among partners that included CEOs, civil society, parliamentarians, trade unions and national governments – were some of the liveliest sessions on the agenda. There was no question as to whether business can contribute to development – the discussions centred, rather, on how to ensure business has a stronger positive impact on driving progress. Private sector leaders were clearly interested in discussing their contribution to development and building bridges with vastly different constituencies – but they were also challenged by their colleagues to live up to their commitments, starting with the Busan principles of transparency, accountability and results.

5. Accountability at the core of development: The High-Level Meeting made it clear that the principles agreed in Paris, Accra and Busan remain relevant in today’s rapidly changing development landscape. With revitalised commitment to getting the most from *all* available resources, a wide range of partners are using these principles as the basis for their own accountability, including donors who are new to the monitoring process, private foundations and business CEOs. The High-Level Meeting also renewed commitments to deliver on the “unfinished business” of Busan.

6. Words into action: The Mexico meeting positioned the Global Partnership as the ‘go-to’ forum where political will turns into action. Some of the almost 40 voluntary initiatives agreed to push effective development co-operation forward are already being implemented; for example, the OECD is extending its work on automatic exchange of tax information and Base Erosion and Profit Sharing (BEPS) to address the priority concerns of low-income countries.

7. A place to “do business” on development: Mexico saw a strong call for the Global Partnership to be part of the implementation of the post-2015 agenda.In his opening speech, UN Secretary-General Ban Ki-moon underlined that the Global Partnership “has a crucial contribution to make” and that he expected the High-Level Meeting outcomes to “strengthen country ownership, uphold development co-operation commitments and inform our discussions at the United Nations.” Participants welcomed continuing discussion on development finance as a means of building relationships and trust among all players while sharing lessons on good practice.

In the words of Mexican President Enrique Peña Nieto, together the members of the Global Partnership can “*build the new architecture of international aid necessary to realise* the post-2015 development agenda.”

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The new development finance landscape

On 25 June 2014, the DCD held a very successful multi-stakeholder workshop on “The new development finance landscape: partner countries’ perspectives and implications for post-2015 debate”. The overall aim of the workshop was to examine the evolving development financing landscape in order to improve the understanding of how partner countries are dealing with its increasing complexity and risks. The workshop also looked at the measurement of development flows and proposed a means of enhancing transparency to contribute to partner countries’ strategic planning

needs. The workshop brought together more than 120 participants, including senior policy makers from 15 developing countries, DAC and non-DAC providers of development co-operation, international finance institutions, NGOs and think tanks. They debat ed synergies with the emerging post-2015 framework and highlighted the fact that ODA will remain critical in the post-2015 universe from a recipients’ perspective, concluding that the international community should continue to provide highly concessional finance in accordance with the 0.7 UN target. In light of the increased complexity of the development finance landscape, it is also fundamental to enhance transparency around resource flows beyond ODA; this will require a joint effort from all actors, both sovereign and non-sovereign. The workshop was viewed as a

Development Co-operation Peer Review: Italy 2014: *Italy has raised its aid contributions and its future targets, reversing a trend of falling development assistance, and now needs to take action on recommendations to improve the way it manages its aid programmes, according to a new OECD review.*

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PUBLICATIONS

Better Policies for Development 2014: Policy Coherence and Illicit Financial Flows focuses on detrimental effects of illicit financial flows on development and growth. It shows that coherent policies in OECD countries in areas such as tax evasion, anti-bribery and money laundering can contribute to reducing illicit financial flows out of developing countries. It provides an update on OECD efforts to develop a monitoring matrix for policy coherence.

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Illicit Financial Flows from Developing Countries: Measuring OECD Responses identifies the main areas of weakness in combatting money-laundering, tax evasion, foreign bribery, and in freezing and returning stolen assets. It identifies areas for action, looking in particular at the role of development agencies, and point out some opportunities for a scaled-up role for these agencies.

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Evaluation Insights 9: Creating jobs in small businesses explores the challenges faced by low- and middle-income countries in creating new jobs, in particular “good” jobs. The paper summarises the main lessons from a systemic review of job creation interventions and reveals key success factors. Finally, it shows that, despite enthusiasm for supporting small success by all involved; in particular, the multi-stakeholder nature of the event was applauded. The workshop is expected to inform the OECD/DAC's work on modernising its monitoring of global resource flows in order to ensure it is fit for a post-2015 accountability framework.

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DAC Development Debates
The potential of global value chains

The complex and interconnected production process that goods and services undergo – from conception and design through production, marketing and distribution – is often referred to as a global value chain (GVC). In recent decades, international production has become increasingly fragmented, with the distinct stages of production along these chains occurring in different locations.

Integration into existing value chains can provide access to networks, global markets, capital, knowledge and technology much more readily than building a full value chain from start. Developing economies can link into value chains by opening their markets to trade and foreign direct investment, improving their business and investment environment, and strengthening their domestic supply-side capabilities.

On 16 May, the OECD DAC hosted a DAC Development Debate with Ganesh Wignaraja, Director of the Asian Development Bank Institute, Jan Rielaender, Head of the Development Centre's Multi-dimensional Country Reviews Unit and Dirk Pilat, Deputy Director of the OECD Directorate for Science, Technology and Industry on the challenges involved.

Mr. Wignaraja argued that in Asia, progress was made possible by global factors such as technological advances, declining trade costs, and the dismantling of trade and investment barriers coupled with supportive domestic policies. While Asia now holds a 50% share of global value-chain merchandise exports, today 'Factory Asia' is under stress: activity has been too concentrated in a few countries, multiple shocks challenge the resilience of Asian value chains and a rise in protectionism threatens the overall enabling environment.

Jan Rielander looked at the challenges from an African perspective. For the most part, Africa remains peripheral in value chains, although with notable exceptions (in clothing, automotive parts and agri-foods). The key question for Africa is one of how to combine integration into global value chains with economic and social upgrading. The panellists differed in their views on Africa's ability to take advantage of the opportunities offered by value chains, especially since trade costs remain high and capabilities on the continent are narrowly concentrated. In addition industrial policies, preferential trade agreements and tax incentives there have had mixed results, and many African economies continue to struggle with the complex policy responses required.

Dirk Pilat highlighted the importance of data in interpreting value chains, in particular the WTO/OECD Trade in Value Added (TiVA) database. He noted the rise of South-South trade, the growing inclusiveness of innovation and the emergence of new technologies – which will lead to new products, markets, consumers and production processes in developing countries.

Serge Tomasi, Deputy Director of the OECD Development Co-operation Directorate, moderated the debate. He concluded that global value chains offer a framework for thinking about how to wire together policies as diverse as education, trade, infrastructure, taxes and development assistance to help low-income countries create enabling conditions for development, urging further work in the OECD on this strategic topic.

The Asian Development Bank Institute and the OECD will continue to build the evidence base, collect data and analyse and assess the global contribution of value chains to helping developing countries realise the development benefits of global value chains.

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The future of multilateral concessional finance

On June 20th another DAC Development Debate looked at multilateral concessional finance – the core of all development cooperation efforts – in the context of the likely "graduation" of many countries from the International Development Assistance (IDA) and other soft windows of International Financial Institutions (IFIs) and the challenges this presents. Against this background, Germany's BMZ commissioned a study to Helmut Reisen and Christopher Garroway, which proposes four options to deal with the "double donor dilemma" (countries being either too rich or too fragile for multilateral funding):

1. Redefining IDA eligibility criteria, shifting from absolute poverty to relative poverty measurements and/or using more comprehensive measures, such as the Multidimensional Poverty Index (MPI).

businesses to create employment, there is very little evidence that such interventions work.

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Social Protection and Climate Change provides a condensed review of current knowledge and evidence regarding the role of social protection in reducing the impact of climate change on the poorest populations. It provides a series of recommendations for practitioners and for strengthening the evidence base.

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Food and Nutrition (in-)Security and Social Protection explores the conceptual synergies between social protection measures and food and nutrition security and assesses the linkages between the two in the international development policy agenda. It examines the evidence of practical benefits that different social protection instruments can deliver and identifies the main challenges and trade-offs that DAC members and their partners are likely to face when attempting to integrate the two issues within development policies.

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VACANCIES

Regional Programme Co-ordinators - PARIS21 (Job Number: 09317)

PARIS21 is looking for Regional Programme Co-ordinators to join the Partnership in Statistics for Development in the 21st Century (PARIS21) and play an active role in strengthening on-going country and regional activities in (a) Africa and the Middle East as well as (b) Latin America and the Caribbean.

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2. Smoothing transition periods from IDA loans and grants to International Bank for Reconstruction and Development (IBRD) loans, guarantees, risk management products, and analytical and advisory services. An intermediate point: "IDA+ transitional window."
3. Strengthening provision of concessional finance to local governments and NGOs, taking into account rural-urban duality and disaster impoverishment.
4. Opening-up the “soft windows” for regional and global public goods.

To meet the diverse needs of different countries:

- New actors will have to be given more voice in the decisions of the international financial institutions.
- A better division of labour is needed among the international financial institutions.
- More attention should be given to insurance approaches (in the place of lending).

Nonetheless, it was noted that IDA graduation does not mean that countries no longer need concessional funding, so it is important to redefine the graduation threshold and consider the options proposed.

Domestic resource mobilisation via taxation is a key complement to external financing and wealthier countries should be able to have better tax performance. There is also a need to finance a broader agenda including for example infrastructure, resilience and crisis prevention. It was agreed that there is room for improvement in the allocation of public funding, as for example to transit from fossil fuel subsidies to increasing funding for social protection and climate change resilience.

Jon Lomoy, Director of the OECD Development Co-operation Directorate concluded by noting the need to evaluate whether the tools created to finance poverty reduction are also appropriate to finance risk mitigation and promote resilience.

Listen to Prof. Dr. Helmut Reisen, Shifting Wealth Consulting and University of Basel:

00:00 00:00

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FEATURE ARTICLE:
Greening growth in Zambia

By David Kaluba

David Kaluba is National Co-ordinator for the Interim Climate Change Secretariat of Zambia's Ministry of Finance. In 2012 he was elected by the Least Developed Countries Group to serve on the board of the Green Climate Fund and participates in steering the future of the UN Framework Convention on Climate Change.

We have celebrated another World Environment Day on 5 June. What does this mean for partners in development?

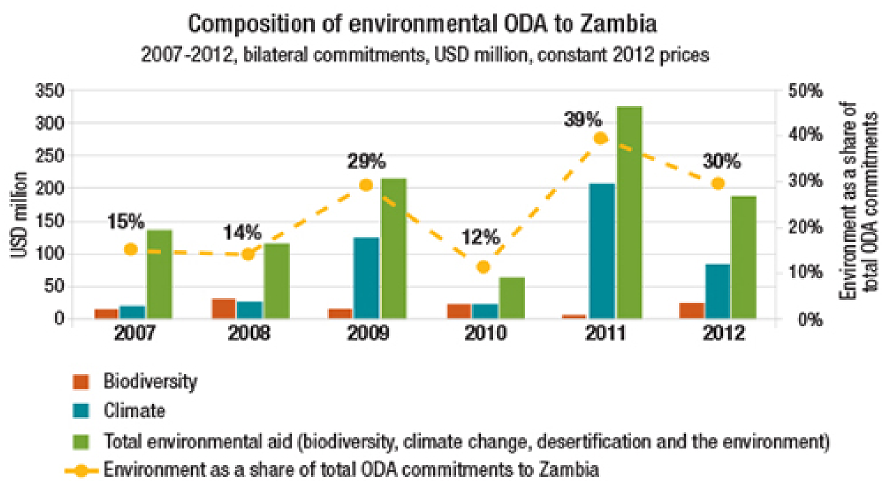
Reconciling development with environmental protection and sustainable natural resource management is fundamental if we are to avoid depleting the world’s natural capital, curb climate change, and minimise social and national security risks. This is particularly critical for developing countries, which are highly exposed and/or acutely vulnerable to natural resource scarcity, extreme weat her events linked to climate change, and environmental risks such as air, water and soil pollution. Yet developing countries can also set the example of how growth can be achieved in a way that protects and enhances the future of all generations.

Take the case of my country, Zambia, where the majority of the population relies heavily on natural resources and the environment to sustain its livelihood. Zambia is particularly vulnerable to global climate change, which is likely to negatively affect most of its crops through increased temperatures and shifting precipitation patterns. And while Zambia’s, carbon and ecological footprints, like those of many other African countries, are comparatively low, development and population growth are putting pressure on local environments. The resulting land degradation, deforestation, pollution of freshwater sources, and limited availability of water for agriculture, mining and urban centres increases the country’s ecological footprint and lessens its options for growth – especially among the most vulnerable groups.

In such circumstances, ensuring inclusive, greener growth is critical to long-term sustainable development. Green growth rests onrecognising and integrating the value of natural capital into economic decision making and development planning. It requires attention to pressing social issues, such as lack of access to basic services and infrastructure, or the threats to stable livelihoods posed by resource scarcity or mismanagement.

Zambia aspires to grow in an inclusive and green manner, in line with the recommendations of a number of international organisations, including the OECD. Zambia has put inclusive green growth at the heart of its *Revised Sixth National Development Plan* (2011-15) and its long-term *Vision 2030*, which lays a green path for Zambia to become a middle-income country by 2030. Zambia is also preparing an *Inclusive Green Growth Strategy* to help mobilise domestic and international resources in a number of "green" sectors, including agriculture and forestry, energy (including hydro-power expansion), waste management, water and sanitation, and infrastructure. The government of Zambia has established an interim *Inter-Ministerial Climate Change Secretariat* within the Ministry of Finance to ensure that national interventions are co-ordinated and to integrate climate change and green growth issues within all governmental activities, in particular into national development planning and budgeting, and targeting the sub-national levels through District Integrated Plans.

Development co-operation providers can support these efforts to grow green, in Zambia and elsewhere. While recognising that country situations differ, they can work with partner countries and multilateral institutions such as the Green Climate Fund to make green growth an integral part of their development. In fact, OECD Development Assistance Committee (DAC) members' official development assistance (ODA) commitments to environmental concerns (e.g. biodiversity, climate change mitigation, climate change adaptation and desertification) have increased since 2007, as exemplified by Zambia's case.



Source: OECD DAC Creditor Reporting System (June 2014)

The government of Zambia continues to welcome support in key areas, including the formulation and implementation of the *Inclusive Green Growth Strategy*; building institutional capacity (in areas such as project cycle management, fiduciary standards, environmental and social safeguards); and preparing "sustainable development champions" through training and transfer of knowledge. A *National Scoping Workshop on Inclusive Green Growth*held in July 2013 was an important step in this direction.

Achieving the common goal of inclusive, green growth is not only a good thing to do – it is a fundamental step for all developing countries and their partners, enabling them to set an example for the rest of the world of why it is good to grow green.

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NEWS IN BRIEF

DAC Prize jury announced

The distinguished jury for the first DAC Prize for Taking Development Innovation to Scale was recently announced. The members of the jury represent the public and private sector, politicians and development leaders, academics and development professionals from around the world. The DAC Prize – to be announced during the DAC Senior Level Meeting in early October this year – is awarded for initiatives that take an innovative approach and have shown to have strong potential impact beyond the pilot phase to wider application. Fundamentally, it is about doing more of what works. Over 40 submissions have been received and are being reviewed.

DAC Prize jury:

- K.Y. Amoako, President, African Center for Economic Transformation
- Julius O. Akinyemi, Resident Entrepreneur at Massachusetts Institute of Technology's Media Lab
- Homi Kharas, Senior Fellow and Deputy Director for the Global Economy and Development, Brookings Institution
- Geoff Lamb, Chief Economic and Policy Advisor to the co-Chairs and CEO, Bill and Melinda

Gates Foundation

Dato Lee Yee Cheong, Chairman, International Science Technology and Innovation Center for South-South Cooperation (ISTIC), Malaysia

H.E. Lubna Bint Khalid Al Qasimi, Minister of International Development and Cooperation, United Arab Emirates

Kuntoro Mangkusubroto, Head of the President's Delivery Unit for Development Monitoring and Oversight, Republic of Indonesia

Rt Hon Andrew Mitchell, MP, House of Commons, United Kingdom

Charlotte Petri-Gornitzka, Director General, Swedish International Development Cooperation Agency, SIDA

Andrew Wyckoff, Director, Science, Technology and Industry Department, OECD

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Global Forum on Development

The OECD Global Forum on Development, to be held 2 July 2014 at OECD Headquarters in Paris, will focus on Innovating for Development: Rethinking Structural Challenges for Post-2015. The role of innovation in development will be examined from several points of view:

- What is the potential for innovation to unleash new sources of growth and overcome structural bottlenecks to development?
- What innovative approaches can support developing countries' efforts to achieve more inclusive development?
- What kind of innovation can best deliver inclusive development and reach the poor?

Registration is open to all online.

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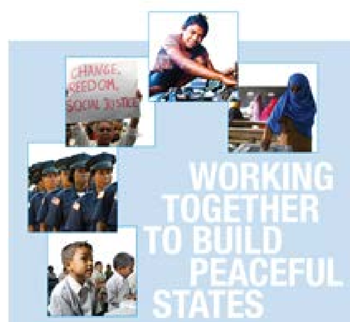
4th Global Meeting of the International Dialogue



At this meeting in Freetown, Sierra Leone, 18 June, Ministers and high-level representatives from g7+ and development partner countries as well as civil society organisations reflected on the key political messages from the New Deal experience so far, and discussed how the New Deal can help address the challenges of countries in crisis and transition, with focus on the Central African Republic, South Sudan, Somalia, and Guinea Bissau. In the afternoon, Justice Ministers from g7+ countries, development partners and justice experts met to exchange and share experiences on the Peacebuilding and Statebuilding Goal number 3, "Justice for all". They discussed opportunities and challenges for reforms in the justice sector. At an earlier meeting of the Implementation Working Group (17 June), members took stock of the findings of the first New Deal Monitoring Report. This included a discussion on lessons learnt about the monitoring process itself, with a view to improving it. Members also discussed how New Deal partners can build on achievements to draw up a set of goals by the end of 2015. The Global Meeting of the International Dialogue was followed by the 7th Consultative Group Meeting on Sierra Leone, which highlighted the country's transition towards resilience through its Agenda for Prosperity and how providers of development co-operation can best support this process.

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PISA for Development

The International Advisory Group of the Programme for International Student Assessment (PISA) for Development initiative met for the first time in Paris 27-28 May. PISA for Development aims to identify how the OECD's flagship education policy instrument can best support evidence-based decision making in emerging and developing economies and countries and contribute to the UN-led definition of global learning goals.

Summarising the outcome, DAC Chair Erik Solheim stated: "PISA for Development is an excellent example of an OECD initiative that is highly relevant for all countries. Since its launch in 1997, as a leading reference on the quality of education systems worldwide, PISA is a powerful tool for policy making, one that has been used to great effect in my own country, Norway, and in more than 70 others."

The meeting opened with the signing of an agreement between Ecuador and the OECD for Ecuador's participation in the project. Subsequently, Zambia has also signed a Participation Agreement with the OECD for the project. Participation Agreements are currently being processed for six other countries: Cambodia, Guatemala, Rwanda, Senegal and Tanzania.

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Workshop on results-based funding

The OECD Development Co-operation Directorate and the German Development Institute (Deutsches Institut für Entwicklungspolitik – DIE) convened a technical workshop on results-based funding 19-20 May. Several multilateral banks and development agencies have already started to pilot and implement results-based funding – through which the funder pays for upon achievement of results agreed in advance – and evidence on how such an approach works is emerging. The workshop looked at diverse experiences with a view to promoting cross-fertilisation among the more than 70 experts participating – representatives of bilateral and multilateral development agencies, partner countries, non-governmental organisations and think tanks. Discussions focused on emerging lessons and challenges in the design and implementation of results-based funding modalities, including sector-specific challenges in climate change, education, energy, health and governance. Participants also looked at the implications of these new modalities on the funder–recipient relationship. The discussions highlighted how the explicit focus on results could have positive spill-over effects on public policies. The participants encouraged further experimentation and evaluation of the political economy of results-based funding, including analysis of the role of financial and non-financial incentives at the partner, implementer and donor levels.

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OECD roundtable discussion on external financing for development

An OECD roundtable discussion on external financing for development was held on 12 April at the World Bank and International Monetary Fund CSO Policy Forum in Washington, DC. In the post-2015 context, the DAC has taken upon itself to look at whether its current statistical system, centred on the measure of official development assistance (ODA) as defined in the early 1970s, is still fit for purpose. There have been two main changes in the global development landscape. First, many new actors are addressing global development challenges, often with innovative financial instruments and modalities. Second, ODA's share in total resource receipts by developing countries fell from around 50% in the 1960s to 20% in recent years, despite ODA having increased in real terms by 63% over the past decade. Other flows such as foreign direct investment or remittances are increasingly available to developing countries, and more efficient and catalytic ways of using ODA need to be found.

The DAC is consulting widely with various stakeholders and seeking input on these new ways of measuring development finance, which will be addressed at the DAC's High-Level Meeting, 15-16 December 2014. This work will feed into the international process leading up to the International Financing for Development Conference to be held in Addis-Ababa in July 2015. The DAC is envisaging a wider measure to complement - not replace - ODA and to support the post-2015 sustainable development agenda. This includes examining how non-ODA finance for development, peace and security, climate and other global challenges could be included, while distinguishing between official flows and private flows mobilised by official action.

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OECD DAC COUNTRIES' NET ODA IN 2013:
USD 134.8 billion, up by 6.1% in real terms and representing 0.3% of DAC members' combined GNI.
For more information, see: http://oecd.org/dac/stats/idsonline.htm

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