



News and ideas from the OECD Development Assistance Committee (DAC) Secretariat

March 2008

## How do donors gauge their success in providing effective development assistance? The Development Co-operation Report 2007 offers 12 measures for “scoring” whether key goals have been reached.

This edition of DACnews offers a “scorecard” of results prepared by Richard Manning, former Chair of the Development Assistance Committee (DAC), on the success of efforts to improve aid effectiveness during his mandate. We also look at conflict situations, how they can block successful development, and what the DAC is doing to help promote more stable and better functioning governments. Another major bottleneck for effective aid delivery is fragmentation: a proliferation of donors and projects in one country that leads to high transaction costs and low returns. We review a recent OECD workshop that focused squarely on reducing donor fragmentation. All of these issues are increasingly in the spotlight as the preparations for the Third High Level Forum on Aid Effectiveness (HLF3, Accra, September 2008) gear up. Our update on the HLF3 focuses on a series of roundtables designed to promote discussion and decisions on action needed to produce results on the ground. Lastly, Eckhard Deutscher – the new DAC Chair – offers his view of the way forward at the head of this Committee.

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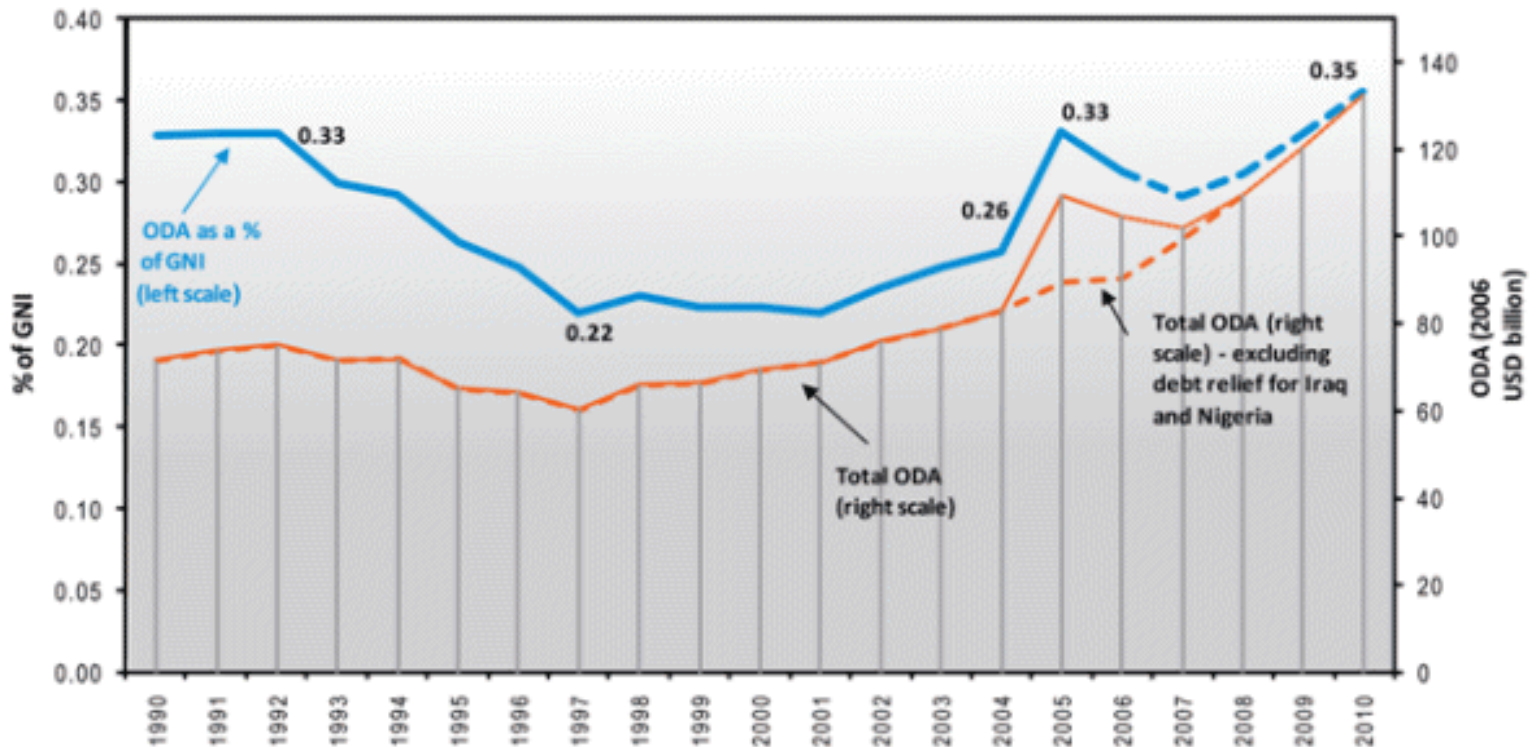
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## Development Co-operation Report 2007

On February 14, the DAC launched the most recent edition of its annual *Development Co-operation Report* (DCR). In this report, Richard Manning (DAC Chair from June 2003 to January 2008) looks at the 12 measures of success he formulated in 2003, when he began his mandate. His analysis – a sort of “scorecard of results” – shows that we are on the right track, but there is still a long way to go to improve the delivery of aid and, in particular, the official development assistance (ODA) allocated by the members of the DAC.

## DAC members' net ODA 1990-2006 and DAC Secretariat simulations of net ODA for 2007-2010



### What has been achieved?

Much has been achieved since 2003:

- The amount of aid delivered has passed the USD 75 billion mark, reaching USD 77.8 billion (in 2002 dollars) in 2006 (although close to USD 7 billion of this went to Iraq).
- The proportion of aid going to the poorest countries has risen significantly, from 40% in 2003 to 46% in 2006 for bilateral aid, and from 47% to 49% including multilateral aid.
- A higher proportion of aid is now untied, in other words, is not restricted to purchasing services from the country supplying the aid.
- Aid-recipient countries are gaining greater independence by increasing their expenditure on public services, such as health and education, and raising their revenues.

### Where have we missed the mark?

Several measures, however, have not been reached:

- The bulk of the increases registered in aid have not been in the form of "programmable aid"; in fact, much of the increase has been in the form of debt relief.
- The proportion of aid going to countries that have been good performers has declined.
- The need for emergency and humanitarian aid – in particular in response to man-made emergencies – has not diminished.

### Where do we need to know more?

In many areas, it is still not clear how donors are scoring on the measures Manning proposed in 2003.

- In fragile situations – for instance in states emerging from conflict, or where policies are inequitable – donor interventions must be much more carefully structured to help rebuild local systems and ensure equity.

- Efforts to align aid with local recipient-country systems, programmes and priorities are still unequal, both on the side of donors and of recipient countries.
- The advances in working together among donors to minimise transaction costs are still uneven, varying from 12 to 80%, for example, in joint analytical work.
- What is reported as “technical co-operation” still varies widely among donors, making it difficult to measure whether there has been progress in making efforts more co-ordinated and country-owned.

### **Are we making the progress needed on the MDGs?**

In weighing progress toward achieving the Millennium Development Goals (MDGs) – the last and perhaps the most important of the measure – Manning notes that we still lack much of the definitive statistical information that we need to make positive conclusions. The progress on the poverty goal is encouraging; if present trends continue it will be reached at the global level well before 2015, thanks particularly to poverty reduction performance in China and India. Yet those countries’ will still count hundreds of millions of people below the poverty line. And while there are indications of accelerating and encouraging progress on the other goals, it is still unlikely that the MDGs will be reached by 2015 in many countries and regions. Sub-Saharan Africa, followed by the Pacific, stand out as the regions where least progress is visible.

The DCR 2007 sets out a series of lessons learned from the experience of DAC peer reviews. By looking at what has and has not worked in the past, it offers important guidance on how to produce the positive development results that are needed.

To learn more, read the [summary](#) of the *Development Co-operation Report 2007* or the [full Report](#).

### **Arrested development: The costs of conflict**

Conflict is an obstacle to robust, equitable development. The human costs of conflict are devastating and their impact on the political, social and economic evolution of a country, and often its surrounding region, is profound. In this light, the value of investing in peace building to promote better functioning, less dependent governments is substantial. The [DAC Network on Conflict, Peace and Development Co-operation](#) (CPDC) is active on many fronts to support this process.

The CPDC is carrying out a series of [country consultations](#) to help local actors put in place DAC guidelines on security system reform, bringing together programmers and civil servants in places like Burundi, the Central African Republic, Bolivia and Haiti to work through difficult issues, in the local context. To support more systematic lesson learning and improve impact, the CPDC and the [DAC Network on Development Evaluation](#) are also developing guidelines for evaluating conflict prevention and peace building activities. Timely analysis of the causes of violent conflict can help to anticipate – and avert – potential crises. The CPDC has recently joined with the [Fragile States Group](#) to find ways of better integrating early warning and response within international programming.

### **Fragmentation: The more the merrier, or too many cooks?**

When there are many donors in one country giving small amounts of aid, the results might be more negative than positive. One of the questions donors have to ask themselves is, Does it all add up to results?

A survey of aid allocation policies conducted by the DAC formed the basis for a [Policy Workshop on the Challenges of Scaling up Aid at the Country Level](#), held at OECD headquarters on 11 December 2007 in the framework of OECD’s Global Forum on Development – a three-year programme to address development

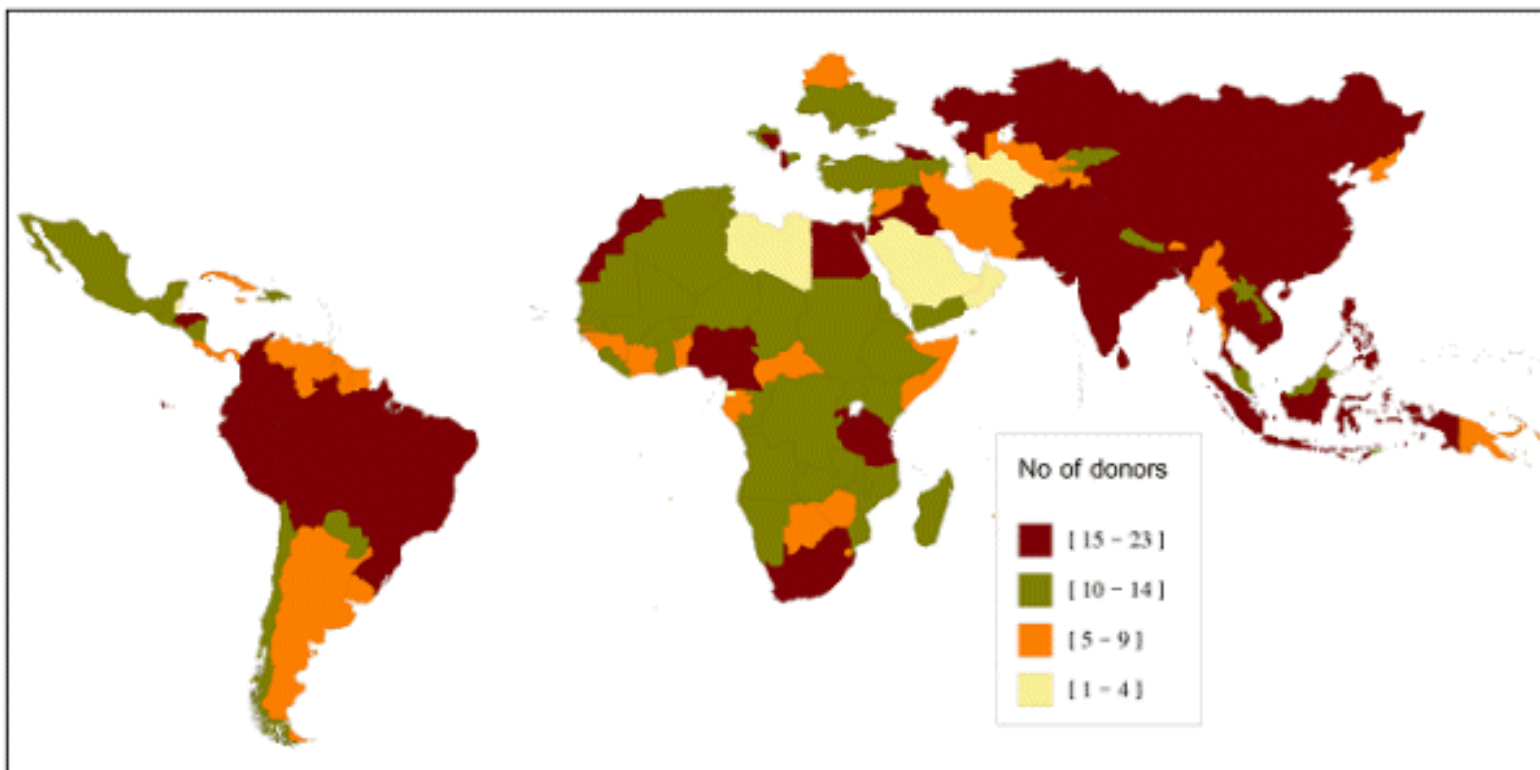
financing issues. Within this year's focus on ownership, the workshop looked at ways of dealing with the growing number of actors in development assistance, the need to improve the medium-term predictability of aid, and the importance of linking resource provision to national priorities – and with results.

Improving the predictability of aid, one of the pillars of the Paris Declaration, is key to achieving the Millennium Development Goals. Most Ministers of Finance in aid-recipient countries have only limited information about the external resources they can expect to receive in a given year, let alone for the following two to three years. This makes it impossible for them to produce sound medium-term budgets. And while many donors have policies to produce multi-year financial frameworks with their key partners, it is not yet clear that these policies are yielding the firm planning data that finance ministries require.

Another key issue is the number of donors that partner countries need to deal with – and the transaction costs generated by these dealings, for both donors and recipient countries. New DAC analyses and maps show the degree of fragmentation of donors in many countries and, conversely, of concentration in others, providing a baseline for improving donor coordination and selectivity.

The participants in the Forum concluded that partner countries want poverty reduction results for their own good, not to impress donors. This means that they need to make major efforts to strengthen local accountability and monitoring, and to build on existing initiatives rather than imposing new ones. The conclusions of this Forum are feeding into a new initiative by the UN Secretary General, Ban-Ki Moon to accelerate progress towards the MDGs in Africa.

**In 33 partner countries, fragmentation is a major issue, with more than 15 DAC donors providing just 10% of their CPA.**



## The road to Accra

### Nine roundtable topics defined



One and a half of the three days of the Third High Level Forum on Aid Effectiveness in Accra will be devoted to roundtable discussions that will feed into the Accra Agenda for Action (AAA), a focused list of deliverables designed to produce results where they are most needed to meet the targets of the Paris Declaration by 2010. While discussion is already underway on this agenda, the roundtables – more of a process than an event – will offer opportunities for countries and donors to ensure that important concerns on very complex, crosscutting issues are addressed.

The first five roundtables are centred on the principles that form the “pillars” of the Paris Declaration: Ownership (by countries), Alignment (with country systems), Harmonisation (among donors), Results (to produce impact on the ground) and Mutual Accountability (among donors and countries, and between these and their constituencies). The remaining four roundtables are being organised around the role of civil society in aid effectiveness; situations of fragility and conflict; sectoral applications of the Paris Declaration (including health, education and infrastructure); and aid architecture (including traditional and new systems and donors for financing development).

Work on the roundtables is already underway, including identifying relevant sources of information, fine-tuning the issues that will be covered as well as the focus on them, pinpointing areas where consensus is lacking, and ensuring that key points are taken into consideration in formulating the AAA. One of the major opportunities for reaching consensus will be through a series of regional events that have been organised in the lead up to Accra.

Lead Regional Development Bank	(Sub) Region	Date	Venue
Asian Development Bank & Pacific Island Forum	Pacific	4-7 April	Fiji
Asian Development Bank & United Nations Development Programme	South East Asia	21-22 April	Bangkok
	South Asia	5-6 May	
	Central & West Asia	8-9 May	
Inter-American Development Bank	Latin America & Caribbean	19-23 May	Washington
African Development Bank	Africa	28-30 April	Kigali
Islamic Development Bank	Middle East	May (exact date to be confirmed)	Jeddah (to be confirmed)

### Fifty-six countries signed up for monitoring survey

As of this writing, 56 countries have signed up to take part in the [2008 Survey on Monitoring the Paris Declaration](#). In doing so, they have agreed to measure their own progress in fulfilling the commitments they made when they signed the Paris Declaration, and to identify where they have fallen short. Their answers will provide vital input into the process leading to Accra and beyond. The data from the survey will be compared to the baseline that was established in 2005, demonstrating where extra effort and attention are needed to reach the Paris Declaration targets by 2010.

## New work stream on Capacity Development

According to the DAC's [Network on Governance](#), development efforts in many of the poorest countries will fail – even if they are supported by substantially increased funding – if the development of sustainable capacity is not given greater and more careful attention. To address this need, the DAC has created a new work stream to help practitioners implement its [guidelines on capacity development](#). The initiative will focus on creating an interactive process of lesson learning from capacity development experience across the DAC and other OECD programmes. It will draw on case studies to produce a synthesis report for the Accra High Level Forum on Aid Effectiveness and will later produce a sourcebook of lessons learned and good practice for donors and partners.

## Feature article by Eckhard Deutscher, new DAC Chair

As I take up my responsibilities as Chair of the Development Assistance Committee (DAC), I am particularly conscious of some major challenges and opportunities ahead. We need to seriously step up our development efforts and make them far more efficient if we are to achieve the Millennium Development Goals (MDG). And we need to do this in a landscape of development and development co-operation that is changing fast. 2008 is a year of major opportunity for consolidating international consensus and taking action, offering us new prospects for helping to overcome important development hurdles.

Over the past few years, it has become clear that the development and development co-operation scenario is more dynamic than it has ever been. There are new actors, new sources of finance – including private funding – and new challenges. Structural changes in the world economy are driving sustained growth and radically higher levels of trade and financial flows. There is a newfound public interest in the impacts of these factors and the policy issues associated with them. There are also heightened levels of awareness about the environmental and financial system impacts that are closely linked to accelerating globalisation.

Yet in our world, there are still many countries stuck in various kinds of development traps, which are all too often associated with political and human crises. Public awareness of, and concern for, these problems is high and increasing, but to solve them, coherent international assistance is vital. More than ever before, we need to focus on a rapidly evolving panorama of players, delivery systems, flows and types of development assistance, creating a clear division of labour among bilateral, multilateral and private sources of aid.

Emerging economies and other actors, such as major foundations and global funds, are bringing new ideas, initiative and finance into play. With them comes an increasing recognition of the need for “whole of government” approaches. Development in the globalised world is a concern of all government entities – not only of those that deal directly with development co-operation. This means that we need to do much more to make their policies work together – rather than compete with each other – so that the sum is far greater than the parts.

This calls for a paradigm shift among developed and developing countries alike – one that will alter the development co-operation landscape in fundamental ways. We need to find innovative forms of co-operation if we are to ensure that we are making the most of our potential for working together. The agenda for aid and development co-operation must be

broadened and deepened.

I am particularly pleased to be joining the DAC as it embarks on a reflection process that will help to identify how we can build on our strengths to work with the new actors. This will allow us to step up our effectiveness, creating international consensus on policies and good practices.

In this process, we will be drawing on a wide range of stakeholders from OECD member and developing country governments, parliaments, the private sector and NGOs. We will also bring into play the latest thinking on the future of development co-operation. We are aiming to have this reflection exercise largely completed by the middle of 2009.

Reaching the MDGs will remain the major challenge over the coming years. At the same time, however, we need to think well beyond 2015. What will be the cornerstones and profiles of development co-operation in the globalised world after 2015?

I have visited hundreds of projects over the years and I am convinced that development works. By continuing to apply the principles of the Paris Declaration, we can reinforce mutual accountability and responsibility among developing and developed countries, bringing ever-greater visibility to development that works.

We have the political will we need – as well as the financial and technological means – to transform the current global landscape - in which poverty exists alongside plenty - into a more equitable, prosperous world for all. But we need to be bold. New, more agile ways of thinking and working together will help us to ensure our relevance in a changing world. New partnerships will help us to improve the quality of co-operation and to tackle issues of poverty, environment and climate change, which cannot be solved by one state. Yet for all this to work we need to think ahead over the next 20 to 30 years – short-sightedness will not get us where we need to go.

We in the DAC have special responsibilities, and 2008 is a critical year in this sense. Together with a broad international coalition of partner countries and international institutions, we are driving a fundamental agenda that will be agreed at the Third High Level Forum on Aid Effectiveness, 2-4 September in Accra, Ghana. We will come away from that meeting with a concrete set of deliverables designed to help developing countries and marginalised people in their fight against poverty. We are counting on our developing country partners to take the lead in setting this agenda, putting new impetus behind the implementation of the Paris Declaration to produce rapid and significant results on the ground.

Other important international events will spotlight development during 2008. The UN General Assembly will focus on the MDGs in April. Japan, as President of the G8, will host the G8 Development Ministers meeting in early April as well as the Fourth Tokyo Conference on African Development (TICAD) in May. There will be a first Plenary Session of the new UN Development Cooperation Forum in July in New York. And the UN will close the year by convening a Conference on Financing for Development in Doha, Qatar to follow up on the Monterrey Consensus of 2002.

I will represent the DAC at these and other international events, and my contribution will focus on ensuring that they produce a coherent and credible set of reaffirmations and new agreements. We need to fight against the "aid fatigue" in developed countries. We need concrete impacts in the international arena to meet the development and poverty reduction challenges to which we have committed. This will be one of my key objectives in my first year as Chair of the DAC.

The DAC is a central actor in discussions around and improvements in development co-operation. I look forward to helping to continue this tradition.

- Eckhard Deutscher, March 2008.

## Also in this issue...

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### DAC Peer Reviews



#### OECD welcomes Finland's development policy

In the recent [peer review of Finland](#), the Development Assistance Committee found this country to be committed to development co-operation and to the Paris Declaration. Nonetheless, the review concluded that Finland needs to make sure that its proposals to make aid more effective and to increase coherence among policies that affect development bring real results. The Committee also urged Finland to stick to its target of allocating 0.7% of its gross national income to development assistance by 2015.



#### Spain sets ambitious goals for development co-operation

Spain's official development assistance has increased rapidly over recent years, reaching USD 3.81 billion in 2006. This makes Spain the eighth largest donor on the global scale by volume. In the recent [peer review of Spain](#), the DAC commended this country for its growing aid efforts and its commitment to more than double the share of its gross national income allocated to development assistance by 2012 to reach the UN target of 0.7%.

What is a [Peer Review](#)?

### News in brief

#### Change of the DAC Chair

In January, Richard Manning stepped down after nearly five years as DAC Chair. [Eckhard Deutscher](#), a German national and former Executive Director of the World Bank, succeeds him. OECD Secretary General Angel Gurría welcomed Mr. Deutscher saying, "I am confident that Eckhard Deutscher will continue the tradition of DAC Chairs committed to ensuring that donor countries work with their developing country partners to improve the lives of the billion people living in extreme poverty." Mr. Gurría commended Mr. Manning on his work as DAC Chair, noting the significant increases in official development assistance during his tenure at the head of this Committee, as well as the important milestones in improving aid effectiveness, not least among them the creating and signing of the Paris Declaration.

#### Launch of the DCR 2007

Angel Gurría, Richard Manning and Eckhard Deutscher joined François Bourguignon, the Director of the Paris School of Economics, to launch the latest edition of the [Development Co-operation Report](#) on February 14 in



the newly opened conference Centre at the La Muette site. In his [opening address](#), Mr. Gurría stated, "... this Report provides the world's most comprehensive statistics on development co-operation – a critical element of the transparency and open reporting that have been at the heart of the DAC's work for the last 45 years. The Report brings out [...] positive results [...], but at the same time it calls for more effort where it is needed; it also provides insights on how aid can be better managed. Hopefully, these will help donors to meet the commitments set out in the Paris Declaration on Aid Effectiveness and set the stage for a successful High Level Forum on this important subject in Accra in September."

### **GENDERNET workshop builds on partnership**

The [DAC Network on Gender Equality](#) (GENDERNET) and the United Nations' Inter-Agency Network on Women and Gender Equality (IANWGE) held a workshop in January to exchange ideas and share information on measuring and increasing gender-oriented donor investments. The participants looked at case studies that illustrate how gender equality and women's empowerment are drivers of effective development, making a strong case for increasing the proportion of official development assistance directed to them. Measuring donor resources that support gender equality and women's empowerment is critical, and the DAC [gender equality policy marker](#) offers an ideal tool for doing this. Participants concluded, however, that improved methodologies are needed to assess the results and impacts of donor investments in gender equality. The papers and case studies presented at the workshop are available [here](#).

### **Pro Poor Growth in Africa: Learning from China's experience**

The [DAC Network on Poverty Reduction](#) (POVNET) and the Government of China organized a [workshop](#) at OECD headquarters on 21 February to review China's own experience with reducing poverty. The aim of the workshop was to consider the lessons that can be drawn from this experience to promote pro-poor growth in Africa. Since the late 1970s, China has learned much from the successes and failures of its diverse local initiatives and many of these lessons can be applied in Africa to support the efforts of local governments. China's experience confirmed that the full participation of social forces, in particular the empowerment of poor women and men, plays an important role in development. The participants in the workshop concluded that increasing co-operation between DAC members and China is beneficial for both sides; they proposed a number of concrete measures to increase this co-operation.

### **Cooperation for improved governance assessment**

Why, how and when do donors assess governance in partner countries? What impact do these assessments have? These questions were asked at a conference convened by the DAC Network on Governance (GOVNET), 20-21 February in London. Governance specialists from development agencies met with developing country representatives to take stock of present practices, stimulate mutual learning and find ways to co-operate for better in-country use – and increased in-country ownership – of assessments. Over the next months, the results of the conference will be condensed into operational principles and a sourcebook offering practical advice for donors and partner country stakeholders alike. The [conference website](#) provides a link to other key initiatives in this area.

## **New publications**

*[Creditor Reporting System: Aid Activities in Support of HIV/AIDS control, 2000-2007](#)* presents comprehensive statistics on aid flows in support of HIV/AIDS control. The analysis covers the years 2000-2006, including trends in aid amounts and the degree of targeting to countries most in need; estimates are provided for 2007. The publication also records aid activities reported by DAC members and multilateral institutions to the CRS Aid Activity database (Creditor Reporting System) in support of HIV/AIDS control.

*[OECD IDS CD-ROM 2008 Edition](#)* provides economists and researchers with a unique source of up-to-date comparative statistics and information on international development, including volume, origin and types of aid and other resource flows to over 150 recipient countries; individual aid activities on bilateral and multilateral Official Development Assistance commitments by sector type, donors, recipient, with textual and numerical information on projects; key development indicators; numerous aid charts for DAC members, recipient countries/territories and regions.

*Promoting Pro Poor Growth in Ghana: Implementation Challenges and Issues for Donors* illustrates the powerful impact of economic incentives on private sector-led growth and poverty reduction in Ghana. This fact sheet presents the main findings of a workshop, held in Accra on 17 June 2007.

*Ensuring Fragile States are not Left Behind* summarises the latest findings on aid flows to fragile states. It places aid in the broader context of other resources that are needed to address the challenges of state building and peace building.

**OECD DAC countries' ODA in 2006**

**USD 104.41 billion - down 4.5% since 2005 in real terms**  
**0.31% of combined GNI**

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

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The [OECD-DAC](#) is the main global forum where bilateral donors, alongside multilateral donors, work together to achieve real development progress for poorer countries. More information about [OECD Development work](#).

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