THE DEVELOPMENT ASSISTANCE COMMITTEE:
ENABLING EFFECTIVE DEVELOPMENT

DACnews

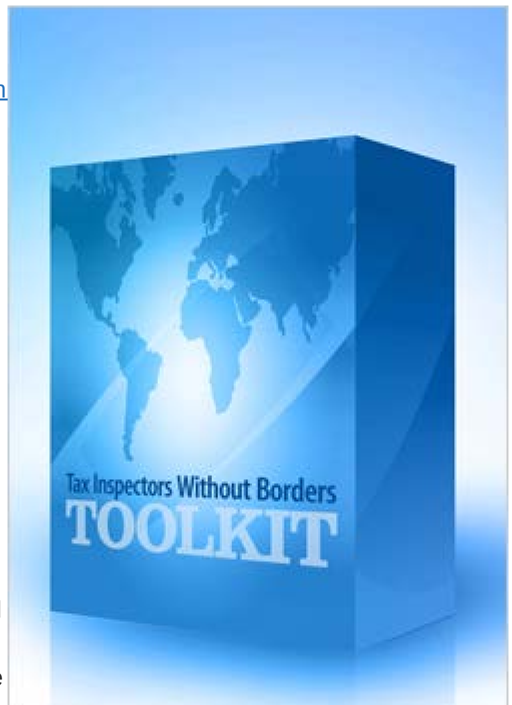
OECD

JULY 2015

All eyes on Addis

The Third International Conference on Financing for Development in Addis Ababa this month is the first of three major events this year – together with the United Nations General Assembly in September and COP21 in December – that will mark the future of development. This issue of the DACnews looks at several components of that future – from tax to aid for trade, from financing humanitarian assistance to enhancing the effectiveness of multilateralism. It also takes a look at how developing countries see the evolving role of DAC members in helping them meet their development needs and priorities.

Global launch of Tax Inspectors Without Borders



Tax Inspectors Without Borders (TIWB), a joint initiative of the OECD and the UNDP, will be launched at the Third International Conference on Financing for Development in Addis Ababa, 13 July 2015. Designed to support developing countries in building their tax audit capacity, the partnership between the OECD and UNDP will extend the global reach of TIWB and help to scale-up operations. Together with the broader efforts of the international community to strengthen international co-operation on tax matters, it will make a significant contribution to domestic resource mobilisation in developing countries.

TIWB experts work alongside local officials in developing countries, transferring their technical know-how and skills in audit practices. The OECD's technical competence in tax matters and its network of tax experts will be complemented by the UNDP's country-level presence around the world, its access to policy makers at the highest level and its policy and programme expertise in public financial management.

TIWB programmes can include pre-audit risk assessment and case selection, investigatory techniques, involving transfer pricing issues, anti-avoidance rules, or sector-specific issues, relating for example to natural resources, e-commerce, financial services or telecommunications. The host administrations of developing countries specifying their needs and determine the scope of the work.

A dedicated central unit, jointly managed by the OECD and the UNDP, operates as a clearing house to match the demand for auditing assistance with appropriate expertise. TIWB assistance is delivered by current or recently retired tax audit experts who work full-time or periodically with the host administration under a programme agreement that covers all legal and practical safeguards and provisions. TIWB is a capacity-building programme: the experts do not substitute for local audit staff or carry out audit work where no local audit personnel would otherwise exist.

A multi-stakeholder Governance Board, co-chaired by high-level OECD and UNDP staff and including governments from donor and developing countries, regional organisations, civil society

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PUBLICATIONS

Aid for Trade at a Glance 2015: Reducing Trade Costs for Inclusive, Sustainable Growth, a joint OECD/WTO report, focuses on how and business will monitor the operations of the Paris-based TIWB Secretariat.

TIWB programmes will be monitored, adjusted and evaluated to ensure lessons learned are applied in establishing new deployments.

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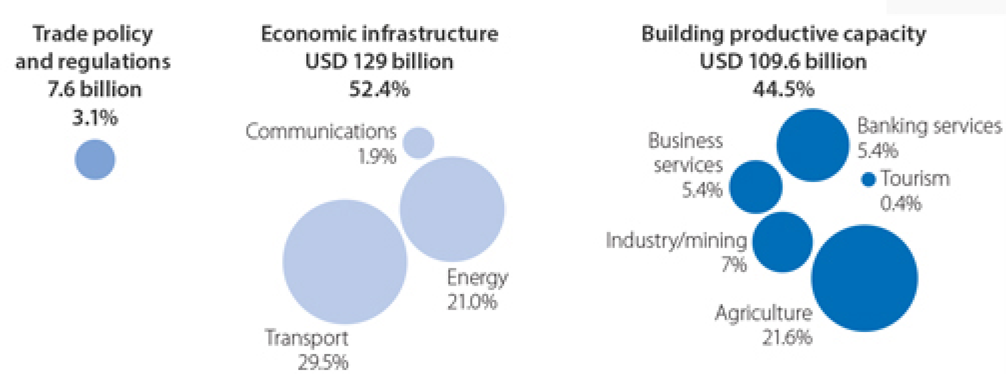
Aid for Trade at a Glance 2015: Reducing Trade Costs for Inclusive, Sustainable Growth

Since the Aid for Trade Initiative was established ten years ago, the global economy has changed dramatically. On 30 June the biennial Global Review determined that the initiative has worked as expected and is broadly considered a success. In particular:

- The initiative has succeeded in raising awareness about the positive role that trade can play in promoting economic growth and development.
- Partner countries are getting better at articulating, mainstreaming and communicating their trade-related objectives and strategies.
- Since the Initiative was launched in 2006, a total of USD 246.5 billion in ODA and USD 190.7 billion in trade-related other official flows has been disbursed to finance aid-for-trade programmes and projects. In 2013, ODA commitments for trade-related programmes stood at USD 55 billion with an additional USD 49 billion in other official flows.

Figure 1. Aggregate aid-for-trade disbursements (2006-12)
USD billion 2013 constant



Source: OECD-DAC/CRS aid activity database

There is now ample empirical evidence that the aid for trade initiative is broadly correlated with increases in trade. *Aid for Trade at a Glance 2013* found that 1 USD invested in aid for trade is on average associated with an increase of nearly 8 USD in exports from all developing countries, with the increase averaging at 20 USD for the poorest countries.

The empirical evidence is buttressed by anecdotal experience gathered through a large number of case stories submitted through monitoring exercises. The sheer quantity of activities reported by the public and private sector suggest that aid-for-trade efforts are substantial, that they have taken root across a wide spectrum of countries, and that they are becoming central to development strategies.

reducing trade costs will help in achieving inclusive and sustainable economic growth. The publication contains contributions from the Enhanced Integrated Framework, the International Trade Centre, the United Nations Conference on Trade and Development, and the World Bank.

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OECD Development Co-operation Peer Reviews: New Zealand 2015 shows that New Zealand is a valued development partner for its small island neighbours, delivering aid effectively and using its experience of natural disasters to help manage risks in the region. However in terms of the amount of aid provided, New Zealand lags other donors in the OECD's Development Assistance Committee.

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Multilateral Aid 2015: Better Partnerships for a Post-2015 World Highlights gives an overview of the upcoming report *Multilateral Aid 2015*, which will be launched on 14 July at the Third International Conference on Financing for Development.

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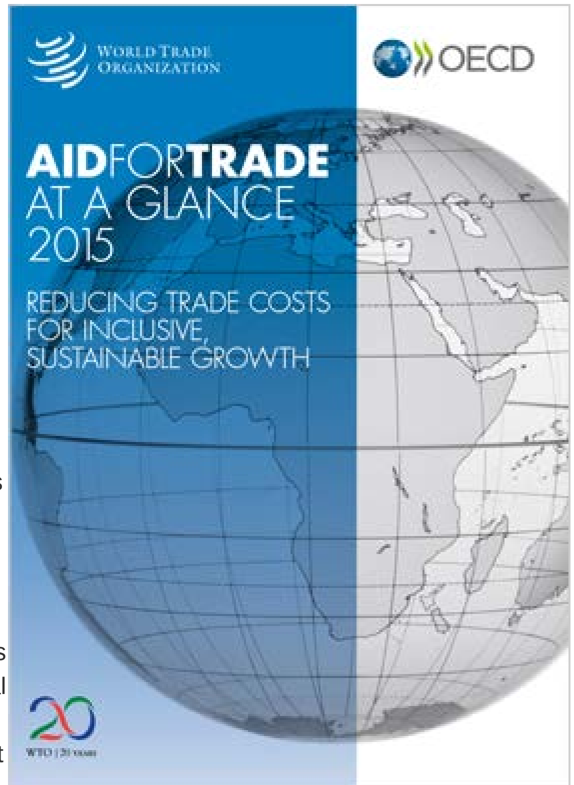
Financing in Crisis? Making humanitarian finance fit for the future builds on the useful recommendations of the Future Humanitarian Financing initiative, taking the view that ensuring enough quality money for humanitarian crises is not just about writing a bigger cheque. The money also needs to arrive in the right place, in the right way, and at the right time. The paper



Despite these achievements, adapting to the 2015 development agenda and the Sustainable Development Goals (SDGs) poses challenges.

The founding premise of the Aid for Trade Initiative was that enshrining market access in trade agreements is essential, but not sufficient to achieve market presence. The 2015 report underlines that that high trade costs remain a significant impediment for developing countries; prohibitive trade costs can price the poorest countries out of global market altogether. And while trade costs alone do not alone explain the development pathways of economies, they are a major obstacle to some countries' ability to grow and diversify.

A better understanding of how high trade costs undermine connectivity and hamper economic growth and development will be essential for realising the full potential of aid for trade in contributing to post-2015 development policy. Well-designed aid-for-trade interventions can reduce trade costs in areas that partner countries and donors prioritise, such as infrastructure, trade facilitation, and non-tariff measures like product standards. Furthermore, this need not contradict with overarching green growth objectives; on the contrary aid for trade can actually promote these objectives.

There are positive reasons to believe that developing countries and their partners are taking a serious look at trade costs and are taking action that builds on solid practical and theoretical foundations.

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Making development co-operation fit for the future

The OECD's Fit for the Future project seeks to understand how DAC development assistance providers' policies, partnerships and organisational structures need to adapt in order to stay relevant and increase their impact in a changing world. The shifting face of poverty; the growth in development assistance from non-DAC bilateral sources; the upcoming adoption of a new, universal development agenda and financing framework these evolving dynamics are re-writing the script of development.

As one part of the Fit for the Future project, the OECD has undertaken a comprehensive survey interviewing senior government representatives from 40 developing countries to understand how they see their development co-operation needs evolving over the next five to ten years. The findings were published in February 2015 in the report: *Making Development Co-*

focuses on the following areas, learning from good practices by DAC members and attempting to find solutions to common challenges.

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Biodiversity and Development Co-operation outlines how development co-operation can support: mainstreaming biodiversity and ecosystem services into development: managing for results; monitoring and evaluation approaches for biodiversity-related development co-operation activities; and alignment and harmonisation of provider activities with partner-country priorities. The paper showcases examples from development co-operation agencies in each of the above areas.

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Financing for Development in Support of Biodiversity and Ecosystem Services draws on OECD DAC statistics to examine trends in bilateral commitments of official development assistance targeting biodiversity objectives. It explores how development co-operation can support partner countries in mobilising and accessing finance for biodiversity.

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VACANCIES

Policy Analyst – Engagement and Triangular Co-operation (Job Number:

[operation Fit for the Future: A Partner Country Survey](#).

Four key findings emerge:

Firstly, respondents are optimistic about their future, viewing improvements in their own governance and institutional capacity, as well as in their ability to deliver basic services and generate domestic resources. However, they also see challenges ahead – in particular, achieving sustainable economic growth and tackling the impact of climate change.

Secondly, while demand for official development assistance (ODA) is expected to remain strong, respondents want DAC members to shift to a more enabling role in the future. This would involve: providing financing for government-led investment programmes; offering more and better technical and policy advice; and doing more to leverage private flows.

Thirdly, respondents are increasingly diversifying their choice of development assistance providers and demanding high-quality assistance that adheres to the international development effectiveness principles of alignment and predictability.

Finally, as they progress, developing countries also want to transition away from development assistance in a measured way, avoiding abrupt exits and building multi-faceted relationships based on trade and economic ties.

These survey findings indicate that DAC members will need to: let to go of some their control over programming; use ODA in a more catalytic manner to leverage much-needed private flows; provide policy advice in diverse areas, from natural resource management to social protection systems; and, develop new types of partnerships as countries develop.

As developing countries become increasingly discerning, selective and strategic in their use of development assistance, DAC members will also need to evolve so as to ensure the quality of their assistance is fit for purpose.

The OECD will continue to work with DAC members on adapting their policy frameworks, administrative structures, programming approaches and instruments in response to the new global context for development co-operation.

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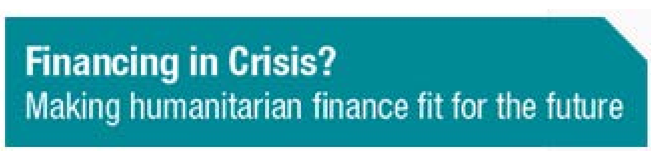
Is humanitarian financing in crisis?

In the face of growing humanitarian needs, many crises still remain underfunded, unfunded, or forgotten. USD 22 billion were provided in 2013 in overall humanitarian assistance, of which OECD Development Assistance Committee (DAC) members provided USD 13.48 billion. Yet only 65% of all humanitarian needs were met.



Where have the efforts of the international community gone wrong? How can providers of humanitarian assistance ensure that the money provided is quality money – that it arrives in the right place, in the right way, at the right time? These are timely questions in the run up to the 2016 World Humanitarian Summit.

There are many ways to improve the quality and volume of humanitarian finance. This has direct implications for OECD DAC members, as 10% of their total official development assistance (ODA) budgets, on average, goes to humanitarian assistance.

1. Greater predictability is a critical part of the solution: Funding should take into account that many humanitarian costs can be planned for. Providers can improve the predictability of their response by making multi-year commitments. Administrative costs of operational agencies are also foreseeable and can be financed by defined mechanisms instead of treated as overhead charges. Finally, a clearer division of labour among donors could clearly improve predictability.

2. Enhanced coherence between humanitarian and development actors is essential, especially in the context of protracted crises, where development assistance also has a role to play. Crisis funding drains humanitarian budgets, whereas a longer–term approach, taking into account country priorities and systems, can help development actors to build socioeconomic progress out

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DCD is looking for a dynamic policy analyst to promote and strengthen the DAC’s engagement with providers of development co-operation beyond the Committee’s membership and to work on related issues, notably triangular co-operation.

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of crises. In particular, mobilising more development finance resources to build resilience in middle-income countries (MICs), rather than for pure crisis response, could improve the effectiveness and impact of the assistance. In 2015, 53% of all humanitarian funds requested were for MICs.

3. Shifting providers' approach to disaster risk is also key. New ways of thinking can be built on examples of good practice, including: providing liquidity so that partner governments can respond to domestic needs when disasters strike; generalising sustainable risk reduction efforts in development initiatives; and favouring bilateral responses.

4. There is a pressing need to increase the value for money of humanitarian financing. Costs of humanitarian response have gone up by 660% since the world committed to the Millennium Development Goals in 2000. Results-oriented funding practices, business case models, and streamlined reporting can all improve value for money.

Recognising shortcomings and building on their lessons can help to implement solutions for better, more effective humanitarian financing in the future.

Read the full report "Financing in Crisis?: Making humanitarian finance fit for the future".

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DAC Development Debates

Learning from Rwanda's development success

A DAC Development Debate on 17 June focused on Rwanda's development success over the past two decades. Ms Kampeta Sayinzoga, Permanent Secretary of Rwanda's Ministry of Economy and Finance, shared insights on Rwanda's strategies for keeping up the pace of progress and mobilising diverse sources of financing. In her presentation, Ms. Sayinzoga argued that low inflation, sustainable debt management, domestic resource mobilisation and political stability were some of the key drivers behind Rwanda's success. Growth in GDP has averaged above 8.5% over the past 15 years; over 1 million people emerged from poverty between 2006 and 2011. DAC Chair Erik Solheim acknowledged Rwanda's impressive development gains, stating that a key to Rwanda's success has been stable and visionary political leadership. The OECD 2015 African Economic Outlook signals, however, an expected doubling of the African population – to 2 billion – by 2050, raising new challenges and opportunities for the continent, and for Rwanda specifically. Ms. Sayinzoga indicated that Rwanda will develop its own innovative answers and "home grown" approaches and ideas, while also learning from the experiences of other countries.

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Financing the Sustainable Development Goals

At the DAC Development Debate on 3 June, Jeffrey Sachs, Professor at Columbia University, Director of the United Nations Sustainable Development Solutions Network as well as Special Advisor to the United Nations Secretary General, and DAC Chair Erik Solheim discussed the role of the multilateral system in delivering the Sustainable Development Goals (SDGs). The OECD-DAC report *Multilateral Aid 2015: Better Partnerships in a Post-2015 World* states that in 2013, DAC members channelled USD 59 billion to and through the multilateral system and that it is crucial to invest these funds effectively. Mr. Sachs argued that issues such as loss of biodiversity and desertification are more pressing than ever, and that the Third International Conference on Financing for Development in Addis Ababa and the upcoming adoption of the

SDGs offer important opportunities to ensure that economic development is both inclusive and environmentally sustainable. He noted that just 3% of global savings would be enough to set humanity on a path of sustainable development; yet while it is impossible for many developing countries to finance the SDGs with their current internal revenues, wealthier nations are unfortunately reluctant to allocate even a fraction of 1% of their GNI for this purpose. Mr. Solheim stated that although the multilateral development co-operation system is working more efficiently than ever in human history, it still needs to improve. Governments can help by not earmarking their funding to provide more flexibility and multilateral organisations need to find ways of making it more attractive to do so. Moreover, Mr. Solheim called for reform in the governance of the multilateral system, where emerging economies are vastly underrepresented. *Multilateral Aid 2015* argues that bilateral and multilateral providers of development financing will need to adjust their models and modi operandi to keep pace with a fast-changing environment and to adapt to the holistic, global development agenda proposed by the new SDGs. Likewise, a recent report by the United Nations Sustainable Development Solutions Network, *Implementing the SDGs through Effective Investment Strategies and Partnerships*, stresses the need for public and private finance to complement each other. It identifies pooled financing mechanisms as one of the key tools through which public-private-partnerships can be established.

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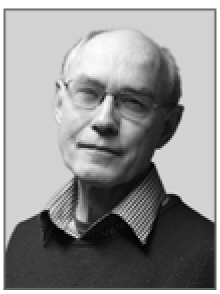
FEATURE ARTICLE

In my view: Bilateral donors can help enhance the effectiveness of multilateral institutions
by Richard Manning



This month's feature article is by Richard Manning, chair of the Board of the Institute of Development Studies (United Kingdom), Senior Research Associate at the Centre for the Study of African Economies at Oxford University, and former chair of the OECD Development Assistance Committee. It is one in a series of "In my view" pieces contributed by prominent authors for the new OECD DAC report Multilateral Aid 2015: Better Partnerships for a Post-2015 World.

Bilateral aid can achieve a great deal. Yet problems of coherence, co-ordination and harmonisation are often troublesome, making it hard to deal effectively with major issues of collective concern through bilateral actions alone. Experience shows that collective action is often best when delivered, at least in part, through fully collective approaches. This is true whether we are talking about the depletion of the ozone layer (the success of the Montreal Protocol Fund being a stand-out example of the success of such an approach); the need for research on agriculture or health; or the requirements of major epidemics such as HIV/AIDS or malaria. Major multilateral institutions can set standards in transparency, in rigorous procurement systems, in consistent methods of project appraisal and impact evaluation, or in the application of knowledge from across the globe (the World Bank's policy dialogue with Deng Xiao-Peng's China in the 1980s being a classic example).

However, in many donor countries there is almost a built-in notion (in governments and perhaps still more in legislatures) that "bilateral is best". This is reflected in a somewhat inconsistent attitude toward multilateral development institutions. Donor expectations regarding the performance of multilateral institutions on issues such as safeguards, transparency, management for results or administrative efficiency often appear more demanding than those regarding the standards achieved by the bilateral agencies of the same countries. Donors complain of fragmentation, even though they have contributed to it. Donors seek to have a strong voice in governance of the institutions, and then bypass the governance system with Trust Funds set up to pursue the donor's own priorities.

This is by no means to imply that multilateral institutions are beyond criticism: rather it is to observe that the behaviour of bilateral donors – who are usually very influential in how multilateral institutions operate – may not always be consistent in ensuring an optimum multilateral approach to development.

So here are three suggestions to bilateral donors to act in ways that enhance the coherence and effectiveness of multilateral development institutions, not least from the point of view of the key development actor – the implementing country:

1. Adapt to changing realities

Recognise that continued adaptation of multilateral institutions is required as their clients develop. Be willing to take some risks to achieve this, both in sovereign lending (the recent agreement by the Board of the African Development Bank to open hard-window lending to creditworthy soft fund borrowers for priority projects is a good example) and in the development of instruments that can catalyse enhanced private investment.

Adapt governance much more quickly to changing economic weights (a particular issue for slow-growing OECD countries that too often seek to hold on to votes and Board positions that reflect the situation of earlier decades). It's high time that European donors, for example, adapted their relative shares in the multilateral development banks to current realities, without waiting for a resolution of the position in the International Monetary Fund.

2. Encourage a more coherent ecology of multilateral institutions

While special-purpose funds have proven their effectiveness in "upstream pooling", particularly for relatively standardised products, test severely any initiatives that aim to establish new institutions, using a more explicitly endorsed "think twice" policy as proposed at the Accra High Level Forum of 2008; apply similar discipline to major new trust funds.

Work, nevertheless, for constructive relationships with new or innovative institutions, once established, including those developed without a central role for "traditional" donors.

3. Assess performance in a smarter way

Assess performance of multilateral institutions collectively rather than bilaterally by enhancing the performance and reach of MOPAN. Individual donors do, of course, need to understand and assess the relative efficiency and effectiveness of multilateral organisations, but it is highly dysfunctional for there to be a series of ill co-ordinated individual reviews, as opposed to all concerned drawing on well-considered diagnostics that have been agreed collectively.

Assessments based on the multilateral organisation's own systems for evaluation are likely to be more useful than periodic blockbuster assessments by a team of outside consultants, who will struggle to find objective information on performance and impact if internal systems do not exist. This, of course, presupposes that such evaluation systems do exist and are sufficiently robust and independent; this should be an essential element for all major multilateral institutions.

Understanding how organisations are delivering or failing to deliver at the country level is vital: the voice of local experts (not just government representatives) in countries receiving multilateral aid needs to be more audible at multilateral agency boards and in replenishments.

Ensure that in judging the effectiveness of donors' own bilateral aid operations, they use criteria that are no less demanding than those they apply to multilateral agencies.

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NEWS IN BRIEF

Seminar on results with AFD

There is increasing pressure for providers of development co-operation to be accountable for results while at the same time fulfilling the commitments made in Busan. On 4-5 June, the OECD Development Co-operation Directorate and the French Agency for Development convened a seminar to discuss and the related challenges. More than 50 development experts and managers participated in the seminar, representing 22 bilateral and multilateral delegations as well as non-governmental organisations and researchers. Participants agreed that further guidance is needed to clarify the purpose of corporate frameworks to report on results as well as their links with the results frameworks developed by partner countries. The sustainable development goals could be a game changer in that aspect.

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Tracking climate-related development finance and sustainable development

The OECD Secretary-General Angel Gurría is speaking in Addis Ababa (14 July) at the Green Climate Fund side event: "Climate Finance at the Service of Sustainable Development". He will highlight DAC contributions on tracking climate-related development finance and the related work, including the OECD-led Research Collaborative on Tracking Private Climate Finance.

The OECD DAC released an updated flyer on climate-related development finance, which shows that total bilateral and multilateral climate-related development finance reached USD 40 billion in 2013. Another flyer for Addis highlights these results in the broader context of sustainable development and other related environmental issues.

The OECD DAC monitors development finance targeting climate change, biodiversity, desertification and other environmental concerns, using four “Rio markers” and an environmental policy marker. To ensure that DAC methodologies and data remain fit for purpose it is important to:

- review options to improve the quality and robustness of the Rio markers
- increase the coverage of DAC statistics on environment-related development finance flows (i.e. multilateral and other official flows)
- support international communities in using or building on existing DAC data and systems to increase transparency and accountability in reporting against the Rio Conventions
- increase communication and outreach.

These challenges were discussed by participants in a Task Team meeting on 20-21 May.

In the same week, the OECD hosted a workshop exploring partner country perspectives for tracking domestic and international climate- and biodiversity-related finance. Experts attending included representatives from Colombia, India, Indonesia, Mexico, Peru, Philippines, Viet Nam and Zambia. For more information, including statistical flyers and data visualisation portals, visit http://oe.cd/Riomarkers

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Learning lessons from New Deal

On the margins of the African Development Bank annual meetings, the International Dialogue on Peacebuilding and Statebuilding held brought together over 60 representatives of the g7+ group of fragile and conflict affected countries, the OECD-DAC Network on Conflict and Fragility, and members of the Civil Society Platform for Peacebuilding and Statebuilding, for its bi-annual Steering Group and Implementation Working Group meetings. In meetings that spanned several days, participants reaffirmed their commitment to ensuring that lessons from the implementation of the New Deal – which will be captured in the on-going Independent Review of the New Deal and Dialogue – should contribute to shaping crucial global processes underway this year. Additionally, a high-level panel discussion addressed questions and analysed the findings contained in the New Deal Monitoring Report, published in June 2014.

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New review of development co-operation evaluation systems launched

Over 80 evaluation managers and specialists from development agencies, ministries and international institutions came together on 15-16 June for the 18th DAC EvalNet meeting to discuss new ways of collaborating in evaluations. Participants agreed that evaluation will need to evolve to respond to new challenges related to the adoption of the SDGs, the Financing for Development Conference in Addis Ababa, and the upcoming COP21 Conference in Paris. The EvalNet Network has launched a major new review of evaluation systems in development co-operation.

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Monitoring progress on effective development co-operation commitments

The second round of monitoring progress in implementing selected Busan commitments will be launched in the coming months. Carried out under the direction of the Global Partnership for Effective Development Co-operation (GPEDC), the progress report will be published in 2016 to provide an updated global snapshot of advances since the first progress report in 2014. Ahead of the High-Level Meeting of the GPEDC at the end of 2016, it will highlight remaining gaps in reaching the agreed targets; contribute to mutual learning; and serve as a tool to spark dialogue on making development co-operation more effective.

For more information about the GPEDC, please visit www.effectivecooperation.org. Also see the leaflet about this forthcoming monitoring exercise.

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Preliminary Net ODA figures in 2014 by OECD DAC countries just released:

USD 135.2 billion, down 0.5% in real terms and representing 0.29% of DAC members' combined GNI. For more information, see: http://www.oecd.org/dac/stats/

Also Available

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