Statement by

Mr. Richard Manning
Chairman
OECD Development Assistance Committee (DAC)
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1. “Achieving the MDGs” involves not only mutual responsibilities of developing countries and their donor partners, but also unites the agenda of both multilateral and bilateral donors. The DAC is the main forum where bilateral donors, working increasingly closely with multilateral agencies, meet to consider donor policies and practices. From this collective work, a number of messages arise which are pertinent to the discussions in the Development Committee.

2. The annual High Level Meeting of the DAC took place on 15-16 April. The World Bank was represented by Vice-president Gobind Nankani. The HLM discussed:

- Aid volume and effectiveness
- The growth agenda
- Security and development
- Eligibility as official development assistance of expenditure on security accountability and the Clean Development Mechanism.

The Statement adopted by the meeting is at Annex. The following summarises the major messages of the HLM:

**Aid Volume**

3. My assessment, as Chair, is that there is now a growth momentum in official development assistance, which indeed reached a new peak in real terms in 2003, surpassing the previous peak of 1992, while representing only 0.25% of DAC members’ collective GNI. This is driven partly by increased debt write-off (which increased in 2002 to over $5 billion, compared with roughly $3 billion in previous years) and by start of reconstruction expenditure in Iraq (accounting for around $2 billion in 2003), so that the increase in real transfers to key regions falling short of the Millennium Development Goals is as yet very modest. We will examine the allocation of aid in more detail in our next Development Co-operation Report once the disaggregated figures are available for 2003. Meanwhile, Charts 1 and 2 show the longer-term trends in aggregate aid and in a proxy measure of bilateral financial aid compared to other types of aid.

4. Looking forward, delivery in 2006 of commitments made by most DAC members at Monterrey in 2002 implies a further real increase of at least 25% (see Table 1—now updated to show the required increase on 2003 ODA, at 2003 prices and exchange rates). This should provide for substantial real increases to regions falling short of the MDGs, particularly if some major traditional recipients continue to attract large volumes of non-ODA financing. Such an increase is not in my judgement out of the question, but the commitments do look very demanding in relation to current performance for a number of donors. Finance Ministers should ensure that the Monterrey commitments—which would raise ODA to 0.29% of DAC GNI in 2006, well below levels of a decade earlier—are given full weight in public expenditure discussions.
Table 1. DAC Members ODA prospects after Monterrey: Latest projections for 2006

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<tr>
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</thead>
<tbody>
<tr>
<td>Austria</td>
<td>503</td>
<td>0.20%</td>
<td>0.33%</td>
<td>2006</td>
<td>877</td>
<td>0.33%</td>
<td>374 74%</td>
</tr>
<tr>
<td>Belgium¹</td>
<td>1 887</td>
<td>0.61%</td>
<td>0.7% (n.a.)</td>
<td>2010</td>
<td>2 120</td>
<td>0.65%</td>
<td>231 12%</td>
</tr>
<tr>
<td>Denmark</td>
<td>1 747</td>
<td>0.84%</td>
<td>&gt;0.7%</td>
<td>n.a.</td>
<td>1 638</td>
<td>0.83%</td>
<td>90 5%</td>
</tr>
<tr>
<td>Finland²</td>
<td>556</td>
<td>0.34%</td>
<td>0.44%</td>
<td>2007</td>
<td>708</td>
<td>0.41%</td>
<td>152 27%</td>
</tr>
<tr>
<td>France</td>
<td>7 337</td>
<td>0.61%</td>
<td>0.5% (0.7% by 2012)</td>
<td>2007</td>
<td>8 955</td>
<td>0.48%</td>
<td>1 618 22%</td>
</tr>
<tr>
<td>Germany</td>
<td>6 694</td>
<td>0.28%</td>
<td>0.33%</td>
<td>2006</td>
<td>8 380</td>
<td>0.33%</td>
<td>1 686 25%</td>
</tr>
<tr>
<td>Greece</td>
<td>356</td>
<td>0.21%</td>
<td>0.33%</td>
<td>2006</td>
<td>642</td>
<td>0.33%</td>
<td>285 80%</td>
</tr>
<tr>
<td>Ireland²</td>
<td>510</td>
<td>0.41%</td>
<td>0.7% (n.a.)</td>
<td>2007</td>
<td>813</td>
<td>0.61%</td>
<td>304 60%</td>
</tr>
<tr>
<td>Italy</td>
<td>2 393</td>
<td>0.16%</td>
<td>0.33%</td>
<td>2006</td>
<td>5 092</td>
<td>0.33%</td>
<td>2 699 113%</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>189</td>
<td>0.80%</td>
<td>1%</td>
<td>2005</td>
<td>250</td>
<td>1.00%</td>
<td>61 32%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>4 059</td>
<td>0.81%</td>
<td>0.8% (n.a.)</td>
<td>2005</td>
<td>4 240</td>
<td>0.80%</td>
<td>76 6%</td>
</tr>
<tr>
<td>Portugal</td>
<td>298</td>
<td>0.21%</td>
<td>0.33%</td>
<td>2006</td>
<td>510</td>
<td>0.33%</td>
<td>211 71%</td>
</tr>
<tr>
<td>Spain</td>
<td>2 030</td>
<td>0.25%</td>
<td>0.33%</td>
<td>2006</td>
<td>2 899</td>
<td>0.33%</td>
<td>869 43%</td>
</tr>
<tr>
<td>Sweden</td>
<td>2 100</td>
<td>0.70%</td>
<td>Long term goal 1% (at least 0.87% in 2006)</td>
<td>2006</td>
<td>2 785</td>
<td>0.87%</td>
<td>685 33%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>6 166</td>
<td>0.34%</td>
<td>0.4% (n.a.)</td>
<td>2005-06</td>
<td>7 772</td>
<td>0.40%</td>
<td>1 606 26%</td>
</tr>
<tr>
<td>EU Members, Total</td>
<td>36 825</td>
<td>0.35%</td>
<td>0.39%</td>
<td>2006</td>
<td>47 880</td>
<td>0.43%</td>
<td>11 055 30%</td>
</tr>
</tbody>
</table>

¹ Assumes average real growth in GNI of 2% p.a. (3% for Canada, 4% for Greece and zero for Japan) from 2003 to 2006.
² ODA/GNI ratio for 2006 interpolated between 2003 and year target scheduled to be attained.
³ Future level is under review.
⁴ Assumes 5% nominal GNI growth and 2% inflation to 2006, and includes estimated $4 billion expenditure from Millennium Challenge Account in 2006.

5. In 2005, it will be timely to consider whether further medium-term commitments should be made collectively, as at Monterrey, taking account of any progress made on new methods of securing finance for international development and global public goods.

Better Aid through Alignment and Harmonisation

6. Following the February 2003 Rome Forum on Harmonisation, bilateral and multilateral agencies (including the World Bank, the Regional Development Banks, the UN System, and the IMF) are working together on the reform process, under the umbrella of the DAC’s Working Party on Aid Effectiveness. Fourteen developing countries are directly associated with this effort to turn the agreed principles of alignment and harmonisation into effective practices at country level. Altogether, relevant activities are underway in some fifty countries. Moreover, there is ongoing work to address other issues closely associated with aid effectiveness—financial accountability, aid predictability, untying, building procurement management capacity, and post-Marrakech actions on managing for development results.

7. These efforts are encouraging. However, with a few notable exceptions, the alignment and harmonisation agenda has not yet been sufficiently internalised by donors through changes in development agencies’ operational policies, procedures and staff incentives (we expect, with voluntary funding, to broaden our work into the latter area). Partner countries, for their part need to go further in providing firm leadership in articulating national priorities and development strategies and address capacity weaknesses, with support from donors. As a result, there is a continuing divide between overall agreed policy, detailed operational procedures (which need to be redesigned in some cases to facilitate harmonisation), and country-level practices.

8. The preparatory process now underway for the Second High Level Forum to be hosted by the French Government in early 2005 should encourage a sense of urgency for taking concrete action. The High Level Meeting committed DAC members to deliver the action plans as follow up to the Rome commitments, and accepted that this will mean significant changes to the way donor agencies and field offices manage the delivery of aid in support of country-owned strategies. The continuing attention, encouragement and support provided by the Development
Committee will also remain critical in the months ahead, in what I see as a model for joint efforts between bilateral and multilateral donors, and between the Development Committee and the DAC.

Managing for Development Results

9. The DAC High Level Meeting endorsed the Marrakech Memorandum on Managing for Development Results, and the Core Principles attached to it, as a basis for consultation with developing countries. Work will be carried forward by the DAC/World Bank Joint Venture on Managing for Results.

10. This work is very important not only for improving the effectiveness of the development effort, but also for sustaining the credibility of this effort for public opinion in both developed and developing countries. It needs to be matched by a further investment in the underpinning systems for measuring results in a way that is relevant to policy-makers and opinion formers.

11. I wish therefore finally to draw the attention of the Development Committee to the need to develop the statistical systems of most developing countries to improve very considerably the availability of timely, reliable and policy-relevant statistics to their leaders and people. This is also necessary if we are to have adequate accounting at a world level of the progress of the development effort. This requires developing countries and donors to give due priority to statistics for policy setting and monitoring in their budgets. A good start would be to ensure the full funding of the recent joint appeal for medium-term support for the World Bank’s Trust Fund for Statistical Capacity Building and for the Partnership in Statistics for development in the Twenty-First Century (PARIS21, hosted by OECD’s Development Co-operation Directorate), which is seeking to ensure that all developing countries have national strategies for development of statistics by 2006, while also promoting the various initiatives for better statistics at sectoral and sub-national level.
Annex

Statement adopted by Members of the OECD’s Development Assistance Committee (DAC)

High Level Meeting, 15-16 April 2004

Development Co-operation Ministers and Agency Heads of DAC Members met in Paris on 15-16 April 2004 along with the Administrator of the UNDP, Mr. Mark Malloch Brown, senior representatives of the World Bank and IMF, and of non-DAC OECD Members. The meeting was chaired by Mr. Richard Manning, Chair of the DAC. They agreed on the following statement:

1. In anticipation of a high-level plenary meeting to review the implementation of the Millennium Declaration, to be held by the UN in 2005, we took stock of the trends in Official Development Assistance (ODA), noting that the real increase over the last two years has been 11 per cent, reversing the declines in aid of the previous decade. In the context of the 2002 Monterrey Conference on Financing for Development, a large number of DAC members have now set timetables for reaching an ODA/GNI ratio of 0.7% or are committed to significant increases in their ODA volume, and some members are proposing a new mechanism for financing an early doubling of development assistance.

We agree that the consensus reached in Monterrey in 2002 and the pledges made by a large number of DAC countries, remain the basis for decisions on aid budgets in the context of tackling the internationally agreed development goals set out in the Millennium Declaration (MDGs). These pledges represent a further prospective increase in aid of around 25 per cent between 2003 and 2006. We note that while some among us are making faster than expected progress, others will need to lift ODA levels rapidly in order to meet commitments made. In addition to ODA, we reaffirmed the importance of mobilizing in a coherent manner a variety of resources, including domestic resources and foreign direct investment. We also recognise that capacity development in partner countries, and their ownership of development strategies, are essential for the achievement of the MDGs. We note that countries in the sub-Saharan Africa region face particular challenges in reaching these goals, and we are committed to supporting their own co-operative efforts, notably in the context of NEPAD.

2. We recognise the compelling need to increase the effectiveness of our aid as an integral part of the Monterrey Consensus and for delivering scaled up aid programmes to support achievement of the MDGs. We welcome the work in hand in the DAC, with the participation of the Multilateral Development Banks, the UN, and developing country partners, to turn the principles of harmonisation and alignment—agreed at the Rome High Level Forum in 2003—into reality on the ground. It is vital to see concrete results from this work, and from other parts of the aid effectiveness agenda, by the time of the follow-up Paris High Level Forum in early 2005.

We commit our agencies and our field staff to implement the action plans that each of us has undertaken to introduce and implement as part of the follow-up to Rome. We accept that this will mean significant changes to the way our agencies and field offices manage the delivery of aid. We emphasise the need for all donors, multilateral and bilateral, as well as the global funds, to participate in harmonisation and alignment initiatives. We encourage developing countries to lead strong local co-ordination processes on the basis of their own development strategies and medium-term budget frameworks. We endorse the 2004 joint
Marrakech Memorandum on Managing for Development Results, and the Core Principles attached to it, as a basis for consultation with developing countries. The proposed action plan should also be included in these consultations. We call for thorough preparation of the Paris High Level Forum and request the DAC Senior Level Meeting, to be held in December 2004, to identify where more progress in changing actual donor practices is needed, in the light of the report it will receive on progress since Rome.

3. We recognise the fundamental importance of broad-based economic growth to raising millions of poor people out of poverty, as demonstrated in the sustained growth in many Asian countries over recent decades. We are concerned that the growth prospects in many other countries are well below what should be attainable in today’s world and well below what is needed to reach the MDGs in many poor countries, particularly in Africa. New efforts are needed to connect poor people into the growth and development process, especially the large proportion of poor people located in rural areas. Accountable and well-functioning legal and financial systems, as well as sound public management, are basic requirements.

We agree to give renewed priority to assisting partner countries to launch a dynamic growth process that decisively reduces poverty. We support the work in the DAC and elsewhere to understand better how to help generate sustained broad-based growth, through country-specific reforms which stimulate local entrepreneurship and trade capacity and create synergies between private sector development, trade, and investment in agriculture and infrastructure. Such growth strategies should be embedded in Poverty Reduction Strategies (PRS), investment in agriculture and infrastructure should receive renewed attention in this context. We also recognise the importance of assisting the emergence of a knowledge economy in developing countries. We welcome the interest and activities of other policy communities in the OECD in development co-operation, and their engagement in working for greater coherence of OECD policies impacting on trade, growth, and development prospects. We look forward to collaborating more closely with them in promoting an international environment facilitating development. Trade is key and we emphasise the importance of fulfilling the objectives of the Doha Development Declaration.

4. We recognise that security and development are inextricably linked. Conflict kills the prospects for broad-based growth. The DAC’s 2001 Guidelines on Poverty Reduction identified human security as one of the five main dimensions of poverty. Without security in its broadest sense, the MDGs will not be attainable for millions of the poor. And without development, there can be no sustainable human security. There is a need for more integrated development and security policies, with greater civilian involvement and oversight of security systems. Security systems should seek to provide freedom from violence and fear. They should be people-centred, locally-owned frameworks, based on democratic principles, human rights and the rule of law. These principles are at the core of the concept of security system reform, which provides a new framework to structure co-operation to address security challenges facing states and their populations.

We endorse “Security System Reform and Governance: Policy and Good Practice”, a DAC policy statement and reference paper that includes recommendations for donors to work on Security System Reform through whole-of-government approaches; strategic planning frameworks; and facilitation of reforms that are owned and led by developing country partners. We note that this guidance is in line with the conclusions of the final report of the Commission on
Human Security submitted to the UN Secretary General in 2003, which we support.

5. The question of ODA eligibility in relation to conflict prevention, peace building and security-related activities has become more significant as our Governments and our developing country partners give greater attention to issues around peace, security and development, and reflect on the best use of development funds for this purpose. At the same time, we are committed to maintaining credibility of the definition of ODA and the role of the DAC as its guardian.

Against this background, we agreed that the definition of ODA relevant areas would need to be adjusted and clarified and we discussed a number of proposals. We decided to adjust and clarify ODA reporting guidelines relating to preventing recruitment of child soldiers, enhancing civil society’s role in the security system, and civilian oversight and democratic control of the management of security expenditure. We also agreed to continue work and discussion on other items, bearing in mind the need to maintain the credibility of ODA and to protect the integrity of ODA budgets. We have asked the competent DAC bodies to report to the Senior Level Meeting in December 2004, with a view to reaching a consensus by the time of the 2005 High Level Meeting.

6. A substantial amount of ODA is devoted to humanitarian assistance, often in the context of crisis situations.

We encourage the DAC to see how it might best contribute, in the framework of its Peer Reviews, to meeting and improving standards in the area of Good Humanitarian Donorship.

7. The case of ODA eligibility of assistance for projects that would qualify under the Clean Development Mechanism (CDM) of the Kyoto Protocol poses important issues of how to support this instrument for sustainable development, while guarding against the risks of aid diversion.

We confirm our commitment to the Marrakesh agreement as the basis for our consideration. We note that it is the host party’s prerogative to confirm whether a CDM project assists it in achieving sustainable development, and that the recipient country will need to approve each project including its source of financing. We agree that the value of any Certified Emission Reductions (CERs) received in connection with an ODA-financed CDM project should lead to a deduction of the equivalent value from ODA, irrespective of whether the CERs are sold or retained by the donor. We also rule out the possibility of counting as ODA funds used to purchase CERs. We request the DAC’s expert groups on environment and statistics to continue work to clarify remaining unresolved issues and formulate a practical approach in time for the next reporting cycle. This approach would be subject to review within three years.

8. To conclude, we believe that, more than ever, development co-operation is a key instrument for achieving a world which offers decent and secure lives for all. As we approach the UN review in 2005, we are resolved to build on the new impetus to gear aid volume and effectiveness, as well as other development-related policies, to achieving the MDGs and to ensure that our publics are properly informed on the outcomes of these efforts.