Statement by

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and

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I. New Partnership Initiatives in the OECD

OECD as a Hub for Discussion on Globalisation

1. The OECD has a key role to play in managing globalisation – understanding it, explaining it, analysing its effects, and making policy recommendations to maximise its benefits and to tackle its challenges. As a hub of dialogue on global issues, the OECD is positioned to make unique contributions to the worldwide challenge of development. OECD’s mandate on the political economy of reform, enlargement and enhanced engagement positions the institution to respond quickly to a dynamic and changing development landscape. The OECD offers a wealth of information and analysis, based on the experience members have shared over the decades under its auspices and drawing on the expertise of its committees and staff.

OECD’s Role in Emerging New Partnerships

2. Today we find ourselves engaging in a series of evolving and new partnerships in areas crucial to development impact and results. These partnerships, which will be expanded upon in the coming paragraphs, include:
• The global partnership for monitoring the MDGs,
• The UN Secretary General’s Africa MDG initiative,
• The High Level Forum on Aid Effectiveness,
• The Aid for Trade monitoring process at the WTO, and
• Monitoring forward information on aid scaling up, predictability and results.

These important initiatives build on OECD’s unique mandate and ability to serve as an effective platform for policy dialogue between both OECD member and non-member countries.

**Enlargement and Enhanced Engagement**

3. In May this year, the OECD Ministerial Council Meeting took a decision with far-reaching consequences for the future of the organisation. The OECD invited five countries (Chile, Estonia, Israel, the Russian Federation and Slovenia) to join its membership and decided to pursue enhanced engagement with five further countries (Brazil, China, India, Indonesia and South Africa) – while continuing its extensive work with a broad range of other non-member economies. With this decision the OECD confirms its intention to play a central role in shaping globalisation as an opportunity for all stakeholders in the world economy, and demonstrates its own commitment to change.

4. In the area of development the OECD/DAC has increased co-operation with non-members in recent years, seeking to engage in particular Brazil, China, India, the Russian Federation and South Africa, and looks to bring their experience and perspectives increasingly into DAC work.

**Heiligendamm Dialogue Process**

5. The OECD will provide the platform for the Heiligendamm Dialogue Process, upon invitation of the G8 and Brazil, China, India, Mexico and South Africa. This new forum for topic-driven dialogue will help the G8 and major emerging economies to take a concerted approach to key challenges to the world economy. On October 17th, 2007, the Steering Committee that will oversee the process was established at a meeting in Berlin. The G8 Summit in Japan in 2008 will receive an interim report on the progress made and at the G8 Summit in Italy in 2009 a final report on the outcomes of the Dialogue Process will be presented. We look forward to this process, which includes development (particularly in Africa) as one of its four themes

**Partnership for Democratic Governance**

6. The Partnership for Democratic Governance (PDG) is a new multilateral initiative designed to assist developing countries, wherever capacity is limited, to improve governance, strengthen capacity and accountability and effectively deliver essential services such as efficient customs, judicial and tax services. While most multilateral and bilateral development agencies are active in the fields of governance and capacity building, PDG will support a concerted international effort aimed at examining how the international community can directly and effectively support service delivery and provide expertise to deliver core policy functions.

7. The PDG offers a range of international resources to address capacity gaps in developing countries, including:
• Providing governments with a choice of potential service providers;
• Focusing an international spotlight on acute service delivery needs and capacity gaps;
• Developing countries’ capacity to deliver effective services and core state functions by ensuring that all activities include: clear lines of accountability, finite timelines, and explicit capacity development strategies reflecting, inter alia, gender and environmental concerns; and
• Developing “best practices” by testing, recording, and evaluating innovative approaches.

8. Launched on 1 October 2007 by countries and international and regional institutions from around the world, the PDG comprises the following founding members: Australia, Brazil, Canada, Chile, Denmark, Japan, Korea, Mexico, New Zealand, Poland, Turkey, the United States, Organisation for Economic Co-operation and Development (OECD), United Nations Development Programme (UNDP), Organization of American States (OAS), and the Inter-American Development Bank (IDB). The Partnership is supported by an Advisory Unit, housed at OECD in Paris. The first meeting of the PDG Steering Group, comprising all the founding members and chaired by the OECD Secretary-General, will be held at the OECD on 28-29 January 2008.

II. OECD/DAC Perspectives on Key Development Committee Agenda Items

Scaling Up

9. The OECD estimates that if donors deliver on aid commitments made in a series of summit meetings in 2005 real ODA would increase by $50 billion to $130 billion between 2004 and 2010 (in 2004 constant prices). Given the pressures on public budgets in many DAC countries, expansion of aid is a great challenge in spite of political commitments at the highest level. There are also complexities in scaling up for results at the country level. We have therefore stepped up our efforts to assist donors in building scaling up processes, including through the collection of information on their indicative forward spending plans.

10. The DAC 2007 Survey of donors’ forward spending plans is underway. It differs from previous surveys in that data collection is limited to country programmable aid, i.e. aid that is subject to multi-year planning at the country level. For multilateral agencies, country programmable aid comprises core-funded expenditure on operational activities in ODA recipient countries. For multilateral development banks, concessional credits and grants are included. Having defined the concept in collaboration with aid financing and allocation specialists and having clarified a number of methodological issues related to forward information, we hope to achieve wide coverage. Responses have started to come in but it is too early to draw conclusions. We count on the support of the Development Committee to spread the word on the importance of this work.

11. As we reported to the Spring meeting net ODA in 2006 fell by 5.1% in real terms to $103.9 billion. The decrease was 1.8% excluding debt relief. ODA to sub-Saharan Africa increased but country programmable aid has stalled. This should be a wake-up call to donors. In our work on scaling up we have had indications of aid agencies’ willingness to advance this agenda, and are pleased to note that there have been some very significant recent announcements by major bilateral donors on concrete scaling up plans – we hope others will follow.

12. Collection of information on donors’ forward spending plans addresses another major theme in aid policy discussions – the predictability of aid (see paragraph 27 below). This work should also allow us to get a better perspective on the implications for aid architecture of individual donors’ scaling up plans.
13. Three key replenishments, all of which run to 2010, are a key test of donors' determination to scale up their ODA. In September, donors agreed on a second replenishment of $9.7 billion for the Global Fund to fight AIDS, Tuberculosis and Malaria. This was a significant increase on the previous replenishment in 2005. Negotiations continue on the IDA and AfDF replenishments. These pose an even bigger challenge, especially given the extra financing required to meet the cost to them of implementing the Multilateral Debt Relief Initiative (MDRI). The outcome of these negotiations is of great importance for the changing architecture of development assistance.

**Climate Change Adaptation and Development**

14. We welcome progress achieved in three areas: towards implementation of the Investment Framework for Clean Energy and Development, and the continued focus on energy for development and access for the poor; the transition to a low carbon economy; and adaptation to climate change. The recent conclusions of the Fourth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) have sharply increased the urgency of addressing climate change, as highlighted by G8 Leaders in Heiligendamm.

15. Like the IPCC, OECD work has found that globally an ambitious mitigation target can be achieved at relatively low costs. But the distribution of these costs – both amongst countries and sectors – needs attention. How to achieve low cost mitigation globally, and how to address issues relating to the distribution of these costs, will be the focus of new work undertaken by the OECD. This work will be carried out together with both Finance and Environment Ministries.

16. No matter how effective mitigation measures are, climate adaptation will still be required. This is of high priority for all countries, but especially for developing countries, which are recognised to be the most vulnerable. Adaptation will have to be co-ordinated with social and economic development in an integrated manner, taking into account the legitimate priority needs of developing countries for the achievement of sustainable economic growth and the eradication of poverty. Adaptation to climate change is not a “stand alone” agenda – developing countries need to integrate adaptation into their development policy-making and planning, including in the context of national plans, such as Poverty Reduction Strategies. Following the endorsement by OECD Development and Environment Ministers of the OECD Declaration on Integrating Climate Change Adaptation into Development Co-operation, in April 2006, the OECD Development Assistance Committee and Environment Policy Committees have worked together to develop and apply coherent approaches to integrating climate change adaptation into development co-operation.

17. A systematic review of how bilateral agencies and International Financial Institutions are working to integrate climate change adaptation into their operations has found significant progress on several fronts. Many development co-operation agencies and Multilateral Development Banks have taken formal commitments to make climate change concerns an integral part of their operations. Considerable progress is being made on raising awareness of the risks posed by climate change and several donor agencies have also made special efforts to discuss this issue with their partners in the context of policy dialogues at various levels. Many donor agencies and International Financial Institutions have also begun systematically to assess the climate vulnerability of the various activities which they support, with a view to building in needed corrective precautionary measures.

18. But much remains to be done to translate this progress into operational reality on the ground. As we reported last year, national development plans, poverty reduction strategy papers, sectoral strategies and project documents in climate-sensitive sectors generally pay little or no attention to climate change,
and often only limited attention to current climate risk. Work is underway to develop practical guidelines on integrating consideration of climate risks into development policies, plans and projects. In line with the principles and objectives of the Paris Declaration on Aid Effectiveness, the focus is on integrating these issues in the context of partners’ own institutions and procedures at various levels and identifying associated capacity development needs. Work is ongoing to review and refine frameworks currently available to policy-makers for assessing the economic implications of adaptation measures, including their costs, benefits, and distributional effects. The OECD will also evaluate the potential for the use of economic and financial instruments to promote adaptation. We look forward to playing an active role together with the Bank and others in addressing the biggest environment and development challenge of our time.

**Aid for Trade**

19. A significant challenge in the discussions around aid for trade is communicating to the parties that narrowly defined policies focused on reductions to barriers to trade, while necessary, are not alone sufficient for economic growth. Assistance is often necessary to help low-income countries build up adequate productive and logistical capacity to increase their ability to negotiate and implement commitments undertaken in the international trading system. Aid for trade provides a framework in which to connect all these different assistance activities (from training negotiators to building roads) within a coherent trade and development strategy.

20. To make aid for trade work we face two challenges: first, developing countries and donors need to recognise that trade is an important tool for development and justifies financial support; and, second, we need to strengthen the effectiveness of our support. With respect to the first challenge, there has been progress. Increasingly, the importance of trade for economic growth is being reflected in the policy agenda of low and middle income countries. In this context, the impact of the Integrated Framework for raising awareness in LDCs should not be underestimated. Nine of the ten second-generation PRSPs completed in the last two years have a well-articulated growth strategy and trade issues appear in all ten. Nevertheless, there is room for improvement as few PRSPs present an operational strategy for using trade to stimulate economic growth and poverty reduction.

21. Recent evaluations of donors’ trade related assistance programmes suggest that work remains to be done in addressing the second challenge, highlighting the need to improve our knowledge on how to design and effectively implement aid for trade programmes. Developing countries have a long list of needs, in terms of infrastructure, capacity, access to technology, trade finance, etc. No amount of aid will enable a country to address all at the same time. Thus, a key challenge for the trade and development community is to get a much better understanding of the priorities for a successful trade development strategy. Only a few donor programmes explicitly incorporate trade activities as a component in their aid programmes and still fewer have programmes on engaging the poor in trade. Clearly, there is work to be done among donor agencies in better integrating trade expertise in operational teams and applying the Paris Declaration principles to the development and implementation of trade activities and programmes.

22. From the implementation of the Paris Declaration we have learned that putting a spotlight on progress (or lack thereof) creates incentives to improve aid delivery. The OECD is working with the WTO to establish a monitoring system of aid for trade because we believe that by increasing the transparency of aid for trade we will improve effectiveness and create incentives to foster synergies between trade and other economic policy areas in developing countries as well as improve the coherence of aid for trade with overall aid strategies and donor agencies – essential components of an effective aid for trade partnership between donors and developing countries.
III. Aid Effectiveness – Towards the Accra Forum

The road to Accra, Doha and beyond

23. In September 2008, ministers, heads of development agencies and civil society organisations from around the world will gather in Accra for the Third High-Level Forum on Aid Effectiveness. Their common objective will be to reform aid to make it more transparent, accountable and effective at helping the poorest countries and most marginalised people in their fight against poverty.

24. Whilst the Paris Declaration (March 2005) has helped focus attention on some of the challenges of improving aid, a recent survey conducted under the auspices of the OECD clearly suggests that important efforts are needed to deliver tangible and significant benefits at country level. A second survey, timed in early 2008 to feed into the Accra forum, will tell us how seriously donors and countries have taken their commitments (the 2005 baseline results and 2010 targets are presented in Table 1 below).

25. Expectations will be high that the Accra Action Agenda — the compact to be agreed by governments and development agencies at the end of the forum — will recognise the need to improve and step-up implementation of the Paris Declaration. More so than for previous high level fora, developing countries will be leading the agenda setting process for Accra and will expect responses to some of their most pressing concerns including on untying, unpredictable aid and ineffective technical cooperation. Civil society organisations across the world will be pressing for reforms in the aid industry and expect better accountability on the use of all resources including domestic revenues. Public support for aid is dependent on a high level of confidence in aid quality. Accra presents a real opportunity to address these issues and move forward with concrete actions.

26. The Accra Forum will be closely followed by the UN’s Financing for Development Conference in Doha, providing the international community with a unique opportunity to take up the recommendations and results from Accra into the broader financing for development outcomes at Doha, thus helping the international community to push forward with the crucial agenda on aid and aid effectiveness.
<p>| Table 1: Implementing the Paris Declaration: 2005 Baseline results and targets for 2010 |</p>
<table>
<thead>
<tr>
<th>Paris Indicators of Aid Effectiveness</th>
<th>2005 Global Baseline (based on 34 countries)</th>
<th>2010 Global Targets</th>
</tr>
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<tbody>
<tr>
<td>1 Ownership – Operational Poverty Reduction Strategy</td>
<td>17% of countries meet criteria</td>
<td>At least 75%</td>
</tr>
<tr>
<td>2a Quality of public financial management systems</td>
<td>31% of countries meet criteria</td>
<td>Half of partner countries increase their score</td>
</tr>
<tr>
<td>2b Quality of procurement systems</td>
<td>Not available yet</td>
<td>One third of partner countries increase their score</td>
</tr>
<tr>
<td>3 Aid reported on budget (alignment)</td>
<td>88%</td>
<td>94%</td>
</tr>
<tr>
<td>4 Co-ordinated capacity development</td>
<td>48%</td>
<td>50%</td>
</tr>
<tr>
<td>5a Use of country public financial management systems</td>
<td>40%</td>
<td>[80%]¹</td>
</tr>
<tr>
<td>5b Use of country procurement systems</td>
<td>39%</td>
<td>[80%]²</td>
</tr>
<tr>
<td>6 Parallel Project Implementation Units</td>
<td>1 832</td>
<td>611</td>
</tr>
<tr>
<td>7 In-year predictability of aid flows</td>
<td>70%</td>
<td>87%</td>
</tr>
<tr>
<td>8 Untied aid</td>
<td>75%</td>
<td>Progress over time</td>
</tr>
<tr>
<td>9 Use of programme-based approaches</td>
<td>43%</td>
<td>66%</td>
</tr>
<tr>
<td>10a Co-ordinated missions</td>
<td>18%</td>
<td>40%</td>
</tr>
<tr>
<td>10b Co-ordinated country analytic work</td>
<td>42%</td>
<td>66%</td>
</tr>
<tr>
<td>11 Sound performance assessment framework</td>
<td>7% of countries meet criteria</td>
<td>38%</td>
</tr>
<tr>
<td>12 Reviews of mutual accountability</td>
<td>38% of countries meet criteria</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: OECD, 2006 Survey on Monitoring the Paris Declaration (www.oecd.org/dac/effectiveness/monitoring)

¹ The level of ambition of this target is determined by Indicator 2a. The figure in square brackets is provided for illustrative purposes and is based on a two-thirds reduction of the gap. For more information please refer to the Paris Declaration.

² The level of ambition of this target is determined by Indicator 2b. The figure in square brackets is provided for illustrative purposes and is based on a two-thirds reduction of the gap. For more information please refer to the Paris Declaration.

**Predictability**

A key aspect of the Paris Declaration is to improve the predictability of aid flows. This means both the in-year delivery of promised aid funds, but also sufficient advanced information on future aid levels to permit medium-term expenditure planning to help to achieve a country’s national development strategy. The importance of this has been recognised by the UN MDG Africa Working Group which has included predictability as one of its work strands. The OECD-DAC is co-ordinating this strand with the IMF. In addition to the survey on forward spending described above, by the end of the year we will be
producing a report on donor policies’ on predictability and mechanisms to improve it. We will also be reporting on progress with in-country results and resource partnership processes that address better linking of resources to results, in part through improved predictability.

Statistics for Results

28. In order to effectively manage for results, most developing countries need substantially better and more timely, policy-relevant statistics on all aspects of development. The OECD/DAC hosts the Secretariat of a broad partnership of developed and developing countries called the Partnership in Statistics for Development in the Twenty-First Century (PARIS21), co-chaired by Richard Manning and Pali Lehohla - South Africa’s statistician-general.

29. PARIS21 assists countries with the design, implementation, and monitoring of National Strategies for the Development of Statistics (NSDSs), and, together with the World Bank, is driving a new initiative to scale-up investment in the national statistical systems tasked with reporting on results. This initiative, which recommends applying a system-wide approach to statistics with the NSDS as a framework for co-ordination both across sectors and between donors, will be discussed at a high-level meeting co-chaired by the World Bank, OECD/DAC, and the UK Department for International Development in Paris on 15 November 2007.