Statement by

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Organisation for Economic Co-operation & Development

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I. ONE YEAR ON: CARRYING FORWARD THE INTERNATIONAL RESPONSE TO THE CRISIS

From crisis to stability -- and the green shoots of growth

A year ago at this time the world was on the very brink of a global financial meltdown -- with direct and immediate implications for growth and stability. We have averted the disaster scenarios, thanks to swift and robust government action to stimulate fiscal and monetary policy, support failing financial institutions and industries, and begin work addressing a range of public policy reforms. International co-ordination has deepened, led by the emergence of a new global governance framework -- the G-20 -- which is now a key reference point for international economic co-operation and decision-making.

Recent statistics show recovery is taking hold in most of the OECD area. A number of the large emerging economies are growing strongly again. More generally, financial conditions have improved, share prices have risen, money market stress has been eased, world trade volume has stabilised, and business confidence has started to recover. We are experiencing a moderate recovery, but the pace of activity in the OECD area is expected to remain weak well into 2010, and it may take some time to regain previous rates of growth.

Remaining challenges in responding to the crisis

Despite these gains, there is no room for complacency. We face a number of urgent issues now: the need to recapitalise banks, agree on financial sector regulation and supervisory arrangements across countries, and co-ordinate policies and actions to ensure the world economy is on track for balanced and sustainable growth. Further, the employment outlook is very worrisome: in the OECD area alone, the unemployment rate has already reached a post-war record high of 8.5%, with direct impacts on incomes and social well-being. Governments must act quickly and decisively in confronting this major jobs crisis -- which will likely deteriorate further in the coming year.

At the same time we must work with resolve and energy to address new and urgent needs in developing countries brought on by the crisis. We cannot forget the millions of people in the developing world who have lost their jobs as a result of the global downturn -- and the consequences for increased poverty, hunger and vulnerability. We cannot allow the crisis to compromise achievement of the Millennium Development Goals -- the global benchmark for improving social conditions and economic opportunities for the vast majority of humanity. We cannot let it jeopardise the hard-fought gains achieved over the past five years in so many poor countries to improve health standards, expand educational systems, invest in crucial infrastructure and carry forward structural reforms.

We in the OECD will be working on multiple tracks in responding to these challenges. We will be providing analysis and insights regarding exit strategies, financial system regulation, fiscal consolidation, and frameworks for encouraging transparent and responsible business practices. On the trade front, we will continue to counter protectionism and promote a balanced and ambitious conclusion to the Doha Development Round. We will also be looking at ways countries can address global
imbalances. And finally, we will deepen our work to improve economic and social conditions in the
developing world by implementing the aid effectiveness agenda and by ensuring our public policies --
including trade, migration, agriculture, innovation and climate change -- are coherent with our
overriding commitment to promote growth and development progress in developing countries.

Towards Greener Growth

At the meeting of the OECD Council at Ministerial level held in June 2009, Ministers of Finance,
Economy, Trade, Foreign Affairs and Environment from 34 countries invited the OECD to develop a
Green Growth Strategy. Ministers committed their countries to progressively shift towards a mix of
production and consumption policies that will lead to a new growth paradigm, achieving economic
recovery and environmentally and socially sustainable economic growth.

The Green Growth Strategy will help governments identify policies supportive of economic growth
while reducing pollution and greenhouse gas emissions, waste and inefficient use of natural resources
and, at the same time, addressing social implications for the transition to a green economy. It will take a
global view on how country policies have an impact on sustainability over time and will seek more
collaborative approaches to address global challenges.

The Green Growth Strategy will include developed and developing economies. The role of development
co-operation will be crucial in enhancing the coherence of green growth policies in developing
countries.

An Interim Report will be delivered to the 2010 Ministerial Council Meeting (MCM) and a Final Report
to the 2011 MCM.

Other relevant work

Important mandates have been requested of the OECD by both the G-20 and G8 over the past year, as
the international system has grappled with the urgent actions and necessary co-ordination required to
effectively address devastating global financial and economic distress. The unique features of the
OECD -- its ready access to comparable data and good practice across many policy domains, its
analytical strengths and its leadership in developing innovative standards and disciplines -- will be
brought to bear as these mandates are implemented.

This includes work on investment measures, where the OECD will promote i) broader adherence and
enforcement of the OECD Convention on Combating Bribery of Foreign Public Officials in
International Business Transactions and support its permanent monitoring mechanisms and ii) enhance
the work of the OECD Freedom of Investment Round Table to monitor restrictions on investments.

The OECD has also been able to deliver a restructured Global Forum on tax transparency, which
includes more than 90 jurisdictions on an equal footing. The Global Forum met in Mexico on 1-2
September and agreed a programme for in-depth peer reviews to start early in 2010. G20 Leaders
welcomed this progress at their Pittsburgh Summit. Following a request of the G20, the OECD is also
very active in making sure that this new transparent environment will benefit developing countries. It is
developing multicultural instruments on mutual administrative assistance which will be open to
developing countries. It also very actively supports the development of the African Forum on Tax
Administration, in particular to enhance capacity building programmes.

The OECD has received a mandate to develop and implement a “Whole of Country” comprehensive
development effort instrument to help G8 governments share good practice in working more effectively
with the private sector, professional associations, philanthropies and civil society in efforts to support developing countries. A first assessment report will be submitted to G8 Leaders in 2010.

The recent OECD Employment and Labour Ministerial has provided a timely opportunity after the Pittsburgh Summit to share views on policy responses to the current jobs crisis. The OECD is committed to promoting dialogue and exchange with developing and emerging economies to address the employment and social challenges arising from the global crisis. We will continue working with relevant international organisations and the ILO in particular in organising and informing governments’ efforts to promote job creation.

II. CRISIS PERSPECTIVES FROM THE DEVELOPMENT ASSISTANCE COMMITTEE (DAC)

Taking stock: the impact of the crisis on developing countries

It has become increasingly apparent that low-income countries have not been insulated from the effects of the global financial crisis: transmission to the real economy has been swift and sharp for developing countries, although with varying intensity depending on export performance, level of debt and reserves, and relative development progress. A range of policy responses have been taken, including fiscal stimuli and increased social protection measures. Nevertheless, in the vast majority of poorer developing countries there is little or no fiscal space for counter-cyclical expenditure policies. It is increasingly difficult for these governments to cope with the crisis and mediate its impact.

The IMF now projects growth in low-income countries to slip further in 2009 due to worse-than-expected trade, remittance, foreign investment and aid figures. And the World Bank estimates that -- as a direct consequence of the crisis -- an additional 89 million people will be living in extreme poverty by 2010. Approximately US$ 11.6 billion of core spending and investment -- in education, health, infrastructure and social protection -- is now at risk in the most vulnerable countries, which may lead to social unrest, unsustainable migration patterns, and conflict.

As a result of the G-20 London commitments, the international system mobilised an unprecedented amount of emergency resources to finance countercyclical expenditure in the developing world. Perhaps some are not clear as to how these commitments are being implemented. How quickly are the World Bank and the IMF making these resources available? How much of this money is truly “new” -- and what share will be going to the poorest countries? How flexible are the conditions for receiving these resources? What are the implications of these additional multilateral funding needs for replenishment schedules -- and will donors rise to the occasion in the face of their own budget pressures? What will be the role of assistance from non-OECD economies? In a larger sense -- will the low income countries be left behind while the rest of world emerges from recession?

Responding to the crisis: the 2009 DAC Action Plan

In response to the crisis the DAC endorsed a special Action Plan at the May 2009 High Level Meeting. The plan is designed to ensure that overall international support -- bilateral and multilateral funding as well as other development flows -- for poorer countries at this critical juncture is timely, adequate and coherent. The Action Plan covers six core issues, with a set of pledges and commitments under each of them.

Many of the core issues are not new: delivering on aid promises; aid predictability; respecting ownership; focusing on results; and policy coherence for development. Members are agreed that the
Paris Declaration and the Accra Agenda for Action must be the cornerstone of donors’ response to the crisis. At a time of crisis and uncertainty, developing countries need aid more than ever – and they need to know that this aid will turn up on time, on budget, and in-line with their needs.

Other core issues covered in the Action Plan are breaking new ground, including:

- agreement on the need for donor flexibility regarding “bridge finance” to support public investments that must be protected or scaled up;
- more rapid, more flexible funding -- to match the urgent nature of the crisis;
- bringing forward multilateral fund replenishments;
- enhancing the understanding of interactions across development finance (including innovative finance, philanthropy, voluntary funding, private/public partnerships, etc.), and
- accountability for delivering on the DAC Action Plan crisis response.

The DAC is now developing a monitoring framework to report, in real time, on crisis-related actions by development partners. A preliminary readout on the rapidity and adequacy of the response will be made available in early 2010.

Variable performance in delivering aid promises -- and threats on the horizon

DAC donors provided US$ 120 billion to the developing world in 2008, an increase of 10% over the previous year. At the outset of the crisis, an extraordinary step was taken to launch a special “Aid Pledge” to maintain ODA commitments, which was endorsed at the OECD in November 2008.

Results tabulated from the DAC forward spending survey -- the only one of its kind -- undertaken in mid-2009 show a US$ 24 billion gap (in 2008 US$ terms) towards reaching landmark 2010 commitments. The most worrying trend is the drop in ODA to Africa, which has been growing at half the rate required to reach the annual US$ 50 billion target agreed at Gleneagles.

The OECD will continue to track – and publicise – donor performance against all their aid commitments. Budgets for 2010 are now being prepared in many countries: a special survey will be undertaken of budget plans to assess prospects for achieving the targets early in 2010.

Most DAC members are expected to meet, or nearly meet, their 2010 targets. However, there are likely to be large shortfalls in a few countries. The outlook for meeting the Gleneagles targets is politically challenging given widespread fiscal stress in DAC Member countries arising from their own domestic crisis response.

Voice, opening up and reform: the DAC Reflection Exercise

Changing geopolitical relationships and economic power weights across the international community have created impetus for reform of international institutions to ensure equitable representation and greater voice for participating countries in influencing discourse and decisions. Voice is on the table: it is an extremely important issue to be addressed, and I hope progress will be quickly achieved.
The Development Assistance Committee itself is changing in line with the evolution of global relations and comity. Over the past two years a strategic Reflection Exercise has been carried out by members to better understand and agree how to sustain and increase the relevance of the Committee in the changing development landscape over the next ten to fifteen years. The recommendations call for, inter alia, i) ensuring the DAC extends and deepens inclusion of key development stakeholders in all areas of its work, ii) investing heavily in reaching out to and building effective relationships with other donors and key stakeholder groups, and iii) working proactively to welcome new Members.

Other proposals coming out of the Reflection Exercise will shift DAC work from an aid-centric focus to one encompassing additional dimensions of the development *problematique*, including global public goods, policy coherence for development and aid architecture.

The DAC is actively taking forward the work required to implement the reform agenda implicit in the Reflection Exercise. A Special Task Team is considering options and modalities for opening the DAC to a wide range of partners and engaging with non-DAC donors, with a remit to report back in spring 2010.

**Making the most of multilateral aid**

Just a few months ago the DAC Secretariat published the first-ever analytical report assessing the multilateral system for financing development. The report covered the structure, funding, aid allocation patterns, strategies, policies and results of multilateral institutions. Multilateral institutions are important players in the international system: over the past two decades the amount of resources they channel has increased 50% in real terms (from US$ 19.1 billion in 1987 to US$ 28.2 billion in 2006), and they play important systemic roles in terms of research, policy influence and economies of scale.

The report found there has been a rapid increase in the number of actors in the multilateral system, which has led to widespread fragmentation (with associated costs and inefficiencies), overlap, and increased unpredictability. Institutional specifics e.g. reform processes, effectiveness, flexibility and agility of response -- vary across the system. A key message coming out of the assessment is that there is no single locus of co-ordination for the multilateral development finance system.

Both the World Bank and the International Monetary Fund have impressive track records in identifying and rallying support for emerging development concerns, responding to urgent needs and nourishing the development debate. Results shared at this meeting show that, once again, they have responded creatively and comprehensively to the current crisis challenges. It will be crucial for the IMF, in taking a lead role in providing resources to developing countries, to move quickly and flexibly, accommodating growth needs and exceptional social protection levels in the face of fiscal pressures. It will be equally important for the World Bank to continue rapid disbursement of IDA resources to cover urgent financing gaps in health, education and infrastructure funding in the most vulnerable countries.