Statement by

Mr. Angel Gurría, OECD, Secretary-General and

Mr. Brian Atwood, Chairman, OECD Development Assistance Committee (DAC)
I. Introduction: a broader approach to development for a new development landscape

We currently stand at the threshold of a new development landscape: the G20’s commitment to tackle development gaps offers significant opportunities to promote inclusive growth, sustainable development, and poverty reduction. This is a call for collective and coherent action to ensure progress towards the Millennium Development Goals (MDG) and successfully integrate developing countries in the world economy, particularly the least developed. This is also a call for broader approaches to development that unleash the potential of growth in developing countries harnessing all the means and tools at our disposal for development.

At the OECD, we have made progress in applying a broader approach to development. Through our work on tax and development, combining the expertise of two policy communities, we have set up an inclusive forum to interact with developing countries and supported the creation and operation of a tax centre based in South Africa. Our contribution to the G20 Multi-year development action plan is a validation of our broader approach to development, which builds on and goes beyond aid, is growth-oriented, and based on knowledge sharing and policy dialogue.

Marking its fiftieth anniversary, the OECD is as committed as ever to realize “better policies for better lives” and particularly “better policies for development”. Through a new OECD strategy for development, for endorsement at this year’s Ministerial Council, we are working to combine more effectively our expertise on a wide range of policy areas, such as tax, investment, innovation, green growth, etc., together with 50 years of experience on development, particularly through the Development Assistance Committee (DAC) and the Development Centre.

In this changing world we have recognised the need to update, upgrade and strengthen our skills and capacities to address development challenges. We are working to integrate the diverse perspectives and realities of developing countries in our analyses and policy advice, and we are reinforcing our mechanisms for policy dialogue and knowledge sharing. Through this multidisciplinary expertise and particular working methods of policy dialogue, knowledge sharing and peer learning, we are ready to play a key role in this new landscape and contribute to translating better policies into sustainable growth and development.

II. Aid remains critical

As we all strive to promote new, more effective and inclusive approaches to development we should not lose sight of the end objectives driving our efforts. Let us recall that the MDGs are about progress and development results. They mean better-nourished, healthier and more educated children; they mean a more sustainable environment; they mean more dignified lives for women and men. Honoring ODA commitments and improving aid effectiveness are critical to achieve the MDGs and further the principles embodied in the Paris Declaration on aid effectiveness.

2010 was a landmark year for official development assistance. At the Barcelona (EU) Gleneagles (G8) and Millennium + 5 (UN) Summits in 2005, DAC Members had committed to raise their ODA from around USD 80 billion then to about USD 130 billion (in 2004 dollars) by 2010. The positive news is that
in 2010 ODA reached its highest real level ever at USD 129 billion, representing an increase of 37% since 2004 in real terms. Yet we must not let our guard down: the DAC still fell short of its aggregate target by USD 19 billion (in 2004 prices), due mostly to donors that did not meet their ODA commitments. While aid to Africa has risen somewhat faster, it still fell short of DAC’s aim to increase the volume by USD 25 billion. Preliminary figures show that Africa received only an additional USD 11 billion. Again the reason is the poor performance of several donors providing large shares of their ODA for Africa.

The countries that have not yet kept their promises must step up to the mark now, and not just for the sake of their political credibility. Closing these financing gaps is crucial in the final push toward the MDGs in 2015 and in smoothing recovery from multiple recent crises. And, as the World Bank and IMF have repeatedly demonstrated, the policy environment in low-income countries, especially in Africa, has never been stronger, thus raising expected returns to public and private investment alike. Against this background, the excuse of helping balance books domestically by shaving a few basis points from international assistance rings especially hollow.

In an effort to ensure that future aid targets and pledges are clear, comparable, realistic, monitorable and attainable, the DAC has recently approved a Recommendation on Good Pledging Practice, designed to enhance accountability, transparency, timeliness and efficiency.

The DAC is also developing illustrative aid scenarios for 2011 to 2015 and beyond—now that there is no single collective reference point for the future, such as that provided by the UN 2005 Summit targets. A number of donors do now have aid targets beyond 2010. Alternative overall aid scenarios based on realistic and transparent assumptions could also help account for many concurrent and often overlapping spending targets, for example on health, food security, and climate change.

Vulnerability and resilience are critical concerns for countries in fragile situations. No conflict-affected or fragile state has achieved a single MDG and these countries account for three quarters of the total MDG deficit. In this respect, we strongly welcome the release of the World Development Report 2011, which follows just after the recent release of the DAC’s policy guidance on Supporting Statebuilding in Situations of Fragility and Conflict, and which attests to the strong and productive working relations between the World Bank and the OECD. Supporting state-building needs to be at the heart of a new approach for international engagement with these countries, through greater co-ordination of diplomacy, defense and development. Development partners need to become facilitators of domestic processes, not implementers of outside “technical fixes”. They must focus their support on strengthening state-society interaction and building key state functions, working with a broader range of actors at all levels of government.

ODA to fragile states represents one-third of total ODA flows but remains highly concentrated. More than half of the total flows to fragile states benefitted just six countries in 2009, while 15 fragile states witnessed absolute declines between 2008 and 2009. In particular smaller countries of lesser geopolitical importance are in danger of losing out.

Let us also not forget about the present reality. The events unfolding in the Middle East remind us of the universal, unstoppable drive for having a voice in the public debate and better-quality lives. They also strike a chord with all of us that firmly believe in the importance of capable and accountable governments to ensure that economic growth translates into real improvements for all members of societies, promoting social cohesion rather than exacerbating inequality and inequity. It is our duty to support these aspirations for building democratic and accountable states that can deliver better policies to their citizens. International co-operation, including aid, must play a role in this endeavor and we stand ready to scale-up our engagement with the partners in the Region.
II. Development Finance in a Changing Global Landscape

At the OECD, we have also clearly recognized that the spectrum of development finance has now become much broader than “aid” alone, with multiple policy objectives and delivered by a very broad range of actors, whether governmental, non-profit or private.

This spectrum starts with domestic resource mobilization, fundamental to development efforts even in low-income countries, pointing to using international co-operation increasingly to catalyze tax and customs collection and build on national financial markets. It includes effective deployment of migrant remittances, of private and voluntary giving, and mobilization of all kinds of civil society resources in cash and kind. It encompasses South-South transfers of resources and expertise, especially development cooperation from “new” state actors who, in some cases, have already been engaged with success for years if not decades, using their own models and specificities. It includes the work of foundations and increasingly innovative blends and combinations of public and private financing and guarantees. It includes financing of investments and trade at market or near-market terms, through public as well as private channels.

This spectrum is what we call “aid and beyond”, with both terms equally important: it has to be both/and not either/or, one is not an excuse for not doing the other, for not meeting commitments. On the contrary, the real question is how can we make the best use of all transfers paid ultimately by taxes, from both the rich and much less rich, to leverage other and voluntary sources, to get more impact, more growth, more poverty reduction, right where these are most needed?

The DAC is therefore giving priority to documenting and analyzing the whole spectrum of development finance, to identify where the most effective combinations can be mobilized and how, and also to project, in collaboration with other agencies like the World Bank and IMF, how the various components are likely to evolve alongside ODA and other official flows in the period through 2015, critical for the MDGs, and beyond. We are especially keen that major non-DAC sources and users of development finance participate fully in this process.

III. The roadmap to Busan

The Fourth High Level Forum on Aid Effectiveness (HLF-4) to be held in Busan, Korea on 29 November – 1 December 2011, will be the first meeting of its kind to focus on aid and development in the post-crisis new development landscape. It is also an important stepping stones in the “last push” towards achieving the MDGs by galvanizing political support behind a new consensus on development and the international partnership that is necessary to support it. Refreshing commitments on high quality development co-operation, agreeing on actions in the broader effectiveness agenda, and improving the quality of partnerships are the key objectives of Busan.

Refresh Commitments on High Quality Aid

HLF-4 will mark the ‘due-date’ to take stock of the implementation of the most ambitious set of commitments on the quality of development co-operation – the Paris Declaration on Aid Effectiveness (2005), and its follow-up the Accra Agenda for Action (2008). The positive news is that the Paris principles have changed development co-operation practices for the better: there is growing evidence of the enduring relevance of the Paris principles – ownership, alignment, harmonization, managing for development results and mutual accountability – for partner countries. 90 developing countries, including 14 countries in fragile situations, are currently undertaking the 2011 Survey on Monitoring the Paris Declaration in order to take stock of these commitments. The Paris Declaration spurred initiatives to enhance transparency through improved quality and availability of data, for example through the OECD-
DAC work on country programmable aid and multilateral aid. Countries increasingly own these principles by tailoring them to their own development situations, from fragile and conflict situations (Dili Declaration), south-south partnerships (Bogota Statement), as well as to civil society (Istanbul Principles) and potentially to parliamentarians and the private sector.

Busan however, is not the end of the road – there is much unfinished business under the Paris and Accra agendas. While the full evidence is not yet available, we already know that a number of commitments for 2010 will fall short of the agreed targets for improved development partnerships and more effective co-operation. While acknowledging that reforms take time, partner countries are vocal about the need for further determination to tackle the political and institutional bottlenecks that continue to hinder the implementation of these commitments. Busan will thus be an opportunity to candidly assess what worked, what didn’t work, and most importantly, what matters most for development. Busan will refresh commitments on key areas within the Paris and Accra agendas that characterize “high quality” development co-operation, which are starting to converge around the issues of results, transparency, and accountability; inclusive ownership and leadership; and human and institutional capacity building. These are key to ensuring development co-operation is effective in supporting the achievement of development results.

*Actions in the Broader Effectiveness Agenda*

At the same time, Busan presents us with the opportunity to be effective in supporting development on a much broader scale. There is a need to “right-size” the role of aid and understand its value added vis-à-vis the set of tools, finance, knowledge and partnerships in promoting development. For example, a better grasp is needed on how ODA can catalyze and mobilize other resources for development – from private sources, domestic resources, and innovative finance; as well as how lessons from managing ODA and working in development partnerships can apply to global public goods such as climate change financing. Modalities need to be better adapted to different country capacities and contexts, and more coherent policies for development need to be exercised by all parties. There is a need to learn from good practices from the broader range of development partnerships – from south-south, north-south, private-public, government-non-government, for example. Busan is thus an opportunity to build on Monterrey and Doha by identifying actions to effectively manage more resources, encourage more coherent policies for development and better align all development actors. This will be a concrete step towards a world where no country will depend on aid.

*Centrality of Partnerships and Knowledge for Development*

Whatever political commitments will be reached at Busan, improving the quality of partnerships will be central for future actions. The increased supply of knowledge, tools and finance in the new development landscape need to be matched with demands through partnerships. This calls for embracing the diversity of all development actors and strengthening capacities for all to work together. Leadership of developing countries as well as mutual respect and accountability will underscore any actions. This will only be possible however, if we accept that nothing is sacred – not the Paris principles, not Accra and not event the OECD-DAC. All sides should work on the premise that evidence should lead us to common ground. While the Paris principles are broadly accepted, the details of the Paris and Accra agendas are not universally endorsed. The outcome from Busan needs to capture and reflect the efforts of all groups represented at Busan. The recently endorsed DAC Statement on “Welcoming New Partnerships in International Development Co-operation” (see Annex I attached) is supportive of this objective – and goes beyond it, welcoming non-DAC providers of development assistance to enter into a mutual learning dialogue with the DAC and clearly addressing misconceptions that might otherwise discourage their engagement. Busan will call on all stakeholders to work in partnerships towards a common development objective, while respecting complementary but differentiated responsibilities.
The scale of global development challenges however creates fresh impetus to improve all forms of cooperation through inclusive dialogue, mutual learning and knowledge sharing. Sharing knowledge with a wider range of countries at different stages of development could bring new perspectives for achieving sustainable economic growth and addressing inequality and poverty. Of course, not all knowledge can be transferred. However, there is scope to broaden access to knowledge for countries to choose from, and to help translate them into effective capacity development efforts. OECD is well placed to support this effort by drawing on its working model of evidence-based policies, peer learning and building networks of policy makers.

**Conclusion - Call for Action**

Let us not miss the opportunity at Busan to shape the new development landscape. Busan will be about building a broader paradigm that calls for making the best use of more resources, coherent policies and capacities of all actors under the leadership of developing countries. We have learned much about ODA and development; more solutions and ideas are also on offer in the new development landscape. However, what is critical is to translate the technical “know-how” into practical and sustainable reforms for development. Evidence, collaborative partnerships and political will are key ingredients.

The high-level dialogue supporting the implementation of the G20 Action Plan on Development offers a great opportunity to share experiences, coordinate efforts and improve policies. We need to buttress all forms of partnerships through inclusive dialogue, mutual learning and knowledge sharing. The OECD is ready to play a key role as a more open and inclusive forum for dialogue on key development issues.
Annex I

OECD DEVELOPMENT ASSISTANCE COMMITTEE STATEMENT ON

“WELCOMING NEW PARTNERSHIPS
IN INTERNATIONAL DEVELOPMENT CO-OPERATION”

1. We, members of the OECD Development Assistance Committee (DAC), acknowledge the essential role that major nations from beyond our membership have had in contributing to global progress towards the Millennium Development Goals (MDGs). These nations have lifted many of their own citizens out of poverty and have, in turn, taken on shared responsibilities in the pursuit of common development objectives, economic growth and poverty reduction in developing countries.

2. We welcome the contribution of all providers of development co-operation resources and expertise, and hope to forge new relationships with these new partners through open dialogue without preconditions. Before such a dialogue can become meaningful, it is important to recognize certain fundamental realities, and to acknowledge the diversity that exists within the broader development community.

3. We recognize that many nations engaged in South-South co-operation have a dual status as both recipients and providers. We believe that such duality can enrich the international dialogue and enhance the effort to promote inclusive and sustainable economic growth.

4. We emphasize that engaging in mutually beneficial learning activities - or joint or trilateral development co-operation programs - can serve as a useful platform for increased impact and enhanced co-operation with providers from the North and the South, especially at country level, in a manner that will serve the interest of the poor, without requiring acceptance of the norms and rules required of DAC member states.

5. As the source and keeper of Official Development Assistance (ODA) definitions and statistics, we wish to clarify that ODA is not defined as a North-South transfer, but rather its criteria relate to the development purpose, concessionality, and the official nature of such flows of resources.

6. We would welcome the sharing of data on concessional flows to developing country partners. Reporting of such flows has no bearing on a country’s status as an aid recipient. Inclusion in the DAC list of ODA recipients is determined solely by a country’s level of economic development based on its per capita income.

7. We believe that development co-operation, from providers from the North or the South, public or private, would gain from collaboration among all actors, no matter their economic status or particular development tradition.

8. During 2011 the DAC, pursuing its commitment towards a global partnership for international development co-operation, will strengthen its own global relations strategy - one that will be aimed at more knowledge-sharing, collaboration and dialogue with non-DAC OECD members, other non-DAC nations (both as our developing-country partners and providers of co-operation), private-sector foundations, and civil society organizations.

9. Our common agenda is the Millennium Development Goals. We hope and expect that the Fourth High Level Forum in Busan, Korea will reaffirm this commitment and lead to an enhanced global partnership. We may have different methods, but our common interest is in reducing global poverty and increasing sustainable and inclusive economic growth.