Statement by

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2010 As A Key Year For
The Millennium Development Goals

I. Introduction

A decade after the adoption of the Millennium Declaration and five years from the Millennium Development Goals (MDG), 2010 is a special year for taking stock of where the world stands, in addressing development challenges. While there is much to celebrate, we need to accelerate progress in reaching the MDG targets for many low-income countries.

The Organisation for Economic Co-operation and Development (OECD) continues to support the aims of the Millennium Declaration, which had some of its origins in the 1996 OECD document Shaping the 21st Century Strategy: The Contribution of Development Co-operation, and will strengthen its support to the global fight against poverty by working to make the world economy stronger, cleaner, and fairer.

II. Official Development Assistance in 2009 and Looking Ahead

First, a recap on official development assistance (ODA) figures for 2009. Last year, total net ODA from members of the OECD’s Development Assistance Committee (DAC) rose slightly in real terms (+0.7%) to USD 120 billion, representing 0.31% of Members’ combined gross national income (GNI) (see Figure below). Excluding debt relief, which fell sharply after completion of the Paris Club packages for Iraq and Nigeria, the rise in ODA in real terms was 6.8 per cent, indicating a continuing dynamic in the supply of aid through the recession. The largest donors by volume were the United States, France, Germany, the United Kingdom and Japan. Five countries exceeded the United Nations ODA target of 0.7% of GNI: Denmark, Luxembourg, the Netherlands, Norway and Sweden.
The largest percentage increases in real terms in net ODA occurred in Norway, France, the United Kingdom, Korea\(^1\), Finland, Belgium and Switzerland. Significant increases were also recorded in Denmark, Sweden and the United States. The largest percentage decreases in real terms in net ODA took place in Austria, Italy, Ireland, Portugal, Germany, Greece, and Japan.

2010 is a milestone year for development finance. At the Gleneagles G8 and Millennium + 5 Summits in 2005, DAC Members committed to raise ODA from around USD 80 billion to about USD 130 billion\(^2\) per year by 2010. Definitive figures on ODA flows in 2010 will only become available in 2011. According to the latest OECD Secretariat projections, by the end of 2010, ODA will have risen by 35 per cent, or some US$28 billion in constant 2004 prices, with 15 out of 22 DAC member countries meeting their commitments. On the other hand, the DAC will still be USD 18 billion short of targets\(^3\). While aid to sub-Saharan Africa will have risen by 40 per cent, the aim to increase aid to Africa by USD 25 billion is likely to be met by less than half.

In addition to the challenge of meeting ODA pledges for the MDGs, donors need to address other commitments, such as actions to assist poor countries to mitigate the impact of the economic crisis and respond to emerging needs, such as climate change. Furthermore, 2010 is an exceptional year with calls for simultaneous replenishment of major concessional funds, as well as recapitalisation of several major multilateral banks, making demands on scarce financial resources. This reflects to a significant degree the exceptional effort made by the IFIs to help low income countries respond to the crisis. Outflows of concessional assistance from the IMF and the multilateral development banks, including the World Bank, amounted to a record $15 billion in 2009.

\(^1\) Joined the DAC from January 2010  
\(^2\) In 2004 dollars  
\(^3\) In 2004 dollars
In this context, the question is whether it would be useful to develop aid scenarios for 2010-2015. A number of donors still have aid targets beyond 2010, including the EU for 2015, while the United States have announced a policy of doubling their assistance. Aid scenarios could help to account for the many concurrent spending targets, for example on health, food security, and climate change. On the other hand, the credibility of projections based on meeting current targets could be called into question.

III. Aid Effectiveness

The Paris Declaration and the Accra Agenda for Action (AAA) have been endorsed by the international community as the global instruments in progressing towards the MDGs. The principles of ownership, alignment, harmonisation, results, and mutual accountability are common to the MDGs, sectors, cross-cutting issues, countries, regions, and stakeholders engaged in development, even beyond ODA.

2010 is a benchmark year to meet the Paris and Accra commitments of donors and partner countries in making aid more effective. Evidence of progress will be presented at the Fourth High Level Forum on Aid Effectiveness (HLF4) in Korea in late 2011. In preparation of this event, the DAC is urging donors, including the World Bank, to meet commitments with particular focus on the “beginning now” activities stated in the AAA. These include: using country systems, making public their disbursement conditions, providing timely information on commitments and disbursements, and providing information on three to five year expenditure plans.

In terms of ODA allocation, fragmentation has continued to worsen since 2005. For example, there are about 4000 donor-partner country transactions of country programmable aid (CPA), with half of these only adding up to 5% of CPA. Even worse, transactions of less than USD 250,000 represent only 0.1% of CPA but a quarter of all transactions. This implies that considerable effort is devoted to delivering, tracking and monitoring small aid operations by both partner and donor countries, despite commitments to reduce aid fragmentation as stated in the Paris Declaration on Aid Effectiveness and the AAA. The OECD/DAC has also recently helped organise the High Level Event on South-South Co-operation (SSC) and Capacity Development in Bogota, Colombia4. The purpose was to promote a greater role for and increased effectiveness in SSC, building on the momentum towards more inclusive partnerships on the road towards HLF4. Attended by over 400 high-level participants, the event concluded with the Bogota Statement that emphasises the importance of adapting the aid effectiveness principles to practices of SSC; enriching the aid effectiveness discussion with SSC; and recognising SSC as a complement to North South development co-operation.

IV. Conflict and Fragility

Fragile countries affected by conflict, violence, and insecurity have had the slowest progress on MDGs to date and are more likely to face difficulties in meeting the goals in 2015. The 2011 World Development Report will provide an in-depth account of these problems. While about a third of total net ODA of DAC Members is spent in fragile and conflict-affected countries, the various costs associated with conflict diverts scarce resources from investments in education, health, and other critical areas that could contribute more directly to sustainable development and MDG achievement. And the impacts and costs spill over into neighbouring countries. In the on-going International Development Association (IDA) 16 negotiations, it has become evident that a large number of IDA countries are fragile states, thereby

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requiring a re-examination of the use of the current country assessment framework in determining IDA allocation.

In helping fragile states to reach the MDGs, donors have acknowledged the need to improve the speed, flexibility and predictability of funding during the transition period of countries emerging from conflict. They have also recognised state building as a central factor in accelerating progress towards the MDGs. Most recently, an OECD supported a major international meeting in Dili5, East Timor, among fragile states and donors to share experiences in peace building and state building. Here, commitments were renewed to address weaknesses and failures in the collective effort to achieve the MDGs in fragile states. The fragile states formed a new grouping, the g7+, to share experiences and influence donor approaches.

V. Mobilising Domestic Resources through Taxation

Aside from aid and other external resources, financing the MDGs also requires effective measures to mobilise domestic resources within developing countries. Taxation not only provides governments with the funds needed to invest in development, but offers an antidote to aid dependence in the long run and predictable fiscal environment to promote growth. Furthermore, effectively functioning taxation systems are central to more effective and accountable states vis-à-vis their citizens.

The last few years have seen new initiatives to promote collective action on taxation, such as the International Tax Dialogue, which involves the OECD, the IMF, the World Bank, the EU and other development partners. A new OECD tax and development programme is being established to support developing countries as they face the challenges of building and reforming tax systems. The programme will be backed by an international multi-stakeholder task force which will hold its first meeting this coming May. The newly created African Tax Administration Forum is also providing a key platform for peer learning, capacity development and dialogue.

Developing countries are increasingly recognising the need to work globally to combat illicit financial flows. To this effect, the OECD is engaged in activities related to off-shore tax havens and harmful tax practices through the Global Forum on Transparency and Exchange of Information for Tax Purposes. It brings together 91 OECD and non-OECD economies, which undergo reviews of the legislative and regulatory framework as well as the effective implementation of the OECD standard on information exchange. The mechanism, which received support from the G20, is the most comprehensive peer review process in the world, based on decades of OECD experience with mutual assessments in many policy areas.

VI. Pro-Poor and Green Growth

OECD is promoting green growth by focusing on a wide range of issues, such as reducing pollution, minimising inefficient use of natural resources, maintaining biodiversity, strengthening energy security, changing consumption patterns, supporting climate-resilient growth, and improving health and job prospects. In response to the 2009 Ministerial mandate to develop a Green Growth Strategy, including developing economies, the OECD is delivering an Interim Report to the 2010 Ministerial Council Meeting (MCM) and a Final Report to the 2011 MCM.

Linking green growth with development will involve integrating climate adaptation and environmental capacity building into development co-operation. Given the heavy dependence of most developing countries on natural resources and agriculture for economic growth, export revenues, employment and livelihoods, the OECD will also focus on issues related to natural resource management, associated capacity development needs and governance challenges. Options available to developing countries to shift towards lower carbon growth paths will be examined, as well as exploring how development assistance can support capacity building, science and technology co-operation and technology transfers between developed and developing countries. This includes addressing the political economy, institutional frameworks and incentives of poor countries in promoting pro-poor and green growth, while factoring in concerns for tackling abject poverty and ensuring food security.

VII. Investment and Anti-Corruption

The OECD covers a wide range of issues concerning the integrity of public and private sector governance to build cleaner national economies and a cleaner world economy. Our comparative advantage in the OECD lies in bringing together the instruments, best practices and peer review processes across the whole range of policy communities dealing with various dimensions of the multi-faceted problems of corruption. We will be pursuing this holistic approach in the coming months and as a strategic priority for the coming years. Our aim is to lend tangible support to world leaders committed to ensure the integrity of doing business in a global economy in order to promote efficient allocation of resources and maintain public confidence.

International investment plays a key role in economic growth, sustainable development, and the achievement of the MDGs. However, many low-income countries do not receive sufficient international investment due to weak domestic policy frameworks. Thus, OECD’s investment policy initiatives are helping developing countries foster stronger business climates with the Guidelines for Multinational Enterprises and the Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones. In addition, through the NEPAD-OECD Africa Investment Initiative, driven by strong African participation, the OECD is supporting African countries to strengthen the investment environment in accordance with the UN Monterrey Consensus. A recent pilot project in the mining and mineral sector is also promoting responsible investment in conflict zones and fragile states. The project fosters the integration of sustainable management of natural resources into core corporate strategies through enhanced due diligence procedures.

An important aspect in building confidence of potential investors to developing countries is to create a level playing field where anti-corruption measures are in place. The OECD tackles this from both the supply and demand sides. On the supply side, it monitors the implementation of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, which is a legally-binding instrument. On the demand side, the OECD provides support to developing countries’ anti-corruption efforts and promotes a more collective donor response to corruption.

The DAC is also monitoring the AAA commitment of OECD governments to trace, freeze and recover the proceeds of corruption from developing countries. Finally, the OECD is part of the Financial Action Task Force, which along with the World Bank Group, is developing and promoting legislative and regulatory reforms to combat money laundering and terrorist financing so that resources could be used in a more meaningful fashion to achieve the MDGs.

VIII. Conclusion

Co-operation between the OECD and the Bretton Woods institutions continues to be strong. Activities cover a wide range of areas including aid effectiveness, inclusive growth, governance, trade, taxation,
investment, environment, gender equality, innovation, and conflict and fragility. As 2015 nears, co-operation will no doubt need to intensify, with each institution harnessing its respective comparative advantage for the common cause of helping the world meet the MDGs.