



DEVELOPMENT COMMITTEE
(Joint Ministerial Committee
of the
Boards of Governors of the Bank and the Fund
on the
Transfer of Real Resources to Developing Countries)



**SEVENTY-FOURTH MEETING
SINGAPORE – SEPTEMBER 18, 2006**

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Statement by

Mr. Angel Gurría, Secretary General
and
Mr. Richard Manning, Chairman
OECD Development Assistance Committee (DAC)



**Joint Statement by the Secretary General of the OECD, Mr. Angel Gurría,
and the Chairman of the OECD Development Assistance Committee, Mr. Richard
Manning
to the**

The IMF / World Bank Development Committee

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DEVELOPMENT COMMITTEE MEETING

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**Joint Statement by Secretary General of the OECD, Mr. Angel Gurría,
and the Chairman of the OECD Development Assistance Committee, Mr. Richard
Manning**

- I. Governance and Anti-Corruption**
- II. Scaling Up ODA for Results**
- III. Aid for Trade**
- IV. Strengthening Engagement with IBRD Partner Countries**
- V. Clean Energy and Development**

I. GOVERNANCE AND ANTI-CORRUPTION

Improving governance must be at the core of anti-corruption efforts

- **Good, effective governance is essential in order** to strengthen democracy, promote economic prosperity, reduce poverty, and deepen confidence in government and public administration.
- OECD has a **multi-faceted approach** to governance and is working to improve the key pillars of governance in the public and private sectors through its work on transparency, accountability and integrity.
- **OECD countries can no longer just point the finger at weak or unaccountable leaders in the developing world.** Confronting bribery, money laundering, tax havens and assets illegally held in foreign bank accounts requires concerted action by developing and developed countries. All countries share the responsibility to fight corruption; they have common issues to tackle and lessons to share.
- The OECD recognised at an early stage that **corruption is more than a question of individual criminal acts.** It is also the result of **systemic failure** and therefore a combination of governance and anti-corruption mechanisms is needed to address corruption.
- **Preventing corruption requires** not only designing and implementing core integrity and anti-corruption standards but also **creating a supportive environment** in the administration in which transparency and accountability play an essential role.
- Administrative simplification, regulatory reform, e-government, control in public finance and public employment are **essential elements** for increasing resistance to corruption, especially in higher risk areas such as public procurement.

Key OECD Actions on Anti-corruption

- The OECD is at the forefront of the fight against corruption. **The OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions**, which makes bribery of foreign officials a crime in OECD countries, has been signed and ratified by 36 countries. It has catalysed a significant shift: changing bribery from a “business as usual” practice to a crime subject to harsh punishment. The OECD is committed to strengthening the Convention’s enforcement and implementation, including through Peer Reviews of countries that are parties to the OECD Convention.
- But as we all know, fighting corruption means bringing about cultural change. We in the OECD are therefore helping countries in the development of a combination of elements that constitute **an Integrity Framework** for preventing corruption in the public service.
- The OECD plays a prominent role in identifying and **addressing risk areas for corruption**, such as the public-private interface of government operations, public procurement, lobbying or post-public employment.
- In this context, we use **the OECD Recommendation and Guidelines on Managing Conflict of Interest in the Public Service** to analyse the experience of member countries and design instruments to help countries measure progress in implementing reforms to improve integrity.
- Using its leverage and multidisciplinary efforts to prevent, detect, and monitor corruption, the OECD will support **greater policy coherence** by:
 - **Better co-ordination among different parts of government**; connecting the development agenda with actions within OECD governments to tackle corruption.
 - Supporting greater **international cooperation among a whole range of actors**, especially civil society and the private sector.
 - Putting even greater emphasis on **responsible business conduct by companies**.
 - Collaborating more closely and **strengthening mutual accountability with major emerging economies** in the global fight against corruption.

Setting an agenda for Collective Donor Action

An agenda for collective action is emerging in a **Policy Paper on Anti-Corruption** being considered by the Development Assistance Committee (DAC). It has two pillars:

(i) Promoting a concerted and harmonised approach to anti-corruption at the country level, as set out in the Paris Declaration on Aid Effectiveness

- Under this pillar, it is proposed that donors conduct **joint assessments** of corruption and the wider governance context in high-risk countries.

- This work started with a **pilot multi-donor assessment mission to Cameroon** under the DAC umbrella. Emerging recommendations propose that the international donor community invest in a multi-donor funded ‘Cameroon Transparency Support Facility’ to take future work forward.
- The DAC Policy Paper also proposes committing to a set of principles on **harmonised donor responses to deteriorating corruption contexts**, to avoid having to “pull the plug” on aid flows, while staying firmly consistent in these countries.

(ii) Working with other international actors

- **OECD and DAC will work with their own members**, who are also the major donors, to generate a joint and coherent agenda on anti-corruption.
- OECD will also support the **UN in its efforts to implement** early action on UNCAC.
- **OECD stands ready to work closely with the World Bank** in a context of greater harmonisation with bilateral donors and the DAC, as well as with other multilateral institutions including the UN.

II. SCALING UP ODA FOR RESULTS

Scaling up ODA for Results – time for action

- **The breakthrough agreements in 2005** at Gleneagles and at the UN Summit to scale up aid by USD 50bn by 2010, including doubling aid for Africa, **imply the most important and rapid expansion of ODA since its beginning**. These amounts are based on simulations made by the DAC Secretariat, extrapolating the public commitments given by Heads of State up to and beyond 2010.
- At this point however, **we do not yet have a working model of how to engineer scaling up at the country level**. It is urgent that such a working model be devised and applied in a number of countries and generalised to more countries within the next two years. Otherwise, we will not be able to meet the commitments made.
- Scaling up is clearly a complex task, requiring that significantly increased resources from a set of donors with different aid systems and instruments be connected to the medium term budget frameworks of specific partner countries, each with their own budget and political cycles. **Structuring this complex set of connections is the heart of the challenge**.
- The DAC, with the World Bank and the UNDP, has been convening meetings of donors, bilateral and multilateral, to address this challenge. The concept of **Results and Resources Frameworks** as the aid partners’ working matrix/interface for pulling expanded resources and expanded country programmes together has emerged from World Bank/UNDP consultations, and has recently been tested in Ghana, where there exist concrete opportunities for a major scaling up of aid. But it is clear that the donor community is not yet geared to this approach and “here and now” opportunities are being lost.

- Country-level initiatives need to be based on the forward-planning systems of development agencies. The DAC has therefore launched a **survey of “forward information”** from bilateral and multilateral donors and global funds, to provide, over time, a shared overview of scaling up plans and allocations, as a basis for policy exchanges on the emerging size and pattern of allocations.
- Two thirds of the agencies responded to the Survey, but they covered only a quarter of aid flows. The numbers **did not indicate that scaling up is about to take off**, but the survey showed that **most donors are now able to provide aid commitments for the medium term and discuss medium-term expenditure plans** as part of a collective donor effort with partner countries.
- We must now move forward quickly to **build a scaling up process which involves going beyond our previous aid co-ordination models**, in terms of time horizons and predictability (at least matching the horizon of medium-term expenditure framework and providing an outline framework for the sustainable expansion of health and education systems and major infrastructure investments, which may typically require even longer time horizons).
- The Progress Report presented at this meeting on the Education for All Fast Track Initiative puts it quite bluntly – **“The volatility of donor support and the building of a vibrant educational system, with all the needed inputs on a consistent basis, are not compatible”**.
- DAC Chair Richard Manning and World Bank Vice President Danny Leipziger have written to donors on the need for medium-long term predictable funding and have indicated their **readiness to facilitate the establishment of some working examples of the scaling up process** in a few countries in the coming months.
- There are **close linkages between scaling up and the governance and anti-corruption item on the agenda of this meeting**. Clearly, the prospect of a further USD 50 billion passing through the aid system will require a change in the public’s perception in both donor and partner countries that aid money is all too often being diverted away from its purpose of producing development results for poor people.
- But there is an important opportunity here. **A significant expansion of public expenditure and predictable aid flows**, in the context of transparent, medium-term, results-based budgetary frameworks, **offers the opportunity for strengthening domestic accountability mechanisms**.

What progress has been achieved on the Aid Effectiveness Agenda set by the Paris Declaration of March 2005?

- The past few months have seen the **first attempt to monitor progress in the 12 Indicators of Progress of the Paris Declaration on Aid Effectiveness**. Monitoring, based on a common model, has been carried out in more than 30 countries, and a consolidated report will be presented to the DAC Working Party on Aid Effectiveness in December.

- First indications are that the **monitoring has contributed to a shared agenda to improve the impact of aid and increase transparency** on how resources are used.
- **The results of the monitoring will be made widely available**, and are important for carrying forward work on aid effectiveness in the run-up to the Third High Level Forum on Aid Effectiveness to be held in Accra, Ghana, in 2008. A summary will be incorporated in the OECD statement to the Development Committee next April.
- **“Using a country’s own institutions and systems, where these provide assurance that aid will be used for agreed purposes, increases aid effectiveness by strengthening the partner country’s sustainable capacity to develop, implement and account for its policies to its citizens and parliament”** (Paris Declaration)
- This is closely related to the discussion at this meeting on **governance and anti-corruption**, as noted above. **The Paris Declaration rightly puts great weight on the need to strengthen capacity, by:**
 - increasing the proportion of capacity-development support provided through coordinated programmes consistent with partners’ national development strategies (Indicator 4),
 - targeting a sharp reduction (two-thirds by 2010) in the stock of project implementation units that parallel local structures, reflecting much experience that such approaches seldom lead to sustainable institutional change (Indicator 6).

How can we build a more effective culture of Managing for Results?

- Managing for Results is central to the Paris Declaration. **Increased levels of aid can only be sustained if taxpayers in donor countries can be shown that aid does indeed help to deliver results**, for which the Millennium Development Goals remain a key international reference point.
- An **effective culture of Managing for Results** is needed in development agencies, but much more importantly in developing countries themselves.
- The **Third Roundtable on Managing for Development Results, to be held in Hanoi, Vietnam on 4-7 February 2007**, is thus of critical importance. There will be a particular focus on building capacity for Managing for Results. The agenda should be seen in the context of developing a stronger culture of evidence-based policy making and greater domestic accountability.
- **Most developing countries need substantially better and more timely policy-relevant statistics on all aspects of development.** The OECD/DAC hosts the Partnership in Statistics for the Twenty-First Century, or PARIS21, which has successfully promoted the **production over the past two years of some 88 National Strategies for Statistical Development (NSSDs)**, as mandated by the “Marrakech Action Plan for Statistics”.
- There is now a real challenge for the recipient countries and their donor partners to **put resources behind these strategies in an effective and coordinated way**, in order to provide policy makers with relevant data and to underpin a focus on results –

particularly ahead of the 2010 Census round and the next major international review of progress towards the Millennium Development Goals.

- Equally relevant to is a **stronger effort in evaluation** of the impact of developing countries' projects and programmes, including those financed by aid.
- Valuable work has been done under the leadership of the Center for Global Development to stimulate **more and better quality impact evaluations**, drawing on the very positive experience of some developing countries. The OECD/DAC will remain involved in this area and that of evaluation methodology and good practice in all its aspects. The Roundtable on Results is an opportunity to bring these strands together in a way that supports the policies and actions contained in the World Bank paper on Governance and Anti-Corruption.

III. AID FOR TRADE

The WTO Task Force Reports- where to now?

- **The Reports of the two WTO Task Forces**, attached to the Development Committee paper on the Doha Development Agenda and Aid for Trade, **provide important roadmaps**.
- The OECD's input into these Task Forces was to argue strongly that the key Paris Declaration principles of country-ownership, alignment, harmonisation and mutual accountability (including joint monitoring and evaluation) should be given practical application in the aid for trade domain, as effectiveness rather than money is the primary problem. We are pleased to see how thoroughly **the Reports have built the Paris Declaration principles into their recommendations** and also pleased that the **private sector and civil society are identified as key partners** in the national dialogue on aid for trade.
- **The heart of the challenge is connecting up disparate donor resources with a country-owned medium term budget.**
- **Results and Resources Frameworks**, as the aid partners' working interface for scaling up, based on the PRSP or other national strategies, **would provide the currently missing instrument for matching demand and response and for mutual accountability** in aid for trade.
- **An adequate system for treating aid for trade at the regional level has yet to emerge.** This is a crucial gap. The concept of **Regional Aid for Trade Committees**, as noted in the Report of the Task Force on Aid for Trade, does indeed merit further exploration.
- It is possible for poor developing countries to transform their economies and drastically cut poverty through trade-oriented growth strategies. Thus there is much knowledge to share among developing countries, and the OECD is working with others to **create a knowledge-sharing and learning hub**, with a **first workshop scheduled for Doha on 6-7 November**, co-hosted by the Government of Qatar.

- Responding to the Recommendations of the WTO Aid-for-Trade Task Force, the OECD continues to stand ready to contribute to the implementation process, and in particular, to **improve the monitoring of commitments through the joint WTO/OECD database on trade related assistance**, in line with the expanded scope of aid for trade proposed in that report.
- Also following the Recommendations of the Task Force, we are proposing to **work with donor countries in the DAC to integrate trade issues more effectively in aid programmes, strengthen their expertise both in the field and in capitals, and to develop tools for results based management of aid-for-trade programmes.**
- And we are **ready to support the global periodic reviews of aid for trade** by a monitoring body situated in the WTO.

IV. STRENGTHENING ENGAGEMENT WITH IBRD PARTNER COUNTRIES

Importance of IBRD Partner Countries

- The OECD welcomes the World Bank's strategy to **strengthen the Bank's engagement with IBRD Partner Countries**. International financial institutions can be an effective agent promoting policy change and international standards.
- **The World Bank's IBRD partner countries (including blend countries) have received a slightly declining share of the growing aid cake from all donors since 2000** – going from a 57% share of gross ODA in 2000 to 49% in 2004 (or from 53% to 47% in terms of net ODA minus debt relief). This reflects the growing attention to the least developed and other low income countries by many donors.
- **Nevertheless, the gross volume of ODA to IBRD partners rose** from 34 billion USD in 2000 to 47 billion USD in 2004.
- This large quantum of new concessional funding together with World Bank and other MDB non-concessional lending, needs to **provide more coherent support for sustainable reduction of poverty in these countries** where as the paper for this meeting points out, 70 per cent of the world's people on less than USD 2 a day live.
- **The proposal to develop a menu of options for blending ODA with MDB loans directed at public good or affordability challenges in IBRD Partner Countries will require, as recognised, consultations with ODA suppliers.** The new OECD Global Forum on Development (see below) offers a potential locus of discussion on the aid architecture for Middle Income Countries.

OECD's relations with IBRD partner countries, its Global Relations Strategy and the Joint OECD-World Bank Statement of Cooperation

- The OECD cooperates with the Middle Income Countries on a broad range of issues, often in co-operation with the World Bank. The following **four areas are highlighted because of their implications for the discussion at this Development Committee:**

- Our **Initiative on Middle East and North Africa** is a regional effort, initiated and led by the MENA countries. It promotes broad reforms to enhance the investment climate, modernise governance structures and operations, strengthen regional and international partnerships, and promote sustainable economic growth throughout the MENA region. The Initiative will strengthen countries' capacity to design and implement policy reforms. It will facilitate policy dialogue and sharing of experience on public governance and investment policies among policy makers from MENA countries and their OECD counterparts.
 - In the OECD, our interaction with developing countries, at both the expert and policy levels, is designed to help them **strengthen systemic capacities for managing their public sectors, adopt and implement good economic and social policies and provide effective domestic accountability**. That should support the MDBs objective of relying on country systems as far as possible.
 - Our **new “Global Forum on Development”**, one of ten such OECD Global Forums, is focusing its attention on **development finance architecture**, and in that context is working closely with the Bank on developing policy guidance and good practice in the setting up and operation of Global Programmes. **This work relates closely to the recommendation to the Development Committee today that the Bank develop a forward-looking menu of financing options to enhance support for high priority global undertakings**. The OECD and the World Bank (in association with other MDBs) are co-sponsoring a Policy Workshop on the role of Global Programmes under the Paris Declaration in Paris on 4-5 December 2006.
 - We are ready to **collaborate on the formulation and implementation of an effective coherent strategy on governance and anti-corruption**, following this meeting in Singapore, integrating the OECD's anti-corruption instruments and setting an agenda for collective donor action.
- **OECD member countries have recently agreed on a global relations strategy**, that builds on OECD outreach activities which have intensified and widened since the end of the 1980s. Based on multiple relationships, mutual influence and partnerships, it seeks to include emerging world economies in the OECD's work to improve public policy formulation, **focusing on the OECD's areas of strength: multilateral rule making, monitoring through peer reviews, policy dialogue through comparative research and capacity building through the dissemination of best practices**.
 - Recognising our common concerns and the wide range of collaboration that had already developed, **President Wolfowitz and outgoing Secretary General Don Johnston signed last January in Davos, a new Joint Statement on Cooperation between the World Bank and the OECD**. Under this agreement, and its predecessor, the World Bank has actively contributed to OECD's Global Relations programmes, including through supporting the work of OECD Global Forums.

- The **strategic aims** of this OECD-World Bank cooperation include sharing institutional knowledge and policy insights, incorporating the needs and experiences of developing countries in the development and application of OECD standards, guidelines and best practices and avoiding duplication of work. **A regular consultation mechanism is in place to monitor cooperation and review priority areas.**

V. CLEAN ENERGY AND DEVELOPMENT

The role of climate change adaptation

- We support the aim of the Progress Report on *An Investment Framework for Clean Energy and Development*, namely, to **keep up the momentum on all three key fronts** – energy for development and access for the poor; the transition to a low carbon economy; and adaptation to climate change.
- We focus our remarks here on **the adaptation to climate change component, which merits more systematic attention within our development co-operation efforts.** This was underscored by OECD Development and Environment Ministers when they met in April 2006 and endorsed a *Declaration on Integrating Climate Change Adaptation into Development Co-operation*.
- Recent work by the World Bank and the OECD has shown that **consideration of short and long-term climate risks is quite critical for development investments and projects.** This is particularly true for investments in water supply and sanitation, energy and transport infrastructure, tourism, urban development, and food security and emergency assistance.
- OECD analysis of the composition of Official Development Assistance (ODA) flows to six developing countries has shown that a significant portion of this aid is directed at activities potentially affected by climate risks, including climate change (Figure 1). **Building in considerations of adaptation to climate change in development activities can help to avoid costly climate damage later.**
- We therefore share the Bank's view that **assessment of climate risks needs to become part of the "due diligence" of development planning.** Currently, however, not all climate risks are being considered in development planning and assistance, even with regard to natural weather extremes.
- An analysis by the OECD of national development plans, poverty reduction strategy papers, sectoral strategies and project documents in climate-sensitive sectors indicates that **such planning documents at present generally pay little or no attention to climate change, and often only limited attention to current climate risk.** Even when climate change is mentioned, specific operational guidance on how to take it into account is generally lacking.
- Given these challenges, implementing the ambitious agenda for adaptation in the context of the *Investment Framework* and the *OECD Declaration* will **require strong**

political will and close co-operation among bilateral and multilateral aid agencies.

- The Bank, the OECD, and other organisations have been informally sharing information on their adaptation activities through mechanisms such as the Vulnerability and Adaptation Resources Group (VARG). But **there are many opportunities for further analysis and collaboration** through analytical work, stock-taking exercises, and policy dialogues.
- Some **key priorities for further work** include: systematic stock-taking across IFIs and bilateral donors of the degree of attention to climate risks within various agencies; development of analytical tools or checklists that would help development practitioners screen their investments for near and long-term climate risks; development of Best Practice Guidance on better integrating consideration of climate risks in development activities; and analytical work on adaptation costs, benefits, and distributional implications.
- We at the OECD **look forward to playing an active role together with the Bank and others** in addressing what is clearly the biggest environment and development challenge of our time.

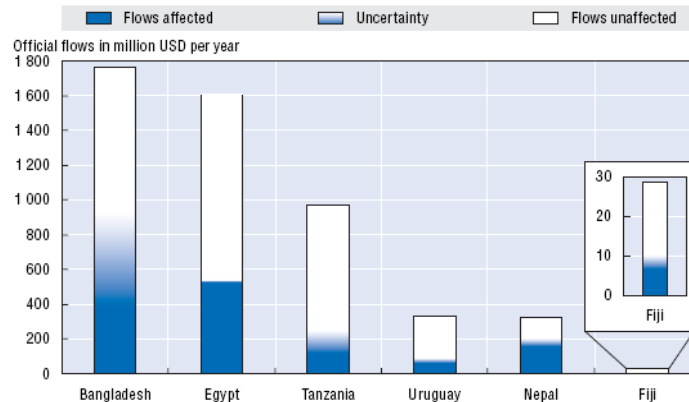


Figure 1: Annual official flows and share of activities potentially affected by climate change
 Source: Bridge Over Troubled Waters: Linking Climate Change and Development (Paris, OECD, 2005)

“OECD fights corruption” brochure is available at the meeting room and at
http://www.oecd.org/document/34/0,2340,en_2649_34565_19392866_1_1_1_1,00.html.