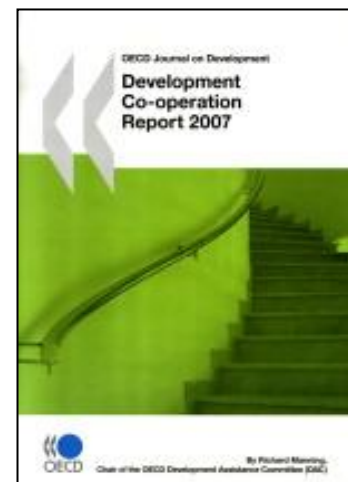


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Summary in English



- The Development Co-operation Report provides an annual update on trends in international aid.
- Success in achieving aid goals is measured on a 12-point scorecard; this year's report shows clear progress on only 5 of these 12 measures of success.
- The report also includes 12 lessons learnt from peer reviews of how aid can best be managed to produce development results.

The annual *Development Co-operation Report* (DCR) seeks to inform the public on the latest trends in international aid. It gives the world's most comprehensive statistics on development co-operation over the past year; it also attempts to provide some analysis of what the data mean. The Statistical Annex provides definitive, up-to-date information, from both DAC members and other donors.

A scorecard for results: 12 measures of progress

In this report the DAC Chair reflects on the evolution of ODA since mid-2003 and reviews progress on a dozen measures identified to “score” the results of development co-operation. These can be grouped into six areas: aid volume, aid allocation, fragile situations, aid effectiveness, efforts of recipient countries and achieving results. The final indicator describes progress toward achieving the Millennium Development Goals.

Aid volume

Measure 1: Donors are delivering at least USD 75 billion in net disbursements (at 2002 prices and exchange rates). **ACHIEVED**

Disbursements in 2006 totalled USD 77.8 billion (although excluding aid to Iraq, the amount is USD 70.7 billion).

Measure 2: The bulk of increased aid flows involves the genuine transfer of resources into the economies of developing countries. **NOT ACHIEVED**

The bulk of the increase in aid from the 2002 baseline of USD 57.5 billion to USD 77.8 billion (calculation based on 2002 USD) was in debt relief, which has had very positive impacts in many countries recently. Nonetheless, as debt relief falls in the future, it will be imperative to step up programmable aid if we are to achieve the targets for ODA implicit in DAC members' commitments (see simulation table under measure 1).

Aid allocation

Measure 3: The proportion of ODA going to least-developed countries (LDCs) and other low-income countries (OLICs) has risen significantly. **ACHIEVED**

The proportion of ODA going to the poorest countries rose from 40% of net bilateral ODA in 2002 to 46% in 2006; for total ODA, the increase was from 47% to 49%. Two exceptional factors in 2006 account for this increase: a large rise in ODA to Iraq and the cancellation of large amounts of Nigeria's commercial debt.

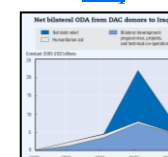
At the regional level there is a marked increase in Africa's share of programmable aid, although there is still much to do to meet the pledge made at the G8 summit in 2005 to double ODA to Africa by 2010 (as compared to 2004 levels).

[Figure 1.1] DAC members' net ODA 1990-2006 and DAC Secretariat simulations of net ODA for 2007-2010



[Chart 1.2.] Net Bilateral ODA from DAC donors to

Iraq



[Box 2] Main donors for whom Iraq is among the top five recipients

Donor	Net ODA (2006)	Rank
USA	2.5	1
UK	2.1	2
France	1.8	3
Germany	1.5	4
Japan	1.2	5

[Figure 2] Net ODA flows by type



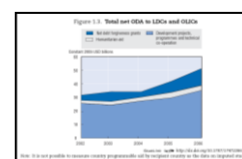
Measure 4: A higher share of ODA is going to countries with relatively large numbers of poor people and good performance. **NOT ACHIEVED**

Do donors reward good performance? Judging by the proportion of net bilateral ODA going to the countries in the two upper quintiles of the World Bank's IDA Resource Allocation Index (IRAI) – all of which are LDCs or OLICs – the answer is “no”, despite a substantial increase in real terms. The proportion allocated to this group declined from 19% in 2002 to 17% in 2006.

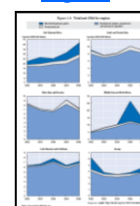
Measure 5: Emergency and humanitarian relief are on a downward trend, at least as a proportion of total aid. **NOT ACHIEVED**

Despite the hope that the demand for emergency and humanitarian aid would decrease, in practice it has risen slightly – from 5% of total ODA in 2002 to 6% in 2006. In real terms, the absolute figure rose by 90% between 2002 and 2006.

[\[Figure 3\] Total net ODA to LDCs and OLICs](#)



[\[Figure 4\] Total net ODA by region](#)



Fragile situations

Measure 6: Well thought-through interventions are being made in poor-performing countries where effective transfers are possible. **NOT CLEAR**

In the future, a steadily rising proportion of the extremely poor and those in the worst social and environmental conditions are likely to be living in “fragile states”. While there is some evidence of progress at the field level, much more needs to be done to maximise the effectiveness of donor interventions in challenging situations, notably progress in donor co-ordination and in helping to build competent and accountable local institutions.

Aid effectiveness

Measure 7: A higher proportion of aid is untied. **ACHIEVED**

Progress has been made – up to a point. A number of DAC members have either fully or almost fully untied their bilateral aid programmes. The proportion of financial aid from DAC members recorded as untied increased from 42.5% in 2002 to 53.0% in 2006, but the picture is masked as a large share of financial aid is not reported. Moreover, a large proportion of contracts financed from untied aid still go to donor country suppliers.

Measure 8: Much more aid is clearly aligned to local priorities, programmes and systems, and figures in recipients' budgets. **NOT CLEAR**

One measure of donor progress in aligning aid to recipient policies and systems is the proportion of aid to governments that is recorded in the national budget. A survey in 2006 showed that performance varied greatly both among DAC members – from 24% to 87% – and among recipient countries – roughly 32% to 99%.

Measure 9: Indicators of harmonisation show a quantum leap from the 2002/2003 baseline. **NOT CLEAR**

Harmonisation refers to how donors work together to minimise unnecessary costs, to both recipients and themselves. One useful indicator of harmonisation

is the proportion of analytical work that is done jointly by them. Among DAC members, the proportion of harmonised work varied from 12% to 80%.

Measure 10: Expenditure on technical co-operation is demonstrably more efficient and more effective. (This includes more co-ordinated support, greater use of country systems and increased use of local or other “southern skills”.) **NOT CLEAR**

One problem in assessing this measure – for both donors and recipients – is the variety of different types of assistance that is reported under the generic heading of “technical co-operation”. For the moment, progress on this front is not clear.

Efforts of recipient countries

Measure 11: Recipients expand the provision of services and raise domestic revenue by several percentage points to avoid unhealthy dependence on foreign aid. **ACHIEVED**

Aid is only a complement to the development efforts of individual countries, alongside public expenditure on health and education, and current revenue (as percentages of GNI). Although it is difficult to assess this measure accurately, there seems to be progress in raising revenue (from around 15% in 2000 to 18% in 2004); more particularly, in sub-Saharan Africa, it has outpaced the rise in ODA over the period 2001-2006.

Achieving results

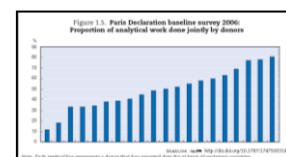
Measure 12: Increased and more effective support is beginning to translate into more progress toward the harder-to-reach Millennium Development Goals (MDGs), not least in sub-Saharan Africa. **SOME - BUT INSUFFICIENT - PROGRESS**

In many ways, this is the most important measure. Yet judging progress on it depends on three things:

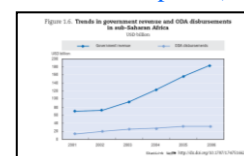
- **Sufficiently reliable basic statistical information.** This is still a problem for many indicators.
- **A clear sense of the rate of progress over time.** The base year for the Goals is in fact 1990, although they were packaged in 2000 at the Millennium Summit. In most cases, we are therefore looking at performance over the first 15 years of a 25-year period.
- **Some plausible link between aid and its results.** Results may stem largely from local efforts, therefore it is important to look at whether an aid intervention may be *one of the probable causes* of observed change.

Reaching the poverty goal: If present trends continue, the income poverty goal will be reached well before 2015. However, it is not sure that the number

[\[Figure 5\] Paris Declaration baseline survey 2006: Proportion of analytical work done jointly by donors](#)



[\[Figure 6\] Trends in government revenue and ODA disbursements in sub-Saharan Africa \(USD billion, in current prices\)](#)



of people with incomes below USD 1 a day has yet fallen below 1 billion.

Progress on other fronts: It is unlikely that we will achieve the remainder of the Goals by 2015 at the global level or in many regions (notably in sub-Saharan Africa and the Pacific). Nonetheless, there is evidence elsewhere of recent rapid progress:

- The number of extremely poor people in sub-Saharan Africa has levelled off, and its poverty rate has declined by nearly 6% since 2000.
- While enrolment in primary education grew from 80% in 1991 to 88% in 2005, most of the progress made in developing countries has taken place since 1999.
- Globally, deaths from measles fell from 757,000 in 2000 to 242,000 in 2006, a drop of 68%. In Africa, the decline was nearly 91% over the same period.
- In the “transition countries” (south-east Europe and the Commonwealth of Independent States), the declines in poverty since 2000 have been at least as steep as the increases many of them experienced in the 1990s.

Can international aid take the credit for this progress?

Clearly, it is far from the only contributing factor. Yet the rise in ODA for health and basic education in many poor countries has surely contributed to results in these areas. Poverty is, at last, falling at a significant rate. It seems unlikely that this reduction in poverty would have been possible without the multiple effects – over many years – of aid-supported policy reform, improvement in governance and investment.

The way forward: Aid for Trade

In today’s globalised world, there is clear evidence that trade is a powerful engine for economic growth which, in turn, is essential for poverty reduction. Nonetheless, many developing countries lack the basic capacity to take advantage of trade opportunities. Most donors now have institutional remits, dedicated structures, professional teams and operational guidance specifically focused on delivering “more” and “better” Aid for Trade, reflecting the principles of the Paris Declaration on Aid Effectiveness.

Learning from Experience: Twelve Lessons from DAC Peer Reviews

In 2006, DAC members disbursed over USD 100 billion of public funds for development. This represents an estimated 90% of total ODA spent worldwide. Historically, the peer review process has brought many issues to the attention of the DAC. These have been synthesized into a series of 12 lessons on how

aid can be effectively managed to produce development results. These lessons can be grouped into three broad categories: strategy, organisational management and management of delivery.

Strategy

Lesson 1. Finding the appropriate legal and political foundation

Have a clear, top-level statement of the purpose of development co-operation, whether in legislation or another form, that has wide ownership and can remain relevant for a sufficient period.

Lesson 2. Managing competing national interests

Avoid letting short-term pressures jeopardise the long-term common interest in effective development.

Lesson 3. Achieving greater policy coherence for development

Set a clear mandate and establish mechanisms to ensure that policies are assessed for their impact on poor countries.

Lesson 4. Public awareness

Invest in delivering, measuring and communicating results of aid-financed activity.

Organisational management

Recent peer reviews have noted that organisational reforms seem increasingly linked to aid effectiveness.

Lesson 5. Identifying a leadership structure that works

Task a sufficiently senior and publicly accountable figure with clear responsibility at the political level for the delivery of effective development co-operation.

Lesson 6. Dealing with institutional dispersion

Rationalise bilateral aid structures to facilitate coherent action at the country level.

Lesson 7. Managing contributions to the multilateral institutions

Promote greater coherence among those responsible for different aspects of multilateral aid.

Lesson 8. Decentralising management to the field

Decentralisation of responsibility to the field level can be beneficial, but it needs high quality, streamlined supporting systems.

Management of delivery

Lesson 9. Managing the scaling up of development aid

Radical reforms in aid delivery will be vital as donors are forced to deliver

more aid per head of agency staff, while increasing the effectiveness of this aid.

Lesson 10. Maintaining a focused approach according to countries and sectors

Most DAC members should focus their assistance on fewer countries, fewer sectors and, in particular, fewer activities.

Lesson 11. Performance-based management, evaluation and quality control

Develop a stronger culture of managing for results and align incentives accordingly, but in ways that promote, not weaken, local structures of accountability.

Lesson 12. Human resource management priorities

Securing and developing well-qualified, well-motivated local and expatriate staff is essential for any agency to function effectively.

Increasing aid effectiveness: Lessons from the health sector

Between 1999 and 2005, development assistance for health increased from USD 6 billion to 13.4 billion. At the same time, serious bottlenecks that were blocking the achievement of the health MDGs became evident. This encouraged donors and partner countries to change their ways of doing business, and using the Paris Declaration as a framework, they were able to reach important agreements. These have helped to put in place many of the building blocks for improved aid effectiveness, resulting in notable improvements in areas such as child mortality, control of malaria and tuberculosis, and HIV/AIDS treatment. But there remains a need to monitor progress to see what is working and take action to improve what is not.

The full Report can be accessed on www.sourceoecd.org/developmentreport

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