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MONITORING REPORT OF THE DAC HLM ACTION PLAN ON RESPONDING TO GLOBAL DEVELOPMENT CHALLENGES AT A TIME OF CRISIS

DAC Meeting, 16 March 2010

This document is submitted for DISCUSSION under Item 7 of the Draft Annotated Agenda of the 910th DAC meeting [DCD/DAC/A(2010)3]

This document presents the preliminary Monitoring Report of the 2009 DAC HLM "Action Plan". The DAC is invited to provide views on the structure and contents of the Monitoring Report, which will be reflected in the next version of this report. This report will be submitted to the 2010 SLM.

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1. INTRODUCTION: THE DAC HLM ACTION PLAN

As the crisis was unfolding, the DAC HLM in 2009 faced the challenge of ensuring that the development dimension was high on the political agenda, while helping the development community work out the best response. It agreed on coherent international action to assist developing countries mitigate the impact of the crisis and adopted the DAC Action Plan[1] on 28 May 2009, focusing on six critical areas:

Action Area A: Delivering on pledges. All DAC member countries confirmed that they would meet their existing official development assistance (ODA) commitments, especially to Africa. They also undertook to resist pressure to tie aid and work within their own governments to ensure that policies across the board work together to achieve coherent development.

Action Area B: Integrating crisis management with long-term growth and the MDGs. Aid programmes aims for lasting, long-term development. In emergencies, however, when other flows of development finance dry up, short-term financing can ensure that years of development progress are not undone in a matter of months.

Action Area C: Embedding the Paris Declaration and the Accra Agenda for Action into the crisis response. Member recognised that the key commitments of the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action were integral to the crisis response. At the same time, they needed to be ready to start phasing out some activities launched during crisis that might distort long-term recovery or fragment the global architecture.

Action Area D: Signalling greater predictability in the international response. Multilateral institutions are able to act quickly to shift existing programmes towards priority needs during a crisis. DAC members agreed to support this rapid and flexible response in providing crisis-related aid resources, whilst ensuring that this did not reduce the predictability of existing aid commitments.

Action Area E: Ensuring complementarity between ODA and other development flows. Members agreed that a wide array of other financial instruments, channels and sources were available and could have important development impacts. They would take advantage of these, while ensuring complementarity between, and greater public understanding of, ODA and the other forms of development finance.

Action Area F: Monitoring and accounting for the crisis response by donors and partner countries. Monitoring is necessary to ensure that donors keep their promises on aid volumes and effectiveness, and that their actions support the needs of their partners. DAC members agreed to work with partners to ensure that aid intentions match partners' needs.

This document presents a preliminary progress review of the agreed Action Plan, taking stock on the 6 above mentioned action areas. It is based on a qualitative and quantitative monitoring framework[2] agreed by the DAC. The progress overview has drawn on existing monitoring and evaluation information within OECD, including recent ODA simulation tables, reporting on tying status of aid, the preliminary results of the annual survey report on donors' forward spending plans (detailed results forthcoming), as well as progress reports and case-studies from DAC members and observers (including the World Bank and the IMF) and think tanks and other crisis monitoring efforts across the international system. It has also drawn extensively on information from the DAC subsidiary bodies (GENDERNET, POVNET, WP-STAT and WP-EFF). Key factual data has been validated internally and externally.

In its next iteration the document will include the medium term outlook of the part of ODA that is country programmable (at the date of the issue of the present progress report, the data of 2010 DAC survey on donors' forward spending plans was still being processed) as well as updated information on bilateral contributions to multilateral initiatives.

1. See Appendix 1.

2 See Appendix 2.

2. OVERALL PROGRESS ASSESSMENT AND KEY QUESTIONS FOR THE DAC

The overall Secretariat's assessment of the progress in implementing the DAC Action Plan is mixed. Some pledges were only partly met. This first stock-take, carried out 9 months after its adoption, shows that the direct role of DAC donors in the context of the crisis has been limited. DAC efforts have mainly been channelled through the multilateral crisis response. A summary of the appraisal of each action areas is provided below, with the detailed assessments to be found in the following chapters, including a stock take on the impacts of the crisis based on the latest available information.

Significant progress, but further action is still required.

Action Area A: Delivering on pledges.

Aid to developing countries is expected to reach record levels in dollar terms in 2010, but still fall short of commitments. This shortfall roughly is equivalent to the crisis induced financing needs of LICs. While the global economic crisis partly explains the difficulty in meeting these commitments, but some countries, despite being hit hard by the crisis (Spain and the United Kingdom), have maintained aid increases in line with earlier commitments. There is no evidence of further tying as a result of the crisis even though there is still room for further progress by members. The year 2009 has important for setting standards on policy coherence for development and on meeting trade commitments on reduced protectionism. There is no evidence of increased trade protectionism, compared to previous crises.

Modest progress, but still short of action goals.

Action Area B: Integrating crisis management with long-term growth and the MDGs.

The role of DAC countries to enhance their bilateral support for partner country priorities in the context of the crisis has been limited: a part from a few donors, the crisis has not led to any significant recomposition nor reallocation of their original pre-crisis agreed aid portfolios. Coordinated action to addressing cross-cutting issues such as gender equality has also not taken place. Bilateral donors have been mostly relying on IFIs to integrate impact mitigation in their actions. Recipient countries have been able to juggle their priorities reasonably well with the help of IFIs, where the IMF has adopted a more flexible stand, in terms of fiscal policy and debt sustainability limits.

Insufficient progress in order to reach the action goals.

Action Area C: Embedding the Paris Declaration and the Accra Agenda for Action into the crisis response.

The existing aid effectiveness efforts have not been spurred by the crisis, nor are they at the centre stage in the crisis response. Improvements in the use of country systems, predictability and conditionality have not been identified as clear objectives to be accelerated in the crisis context. The uneven progress in delivering on PD/AAA commitments remains a serious concern, as it risk jeopardising the collective performance against the global aid effectiveness targets. Much of the crisis response activity, focused on thematic "vertical" initiatives, could conceivably reduce country ownership, but it is it too soon to assess this impact.

Modest progress, but still short of action goals.

Action Area D: Signalling greater predictability in the international response.

The IFIs and the EC have quickly provided scaled-up, more flexible and crisis-tailored access to finance, mostly by frontloading resources within existing portfolios. How this has affected the medium/long term predictability of funding remains to be seen. An inventory of bilateral donors' earmarked contributions to the multilateral crisis responses initiatives show that it is difficult to assess the degree to which these resources are additional to the overall effort.

Action Area E: Ensuring complementarity between ODA and other development flows.

Significant progress, but further action is still required.

A number of measures have been implemented in the course of 2009 to give some impetus to trace and benchmark other forms of development finance flows. The IMF and the World Bank have jointly adopted a more flexible approach as regards debt sustainability which may allow partner countries for more access to non concessional financing from MDBs and non-DAC donors. The DAC Secretariat has proposed to benchmark the landscape of other forms of development finance, which will also include innovative sources of development finance. Together with its members, it is also pursuing its core mandate to promote a better understanding of development flows.

Action Area F: Monitoring and accounting for the crisis response by donors and partner countries.

Modest progress, but still short of action goals.

There has been, arguably, no need for a collective DAC review of the speed and coherence of the crisis response, since the crisis' impact and response has been satisfactorily coordinated by the IFIs and in the context of their governance structures. There is limited evidence of additional crisis related country level coordination and impact measurement efforts. The DAC Chair and Secretariat have made considerable efforts to flag the potential impact of the crisis on ODA.

Questions to the DAC

The SLM participants are invited to discuss the following questions:

- Is the DAC satisfied with the progress on the implementation of the Action Plan? Where has the response performance in terms of action areas been good and where has it been less good?
- In the face of future systemic crises, is the coordination by, and around, the IFIs sufficient? Is there an overview role that the DAC can and should still play? What is the DAC's value added here?
- Is further monitoring of the Action Plan needed?

3. LESSONS FROM THE CRISIS: MIXED TRAJECTORIES AND UNCERTAIN RECOVERY PACE, BUT INCREASINGLY ADDITIONAL FINANCING NEEDS

Over the past three years, the development community has been in protracted crisis mode: the global economic and financial crisis followed hot on the heels of food and energy crises. The fuel and food crises hit low income countries (LICs) especially severely. Then, as the world economy as a whole slowed, most sources of external development finance contracted and the shock to economic activity and income was also felt throughout the developing world.

Mixed trajectories

Crisis (I)mpact = (E)xposure – (R)esilience.

The magnitude of the impact of the crisis is linked to the exposure of each economy combined with its resilience, where exposure depends on its integration into the world economy and its resilience on the quality of economic, social and political governance. Despite the contraction of the global economy (-0.8% in 2009), emerging and developing countries have demonstrated more resilience: a modest growth of 2.1% (although much lower than the 7.2% growth rate they averaged between 2003 and 2008).[3]

[3] IMF (2009c) and IMF (2010).

Global recession but diversity of situations/trajectories

There is wide variance in exposure, depending on main channel of transmission from OECD countries (whether commodity, manufacture and service trade, remittance, relative reliance on commercial debt finance or aid dependency) and variable lags in balance of payments and/or fiscal shocks. Some countries seem to be hardly affected and/or already recovering, others are still reporting worsening internal and external balances.

Africa mixed trajectories but overall declining GDP per capita.

In sub-Saharan Africa the growth impact has varied across countries: with oil and mineral exporters and middle-income countries more severely affected, at least initially, than low-income, fragile, and less globally integrated countries. The overall growth rate is estimated to 1.6% in 2009 compared to 5.6% in 2008. Per capita GDP has declined by an estimated 0.8% in 2009, the first decline in a decade, which is likely to have long-term consequences for sub-Saharan African countries, as more people fall into poverty in the region[4]. Most LICs had built up a cushion of foreign exchange reserves, thanks to pre-crisis reforms which had been used to during the crisis.

Countries which had been marginalised through poor internal governance and conflict (*e.g.* Comoros, Somalia and Sudan) were least able to make room for change, or claim transitional support in the lack of credible strategies and leadership. These countries generally tended to be hardest hit by the crisis. Also countries which were already in precarious macro-economic situations with low reserves and high current account deficits and falling revenues (*e.g.* DRC, Ethiopia, Ghana) have not been able to finance higher fiscal deficits. Only the most advanced economies among developing countries have had room for counter-cyclical action (notably absorbing involuntary revenue losses). They need to strike a balance between hard worn policy space and demand stimulus through short term measures.[5]

For developing oil exporters, the sharp slowdown in 2009 (-2.1% growth rate in 2009, compared to 5.4% in 2008) reflected cutbacks in oil production, a result of efforts by OPEC to stabilise oil prices. Because of this most oil exporters had to maintain strong public spending growth to help their non-oil sector.

Table 1: Overview of the world economy and outlook

GDP (real annual change in %)	2008	2009	2010	2011
World[1]	3.0	-0.8	3.9	4.3
Advanced countries[1]	0.6	-3.2	2.1	2.4
Emerging and developing countries[1]	6.1	2.1	6.0	6.3
Regional Distribution of emerging and developing countries[1]				
Africa[1]	5.2	1.9	4.3	5.3
- of which: Sub-Saharan Africa[1]	5.6	1.6	4.3	5.5
Central and eastern Europe[1]	3.1	-4.3	2.0	3.7
Developing Asia[1]	7.9	6.5	8.4	8.4
Middle East[1]	5.3	2.2	4.5	4.8
Developing countries - fuel exporters[2]	5.4	-2.1	3.1	n/a
Developing countries - non-fuel exporters[2]	6.1	2.6	5.6	n/a

[1] IMF (2010) - [2] IMF(2009a)

[4] World Bank (2010).

[5] World Bank (2010) and World Bank (2009a).

Recovery pace uncertain

Globally, GDP growth is improving, but it will be a long road to full recovery.

"The acute phase of the crisis is over"[6] and a global recovery is underway, propelled by an inventory cycle and counter-cyclical policies. Growth in emerging and developing economies is expected to rise to about 6% in 2010 and 6.3% in 2011.But, the recovery is fragile: its global pace is expected to weaken in second half of 2010 due to the phasing-out of fiscal stimulus packages and/or monetary easing.

Signs of rebound in emerging developing economies.

For large emerging developing economies, there are strong signs of a rebound. The size of these economies has generally afforded them more protection than smaller open economies. They entered the crisis with larger foreign exchange reserves and stronger macroeconomic fundamentals. This is a reminder of the lessons learnt by the major emerging economies from previous crises, which were key to building up resilience. For example, in Asia there are considerable variations in growth rates, ranging from a projected 10% for China to -1% for Samoa for 2010[7]. In overall, the region needs global demand for a sustainable recovery but the strength of the recovery will depend on private-sector demand and the pace of withdrawal of fiscal and monetary stimulus. China cannot arguably lift Asia alone out of the recession without recovery in the OECD economies[8].

For LICs the recovery pace in uncertain and face a long recovery.

LICs, arguably less directly affected by the crisis in the first round, have been hit by second-round shocks on trade, tourism, remittances and lower FDI and many face a long and gradual recovery. The global financial and economic crisis is likely to have a sustained impact on their growth and development perspectives, in particular as it followed shortly after food and energy crisis, which already hit LICs severely. A recent study by UNDP/AERC claims that while most countries in sub-Saharan Africa reached the bottom of their GDP per capita (relative to pre-crisis years) in 2009, some 20 countries will only reach the trough of real GDP per capita growth rate in 2010 or 2011. In addition, 26 countries are not expected to recover their pre-crisis GDP per capita levels by 2014.[9]

LICs need to anticipate scarcer and more expensive capital.

In many countries, recovery is underpinned by expansionary fiscal policy financed by reserves or market borrowing – but these options are out of reach for many LICs, which remain heavily dependent on ODA. The longer-term effects of a weaker financial system may be more serious. In the short run, LICs may be less directly affected by the crisis-induced increase in borrowing costs as their economies are not well integrated and their market access is very limited. However, a weaker international financial system could eventually deny them investments critical to their development, particularly because deficiencies in domestic markets are likely to prevent them from compensating for a reduced foreign presence.[10]

Important human and social impact

The scale of poverty and human impact (additional 64 million people on less than $1.25 a day).

At country level the impact of the financial and economic crisis is being transmitted to households, via credit markets, labour markets and public expenditures. There is evidence of rising poverty levels in developing countries, which lack the means to provide comprehensive safety nets. In fact, the slowdown could lead to some 64 million more people living on less than USD 1.25 a day around the world by the end of 2010 than would have been the case without the crisis. Between 30,000 and

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[6] World Bank (2010).

[7] IMF(2010) and IMF (2009a).

[8] ADB/Bauer,A. (2009).

[9] UNDP/AERC - Conceição, P. et al (2010).

[10] World Bank (2010).

50,000 additional children may have died of malnutrition in 2009 in sub-Saharan Africa because of the crisis[11]. These are however based on past relationships between growth reduction episodes and poverty rates, and between income poverty and key human capital indicators, coming from other crisis settings. This could under- or over-estimate impact in specific countries today. The financial and economic crisis may therefore become a "development crisis", as the food crisis (the volatility of the food prices) and energy crisis (with recovering oil prices) are still rumbling on.

Unemployment rising (but mixed effects on informal employment).

The short-term social cost of the crisis could be serious. In Africa, for example, unemployment is expected to have increased by more than 10% just in 2009, and the number of the working poor and vulnerable workers could reach unprecedented levels.[12] Workers in export industries are losing jobs, and the unemployment increase is affecting women, in particular in export-oriented manufacturing sectors (*e.g.* garments) or high value export agriculture with predominant female worker (*e.g.* in Bangladesh about 85% of the worker in the garments industry are women). The Chinese Academy of Social Sciences estimates that up to 41 million workers in China lost their job during the economic slowdown and the jobless rate hit 9.4%[13]. Other affected are the mid-sized and smaller middle income countries (*e.g.* Egypt, Jordan, Morocco and Tunisia) where reduced income in 2009 from exports, tourism and remittances (heavily dependent on the euro area) is impacting negatively on household consumption and job creation in these countries and leading to job losses, rising unemployment and falling labour earnings. [14]

The share of informal employment also tends to increase during economic turmoil: job losses in the formal sector will lead to a surge in informal employment, depressing wages and incomes. The number of the working poor and those in vulnerable employment (workers without formal arrangement) in Africa could rise by a staggering 35 million people between 2007 and 2010.[15] Informality is also associated with increased vulnerability of countries to economic shocks[16]. Evidence from South Africa suggests that the informal sector accounted for 64% of job losses in comparison to 16% in the formal sector.

Negative impact on gender equality and women's empowerment.

The crisis may hold back or reverse progress on gender equality. After the initial shock in male-dominated industries, the financial crisis is now hitting female-dominated industries and services and may affect women more profoundly over the long term[17]. In Thailand, for example, women are over-represented in the sectors most affected by the crisis, such as export manufacturing, the garment industry, electronics and services[18]. Gender inequalities in the division of productive and reproductive labour and in access to and control of productive resources – particularly land, capital and labour – further adds to women's vulnerability to crises. As men's employment becomes unstable during an economic crisis, women join the labour force to supplement household income ("added worker effect"). Women from poor households join the labour force, mostly as unpaid family workers, self-employed workers, or unemployed workers seeking jobs adding to some further precariousness for women.

[11] World Bank (2010).

[12] AfDB/Kasenke, L. et al. (2010b).

[13] OECD (2010a).

[14] See also Action Area 2

[15] AFDB (2010a).

[16] WTO-ILO (2009).

[17] United Nations (2009).

[18] Oxfam (2010).

MDGs achievement in peril and possibly more off track as a result of the crisis.

MDG performance is currently expected to suffer a short-term shock with improvement in the medium-term, as economic growth recovers. It is expected that where the historical growth trend was relatively gradual and there were a strong correlation between MDGs performance and increased growth, MDG performance will recover in line with the upturn. Other cases reveal a sharper deviation from the trend towards the MDGs and a discernible negative impact on the MDGs within the 2015 timeline due to the crisis.[19] Many MDG, especially health related, will now be not be reached by 2015 (*e.g.* in Asia)[20]. If governments do not invest in public health, education and social protection or do not provide more opportunities for such services (*e.g.* through conditional cash transfers, scholarships, insurance), the impact will be even more acute. MDG achievement is expected to be even more affected, if the crisis is not seen as an opportunity to address social and environmental poverty.

Unprecedented financing needs

Important balance of payment financing gaps.

The crisis has triggered unprecedented financing needs in low-income developing countries. In September 2009, the IMF projected external financing needs of LICs to be on average in 2009-10 about USD 25 billion higher than in 2008, very little of which comes so far from fresh bilateral money, requiring “further scaling-up of aid” at least in line with the Gleneagles commitments.

Critical social expenditures are under stress.

Countries have variable policy space to act counter cyclically, for example on safety nets and infrastructure, with arguably sharp variance between countries that had high policy ratings pre-crisis and those that had low ones. Despite the new flexibility in IMF surveillance approach[21], falling revenues could lead to a fiscal squeeze, leading in turn to decline in quantity/quality of public services and limited resources for expansion of safety nets. The World Bank, looking at critical MDG-safeguarding public spending not covered by domestic resources estimates that financing shortfalls to cover core spending requirements could add up to USD 11.6 billion for IDA-only countries in 2009 alone.[22] This amount is only what is needed to maintain pre-existing level of spending on education, health, cover the operations and maintenance of existing infrastructure, and prevent an increase in the poverty head count. This amount is incremental to those previously estimated as needed in order to meet the MDG targets.

MDG costing to revise?

The initial MDG estimates for LICs was that the total incremental annual cost of supporting the MDG financing gap would be USD 89 billion in 2010, rising to USD 135 billion in 2015 (both in 2003 prices).[23] These costing scenarios have been much debated and contested. However, given the recent downward trends of MDG achievement, it is likely that needs would be much higher today. The upcoming UN MDG Review Summit on the road to 2015 will increase the demand for ODA to close the MDG gap, in the context of global fiscal pressures.

[19] UNDP/AERC - Conceição, P. et al (2010).

[20] ADB/Bauer,A. (2009).

[21] See also Action Area 2.

[22] World Bank (2009b).

[23] UNDP (2005).

4. ACTION AREA A: DELIVERING ON PLEDGES

ODA commitments, especially for Africa

Mixed aid performance for 2010 raises concern, mid-way to 2015.

In the Action Plan DAC members "reaffirmed their existing ODA commitments, especially for Africa". In 2005, donors made commitments to increase their aid at the Gleneagles G8 and UN Millennium +5 summits. Taken together, these implied lifting aid from around USD 80 billion in 2004 to USD 130 billion in 2010, at constant 2004 prices. However, many of the pledges were in the form of ODA/GNI targets. This meant that falls in GNI during the economic crisis reduced the aggregate value of the commitments to USD 124 billion in 2004 prices.

Now ODA is expected to reach record levels in 2010 – an increase of 35% in real terms in six years, and 15 of 22 DAC countries[24] will achieve at least their minimum ODA target for 2010. However, seven will not – Austria, France, Germany, Greece, Italy, Japan and Portugal. These donors have not made up the shortfalls against their Gleneagles targets which built up before 2009[25]. They include large donors with large shortfalls and overall, donors will fall USD 17 billion (in 2004 prices) or USD 21 billion (in 2008 prices) short of the Gleneagles projections. The overall shortfall is nearly equivalent to the crisis-related external financing gap of the LICs. While the global economic crisis partly explains the difficulty in meeting these commitments, it is not an adequate justification. Some countries, despite being hit hard by the crisis (Spain and the United Kingdom), maintained sharp aid increases in line with their commitments.

Box 1: Expected individual DAC countries' ODA performance in 2010[1]

DAC EU members (15 countries)

The DAC EU countries committed to a minimum ODA/GNI ratio of 0.51% in 2010: 9 members will meet this target and most will surpass the goal: Belgium (0.7%), Denmark (0.83%), Finland (0.55%), Ireland (0.51%), Luxembourg (1%), Netherlands (0.8%), Spain (0.51%), Sweden (1.03%) and United Kingdom (0.56%). Falling short are Austria (0.37%), France (0.46%), Germany (0.4%), Greece (0.21%), Italy (0.19%) and Portugal (0.37%).

Other DAC countries

Other DAC countries made varying ODA commitments for 2010, and most, though not all, will fulfil them. Australia aimed to reach AUD 4 billion, and will do so. Canada aimed to double its 2001 International Assistance Envelope by 2010 in nominal terms, and is also on track. New Zealand will exceed its planned ODA/GNI of 0.28% on its way to an ODA level of NZ 600 million by 2012-13. Norway will maintain its ODA level of 1% of its GNI, and Switzerland will likely reach 0.47% of its GNI, exceeding its previous commitment of 0.41%. The United States pledged to double its aid to sub-Saharan Africa between 2004 and 2010 and is on track to meet this objective. Japan aimed to exceed its 2004 baseline by a total of USD 10 billion over the period 2005-2009. In 2008 it was still USD 4 billion short of this undertaking, and although its 2010 ODA is not yet known, it is unlikely to make up this shortfall.

[1] Source: DCD/DAC(2010)10

Aid to Africa is likely to increase by less than half the Gleneagles aim.

The 2005 aim to increase aid to Africa by USD 25 billion, at the time thought to be half the overall ODA increase, is less easily attributable to individual efforts, as many EU members subscribed only to the collective European Union aim of 50% to sub-Saharan Africa, whilst a few DAC members were more specific. Again, the subsequent increase is remarkable: an additional USD 12 billion (in 2004 prices) or about 40% in six years. However, again, the shortfall is also substantial: USD 13 billion, roughly three-quarters of the global shortfall. This imbalance is partly due to the original Africa aim not being explicitly linked to donor incomes, and so not subsequently adjusted in line with their fall, notably in some large European donors who give large shares of their ODA to Africa.

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[24] See Box 1 for details. The EU-15 also made a collective ODA/GNI commitment of 0.56% for 2010. The likely outcome is 0.48%. Korea is excluded from Box 1 as it was not a DAC member in 2005.

[25] See OECD (2009d) for previous stock-take.

Country programmable aid stable but donors could invest more in this type of aid.

Country programmable aid (CPA) constitutes a critical subset of ODA[26] as it tracks the portion of aid on which recipient countries have, or could have, a significant say and for which donors should be accountable for delivering "as programmed". Over the past 5 years CPA has been rising at an annual rate of 6%, in line with ODA and has corresponded over this period to about 53% of DAC donors' gross ODA. Looking at the allocation of CPA to Least Developed Countries (LDCs), only about 38% was allocated these countries in 2008, 3 percentage points higher than in 2004. In absolute terms this reflects an increase of USD 8 billion (in 2007 USD) compared to the 2004 level.

Shares of CPA allocated to Africa, to crisis-hit countries and MDG off-track countries are also all set to fall through 2012.

[This is a guesstimate of the expected outcome of 2010 DAC Survey on Forward Spending Plans (FS), which is still being processed, as the last returns from DAC members are promised for Early March. Detailed findings will be incorporated into the next draft. Disaggregated analysis of CPA mapped against MDG performance. For example, allocations might turn out to be more concentrated towards moderately, as against severely, off-track countries, etc.]

Hard to measure additionality of recent commitments (food security and climate change).

Since the adoption of the Action Plan and following the 2009 G20 summit in Pittsburgh, 12 members have adopted the l'Aquila Food Security Initiative (AFSI), which aims to mobilise USD 22 billion ODA resources over three years through a coordinated, comprehensive strategy focused on sustainable agriculture development, while keeping a strong commitment to ensure adequate emergency food aid assistance. The extent to which theses pledges will be additional to the existing aid pledges is unclear, but the OECD/DAC with other partners in the AFSI group (Canada, World Bank, IFPRI, Global donor platform for rural development and the UN high level task force on food security crisis) have been mandated to track and report on AFSI funding, which will over the coming years constitute an important element of donors' commitment to food security. A first tracking of commitments AFSI is expected to start during the second half of 2010.

Through the Copenhagen Accord the collective commitment by developed countries is "to provide new and additional resources, including forestry and investments through international institutions, approaching USD 30 billion for the period 2010 to 2012 with balanced allocation between adaptation and mitigation." The Accord did not specify the baseline or define "new and additional resources". This may become clearer as donors publish their budgets for "Fast Start" Financing.

Untying of aid

Still room for progress to further untie aid.

DAC donors have made considerable improvements in the formal untying of their aid, removing legal and regulatory impediments to the procurement of goods and services outside the donor's own market. The proportion of fully untied bilateral aid rose progressively from 46% in 1999-2001 to 76% in 2007, and for LDCs it has increased from 57% to 86%. However, a recent independent evaluation (ODI, 2010) highlighted that donors and development partners can do much more to exploit the opportunities offered by untied aid to increase aid effectiveness and its

[26] Country Programmable Aid (CPA) excludes from ODA spending which is: (1) inherently unpredictable (such as humanitarian aid and debt relief); or (2) entails no flows into the recipient country (administration, student costs, development awareness and research and refugee spending within donor countries); or (3) is not discussed between the main donor agency and recipient governments (food aid, aid from local governments, core funding to NGOs, aid through secondary agencies and ODA equity investments). Finally, (4), CPA does not net out loan repayments, as these are not usually factored into country aid decisions. CPA, in short, tracks the portion of aid on which recipient countries have, or could have, a significant say and for which donors should be accountable for delivering "as programmed".

developmental impacts, by improving transparency, using country procurement systems, strengthening local capacity to compete for aid financed contracts and more rigorously monitoring and evaluating the outcomes and impacts of untied aid. Progress on aid untying appears to have continued through at least 2008 (preliminary data), which is encouraging. Only data for 2009, available end 2010, will confirm that donors have resisted the pressure to tie aid as a result of the crisis.

Policy coherence for development

No evidence of more trade protectionisms than in previous crises.

Open and fair trade is an important policy area for policy coherence. The severe delay in concluding the Doha Development Agenda, however, risks jeopardising the contribution of trade to economic growth and poverty reduction. On meeting trade commitments, the OECD's crisis-related monitoring of trade policies indicates that there were no more new episodes of protectionism than those associated with previous crises, which is positive given the severity of this downturn. Although there are a variety of policy responses, and there is evidence that some countries have put in place some protectionist measures, to date there is no evidence of large scale increases in the level of discrimination against foreign suppliers of goods and services by major trading states. Indeed some countries, including Mexico, have responded by reducing tariffs and other barriers to trade. A stylized fact suggested by the evidence to date and the analyses in a recent World Bank study[27] is that where multilateral disciplines exist, recourse to protectionism has been limited.

Some traction on policy coherence processes.

The year 2009 has been instrumental for the OECD to pursue standard settings on policy coherence for development. The OECD Council members (which include the DAC) recently agreed on Recommendations on Good Institutional Practices in promoting Policy Coherence for Development[28]. The outlined examples of practices contained in the recommendations will help Members to better mainstream and integrate development issues when they design and establish national frameworks for more coherent policies. The coming years will now put to test how well these practices are being integrated in the policy making processes.

Overall rating of action area

Action Area A shows significant progress, but further action is still required.

5. ACTION AREA B: INTEGRATING IMPACT MITIGATION AND GROWTH-ORIENTED RESPONSES

Developing countries juggle priorities mostly well, better than predicted.

Many countries, including many in sub-Saharan Africa, had earlier created more policy space for themselves thanks to sustained pre-crisis reforms. This meant they had significantly more room to absorb shocks, also due to more flexible stances by the IFIs, than had been anticipated[29]. Sustained shifts in terms of trade (including new demand from emerging economies) provided some opportunities to shift economic strategy. A large majority of crisis-affected LICs, including in Africa, were able to develop recovery programs with IFI assistance. The box below provides some examples of domestic policy responses to the crisis.

Flexibility in IMF programs.

In sharp contrast with past crises, budgetary austerity has not been the prime objective of economic policies. Fiscal deficits are expected to increase in three-

[27] World Bank-CEPR (2009).

[28] See also SG/PCD(2010)1/REV2

[29] See more below and action area D.

quarters of LICs in 2009. In almost all African countries, the IMF has relaxed its fiscal targets, even though they all remain below 5%.[30]

The fiscal easing has been more prevalent in countries with low or moderate risk of debt distress prior to the crisis. Countries with higher risks of debt distress had more limited room to expand deficits—and many of these countries tightened fiscal policy by cutting non-social spending.

Some argue that these policies are not sufficiently flexible. A recent Eurodad study[31] found that out of ten IMF programme countries, five had to reduce their fiscal deficits; all had to make spending cuts; five of the ten programmes urged governments to pass on food and fuel price rises to consumers, five programmes pushed for wage bill freezes or cuts and all had to repay non-concessional debt. None of them had the flexibility to defer debt payments. The IMF argues that given the lack of additional external resources for countercyclical spending, budget deficits have to be kept within sustainable limits. Debt sustainability limits have also been revised in the context of the crisis[32].

Limited role of bilateral DAC donors.

There are indications that the role of DAC countries to enhance their bilateral support for partner country priorities in the context of the crisis has been limited. According to the 2010 DAC Survey on donors' forward spending (FS), the crisis has not led to any bilateral cross country reallocation of aid in 2009 nor are any significant reallocations planned for 2010 to 2012, apart from contribution to multilateral crisis facilities.[33] This could reflect the limited flexibility of bilateral donor bilateral programmes, with their annual spending limits and sometimes more rigid schedule of disbursements (compared to multilateral institutions with greater flexibility with multi-year windows). There are however a few examples (*e.g.* UK) of crisis led change in aid composition at country level, in terms of more focus on investments social safety nets and infrastructure investments. Some donors have also indicated that their overall crisis response priority has been to ensure that the programmed country allocation are maintained in order to ensure the short-term predictability (when actual CPA disbursements for 2009 are available by countries, the Secretariat will be able to compare what was initially programmed compared to the survey outturns).

The preliminary findings of the FS also indicate that most bilateral donors have reduced their general budget support between 2008 and 2009. A few have however scaled up their budget support assistance (*e.g.* Canada). Bilateral donors have to a limited extent provided additional support to the multilateral crisis initiatives in 2009, which however have been primarily financed through reprogramming and frontloading within existing windows.[34]

No coordination in addressing gender equality.

There is some evidence that the crisis affect men and women differently. Addressing gender equality and women's empowerment in donors' responses to the crisis will not only limit the adverse effects on women but can also help strengthen crisis management. Some donors have taken action to address gender equality and women's empowerment through their response to the crisis, including Sweden, UK and the Netherlands. Efforts by the World Bank include allocating resources to help ensure that the Bank's operational responses to the crisis maximise women's

[30] IMF (2009b).

[31] Molina, N. (2009).

[32] See Action Area E: complementarity with other flows.

[33] See also the inventory of bilateral donors' contributions to multilateral crisis interventions, under Action Area D.

[34] Described in more detailed under Action area D.

incomes and to fund research to study the effects of and policy responses to the crisis on women. Yet, there is, however, no crisis-related co-ordinated action on gender equality between DAC donors.

Overall rating of action area

Action Area B shows modest progress, but is still short of action goals

Box 2: Examples of domestic policy responses to the crisis

Examples of robust domestic policy responses in 2009 to the crisis by countries are numerous.

Asia: Emerging economies in Asia (ASEAN-5 countries) have introduced impressive fiscal stimulus measures:

- In Indonesia, the government raised its budget deficit target to 2.5% of GDP from 1.0% to accommodate an Rp73.3 trillion stimulus package comprising tax incentives, pay increases, export guarantees, cash transfers, and increased government spending.
- Thailand introduced its first supplemental stimulus package in mid-January worth B116 billion, which included cash handouts of B2,000 to low-income earners. This package was later supplemented by a B40 billion tax relief package.
- Malaysia unveiled a second stimulus package worth RM60 billion in 2009 and raised its deficit target upward to 7.6% of GDP.[1]

Despite these strong packages, it is estimated that the stimulus has not been sufficient to achieve the potential output. For some countries in developing Asia, even less exposed ones, the lack of fiscal space and absorptive and institutional capacity to manage the stimulus has been a constraint. Public spending, especially on infrastructure, accounts for the bulk of the stimulus packages in most countries.[2]

Africa: Most countries adopted several instruments to minimise the impact, including fiscal stimulus packages, easing of monetary policy, targeted sectoral assistance, capital and exchange controls, and new regulations in the banking sector.

- South Africa set aside USD 100 billion for public investment for 2010 – 2012;
- Mauritius financed a stimulus package amounting to 3.4% of GDP, most expenditure was invested in infrastructure, education, raising competiveness of domestic oriented industries and SMEs.
- Kenya issued its first and second public infrastructure bond as a new way to increase its fiscal space to finance targeted infrastructure project (roads, energy and water);
- Uganda, Kenya and Tanzania raised public expenditure on infrastructure by 20–30% in their 2009/2010 budgets to enhance economic growth;
- Tunisia increased public investments by 20% in 2009 to compensate for 35% decrease in FDI;
- Morocco is expected to increase public investments for 2010;
- Botswana received USD 1.5 billion from the AfDB to sustain support to the private sector through infrastructure development. [3]
- Zambia has allowed for a modest fiscal deficit (2.6% of GDP) while maintaining the medium-term expenditure program it had established before the crisis.

[1] ADB (2009a) - [2] ADB (2009b) - [3] AfDB (2010a) and AfDB/Kasenke (2010b).

6. ACTION AREA C: EMBEDDING PD AND AAA INTO CRISIS RESPONSE

Aid effectiveness not at the center of crisis response.

The existing aid effectiveness efforts have not been spurred by the crisis, nor are they at the centre stage in the crisis response. References to the Paris Declaration (PD) and Accra Agenda for Action (AAA) can however be found in some major pronouncements, such as the Pittsburgh G20 communiqué, in which world leaders committed to increasing the transparency of aid flows by 2010.

Overall progress in implementing PD/AAA commitments appears to be uneven. While most donors have taken concrete steps to address AAA priority actions, some are still at the stage of elaborating action plans and guidelines as evidenced by DAC members' self-reports of action against the so called "Beginning Now" commitments.

Apparent uneven progress in acting upon key PD/AAA commitments but full evidence not available until 2011.

A summary of responses from DAC members on progress in implementing AAA priority actions has been separately prepared for the SLM[35]. A key message is that while some good performers are gradually changing their aid practices, too many donors are not pulling their weight. There is a real risk that this 'mixed picture' could derail donors collective performance against the global aid effectiveness targets, not least those qualified by Ministers themselves as 'beginning now'.

A report on lessons learned from the health sector prepared by the WP-EFF Task Team on Health as a Tracer Sector also notes that the gap between commitments and practice remains too wide and call for a sense of urgency about improving aid effectiveness (DCD/DAC/EFF(2009)14).

Full evidence of aid effectiveness progress will not be available until mid-2011. The third and final survey on monitoring the Paris Declaration will be undertaken in early 2011, based on data from 2010, and will be critical to assess how much behaviour change has been actually achieved. The second phase of the evaluation of the Paris Declaration will provide a more in depth understanding of the progress and challenges in implementing the Paris Declaration as well as offer explanations for some of the trends highlighted in the monitoring survey.

Fragmentation of aid is increasing.

Bilateral aid fragmentation across countries has worsened significantly since 2005, Recent DAC work has drawn attention to other aid allocation imbalances. Most significantly, the fragmentation of bilateral aid has increased since 2005, despite the PD and more recently AAA endeavours to improve it. One revealing indicator is the significance in financial terms of aid relationships: 50% of the 4000 aid relationships tracked by the DAC account for about 5% of all country programmable aid (CPA), with the 25% smallest aid relationships representing only 0.1% of CPA[36].

Progress on DAC involvement in the use of country system.

There is, however, encouraging progress on promoting use of country systems, where a number of country forums are on-going, entailing first donor and government dialogues around country systems. The box below provides an example of the ongoing processes.

[35] See DAC/CHAIR(2010)2.

[36] OECD (2009c).

Box 3: Facilitating Progress at the Country Level (Ghana and Malawi)

International commitments on Strengthening and Using Country Systems in the Paris Declaration and the Accra Agenda for Action result from strong evidence that although some progress has been achieved in strengthening country systems (since 2005, 36% of countries improved their score for Public Financial Management against a target of 50%), less progress has been achieved on the use of country systems, with only 45% of country systems being used in the countries surveyed in 2008. The Global Partnership on Country Systems has facilitated the first Donor and Government Dialogues around Country Systems which have highlighted:

- the need for better communication and information sharing with local Donors on the Government Systems that do exist and how they operate.
- the strong role that Government can play in pushing for both better systems and better Donor support for those systems.
- The need for better articulation by donors and government at the country level of their needs on Using Country Systems, including beyond Budget Support.

In both Ghana and Malawi, Government and Donors are identifying concrete and technical areas where progress can be made in areas such as audit, public financial management and procurement (e.g.: reducing transaction costs by standardising reporting formats; finding ways of reducing the need for external audits by engaging local audit firms). In country, both Government and Donors are showing a willingness to move forward on the commitments to using country systems and to report back progress for Seoul in 2010.

PD compatibility of thematic initiatives.

The fact that much of the crisis response activity focused on thematic "vertical" initiatives[37] carries the risk that country ownership may not always be the main driver of the choice of appropriate interventions, even if the multilaterals have tried to mitigate this risk. It is it too soon to have evidence on the impact on country ownership of these initiatives. As these initiatives are mostly managed and implemented by MDBs, their track record on the use of country systems and ownership may be a useful element of assessment.

Irrespectively of the crisis, DAC members' collective delivery of PD/AAA is urgent.

The Paris Declaration can be considered one of the main contributions of the DAC to the MDG, particularly MDG8 (global partnerships). The DAC has a key responsibility to contribute to improving the quality of aid with DAC members providing some 80% of aid to developing countries. It is vital that the DAC members support a faster progress in addressing the AAA Beginning now commitments and ensuring actual behaviour change on aid delivery in country.

Overall rating of action area

Action Area C shows insufficient progress in order to reach the action goals.

7. ACTION AREA D: SIGNALLING GREATER PREDICTABILITY

Predictability of funding responses for LICs is vital in the context of the crisis. The year 2009 has demonstrated good practices in terms of adjustment capacity of the IFIs and the EC to provide scaled up and more flexible and crisis tailored access to finance. Bilateral donors have provided some additional earmarked resources to the multilateral institutions crisis responses initiatives.

Multilateral crisis response facilities

IMF facilities were rewamped and sustainably funded.

The IMF introduced a new set of measures in 2009 tailored to the diverse needs of LICs and better suited to meet the crisis challenges. The new measures represent a significant additional effort in the coming years. The IMF support package included:

[37] See also Action Area D for more description of the thematic initiatives.

- The IMF implemented G20 calls to issue new SDRs, of which about USD 19 billion were allocated in August 2009 to LICs, about two-thirds of which is available to countries most affected by the crisis. The IMF will also more than double the resources available for LICs to up to USD 17 billion through 2014, including through the use of profits from gold sales.
- Lending commitments in 2009 and 2010 alone are expected to reach up to USD 8 billion, thereby exceeding the G20 call for additional lending of USD 6 billion over the next 2 to 3 years. For 2009, the IMF reports concessional lending commitments of USD 3.8 billion.
- Interest relief, with zero payments on outstanding IMF concessional loans through end-2011 to help LICs cope with the crisis. Permanently higher concessionality of Fund financial support—with annual interest rates regularly reviewed so as to preserve a higher level of concessionality than previously.
- The establishment of new Poverty Reduction and Growth Trust (PRGT), which has three new lending windows. The new windows includes:

    - An Extended Credit Facility (ECF) to provide flexible medium-term support;
    - A Standby Credit Facility to address short-term and precautionary needs; and
    - A Rapid Credit Facility, offering emergency support with limited conditionality

Looking at the preliminary 2009 disbursements data, the IMF has been able to more than double its concessional assistance disbursements, which amounted to some USD 2.5 billion in 2009 compared with USD 1.5 billion in 2008[38]. It is important to signal that the IMF annual disbursements are not annual programmable by countries in advance.

Predictability of World Bank Group resources?

The World Bank Group initiated a number of initiatives designed to mobilise more public and private resources in 2009 to protect the poorest and stimulate private sector activities by reinvigorating trade finance, promoting infrastructure development to create jobs, and assisting the financial sector as detailed in the box below.

Despite the increased frontloaded amounts in 2009, it was not clear whether initial front-loading to crisis-affected countries would be at the expense of reduced regular concessional allocations later. The Crisis Response Window (CRW) was designed to remediate this. In particular, it will help protect core spending on health, education, social safety nets, infrastructure, and agriculture and mitigate the impact of the current global crisis. CRW country allocations are designed to complement IDA's performance-based system (PBA) and would allow the provision of additional financial support to those IDA countries with the greatest crisis related financing needs and the least capacity to raise financing from other sources. The bulk of the resources will support the scale up of operations already in place or currently under preparation and are expected to be committed quickly using streamlined procedures. The principles for a permanent CRW is being developed and will be discussed in the course of the IDA16 replenishment process, scheduled to begin in March 2010.

[38] Preliminary results from the 2010 DAC survey on Forward Spending plans

Box 4: The World Bank Group's Response to the Crisis in 2009 and outlook for 2010-11

Scaling up financial assistance

- The WBG's new commitments increased by 54% in fiscal year (FY) 2009 over the previous year to reach a record high of USD 60 billion.
- IDA commitments hit a record level of USD 14 billion in FY09, 25% higher than a year earlier.
- Up to USD 2 billion of IDA15 resources will be provided under the IDA Fast-Track Facility which provides front-loading of up to 50% of country allocations combined with streamlined procedures and facilitated project restructuring and disbursement within 3 years until June 2011. As of January 6, 2010, USD 1.5 billion has been committed. IDA disbursements have also increased with 25%: to a total level of USD 11.3 billion in concessional disbursements in 2009 compared to USD 9 billion in 2008. Similar rates of increases have also been recorded for IDA budget support operations.
- At the IDA mid-term review in November 2009, IDA deputies endorsed the creation of a dedicated Crisis Response Window (CRW), a distinct window over and above previous country allocations. The CRW resources amount to USD 1.6 billion that provides additional financing (from internal resources and additional voluntary donor contributions) to non-oil exporting IDA countries to respond to the impact of the global financial crisis; the resources are expected to be utilized in January 2010-June 2011.

Targeted thematic initiatives:

- The Global Food Crisis Response Program (GFRP) is a USD 2 billion rapid financing facility which is expected to be utilised within 3 years until 2011. The GFRP includes USD 200 million in grants from IBRD surplus and contributions to a Multi-Donor Trust Fund. In FY 2009, the bank has committed USD 1.2 billion and disbursed USD 790 million in over 30 countries.
- The Rapid Social Response (RSR) designed to support safety nets and other social protection programs totalling USD 4.5 billion in FY09
- The Infrastructure Recovery and Assets Platform (INFRA), a multi-donor, coordinated effort to help developing countries invest in their infrastructure sectors as economic drivers in the face of the current global crisis.

EU Vulnerability FLEX .

The Commission is frontloading EUR 3 billion, or 72% of its foreseen budget support to African, Pacific and Caribbean (ACP) nations to ensure that social spending is not undermined when most needed. The European Commission set up an ad-hoc mechanism, the "EU Vulnerability FLEX" (V-FLEX) instrument in August 2009 to assist ACP countries to help ease the impact of the economic crisis. The Commission approved the first package of financing decisions in the framework of the EUR 500 million V-FLEX mechanism for a total of EUR 215 million in December. For this first tranche, all amounts are paid in form of budget support, which will enable partner countries to maintain their level of public spending in priority areas, including in the social sectors, without jeopardizing macroeconomic stability. Most of these funds are expected to be disbursed rapidly and act as a complement to assistance of World Bank, International Monetary Fund and other regional development banks.

The European Commission has also reinforced and reshaped the EU-Africa Infrastructure Trust Fund, increasing the grant capital, allowing it to mobilizing additional EUR 2.5 billion in loans. A EUR 1 billion Food Facility was adopted prior to the G20 London Summit to re-launch agricultural production in developing countries.

Bilateral contributions to multilateral crisis facilities

Bilateral DAC donors redeployment of additional resources to the multilateral system.

The following table provides an overview of bilateral contributions to various interventions by multilateral agencies, which would in most cases would be provided on ODA terms (even if some of the outflows may not be classified as ODA - see more under Action Area E: Complementarity with other flows, on the multilateral crisis responses on non concessional terms).

Difficult to assess the overall bilateral contributions to the multilateral effort.

It is at this stage also difficult to assess whether the DAC donors contributions to the crisis facilities are additional (or stem from reallocations within donors portfolio). It is also not clear whether all contributions would be considered to be ODA. Finally, as some of the listed contributions are funding intentions for several years, it is difficult at this stage to assess what has actually been disbursed to these facilities in 2009 by DAC donors.

It is clear that the World Bank and the IMF have stepped up to challenge with observed record commitments and disbursements levels in 2009. However, despite increased the frontloaded amounts in 2009, predictability of medium/long-term funding for LICs could still present a risk, even if the creation of the CRW is encouraging.

Overall rating of action area

Action Area D shows modest progress, but is still short of action goals

Table 2: Bilateral donor contributions to multilateral crisis interventions[1]

Intervention	Contributors
IMF:	
IMF concessional lending capacity: PRGT	- Australia (AUD 30 mn for 2010-2012)
IDA's crisis response:	
Global Food Crisis Response Program (GFRP)	- Australia (AUD 50 mn); - Russian Federation (USD 15 mn); - European Commission (EUR 48.5 mn); - Spain (EUR 80 mn); - IDA (USD 200 mn in grants from IBRD)
Rapid Social Response Program (RSRP)	- Norway (NOK 50 mn in 2009); - UK (GBP 100 mn; 50 mn in 2009 and 50 mn in 2010)
Not disaggregated between GFRP and RSRP	- Japan (USD 200 mn); - Korea (KRW 3 bn in 2009, 7.919 bn in 2010, and 4.613 bn in 2011)
Crisis Response Window (CRW)	- IDA (USD 1.6 bn – from reallocation of internal resources, and voluntary contributions still to be confirmed.)
Other facilities of the World Bank Group:	
IFC Advisory Services Financial Crisis Response	- Finland (EUR 1 mn)
IFC: Infrastructure Crisis Facility (ICF):	- France (EUR 1 bn, planned); - Germany (EUR 100 mn for 2009-2011).
IFC: Microfinance Enhancement Facility (MEF)	- Germany (USD 130 mn, in 2009).
IFC: Capitalization Fund	- Japan (USD 2 bn) as a key founding partner.
IFC: Global Trade Liquidity Program (GTLP)	Totalling to more than USD 2.5 bn; of which: - Canada (USD 200 mn for FY08/09-10/11); - UK (GBP 245 mn in 2009); - Netherlands (USD 50 mn in 2009), - Sweden (SEK 1 bn for 2010-2013), - Other contributors include: Japan, Saudi Arabia, AfDB, and OPEC Fund and commercial banks.
Other World Bank	- Belgium: Democratic Republic of Congo Emergency Project (EUR 20 mn).
Multilateral Development Banks and United Nations:	
Capital Increases to MDBs	- Australia: Asian Development Bank (AUD 220 mn to general capital increase) - Canada: Inter-American Development Bank (USD 5.3 bn to general capital increase, and USD 4 bn purchase of additional temporary shares) and African Development Bank (USD 2.6 bn purchase of additional temporary shares)
IFAD and other Agricultural or Food Security Programs	- Canada: Commitment from L'Aquila in supporting bilateral and multilateral initiatives in sustainable agricultural development 2008-2011 (CAD 600 mn). - Spain: Pledge to contribute to Global Agriculture and Food Security Program (GAFSP) (EUR 240 mn). - Sweden: Contribution of to IFAD's Food Security Complementary Fund (SEK 100 mn). - EC: Commitment from EC Food facility to on-going IFAD programmes (EUR 30 mn). - Belgium: FAO Special Fund for Emergency and Rehabilitation Activities (SFERA) (EUR 1 mn).

Intervention	Contributors
Other UN	- UN secretariat provides extra funding to specific countries through Rapid Impact and Vulnerability Analysis Fund (RIVAF). RIVAF is designed to support the Global Impact and Vulnerability Alert System (GIVAS). - Sweden: UNICEF (SEK 75 mn), GIVAS (SEK 15mm).

[1] Source: 2010 DAC survey on forward spending and OECD (2010), 2010 Multilateral Report, forthcoming.

8. ACTION AREA E: COMPLEMENTARY WITH OTHER FLOWS

A key action area of the DAC Action Plan was to insure complementarities between ODA and non ODA, including non-DAC assistance. A number of measures have been implemented in the course of 2009 to give some impetus to trace, benchmark other forms of development finance flows.

Monitoring and benchmarking development finance

Flexible debt sustainability approach – joint IMF-World bank: opportunity for additional non DAC funding?

In August 2009 the IMF and World Bank Boards approved new guidelines on external debt limits in fund supported programmes to adopt a more flexible approach based on a menu of options to reflect the diversity of situations in LICs with regard to debt vulnerabilities and macroeconomic and public financial management capacity. The new framework also has stronger analytical underpinnings given its systematic link to debt sustainability analyses (DSAs). It clarifies how and when flexibility should be exercised in a consistent way in setting debt limits. For more advanced LICs (with higher capacity and lower debt vulnerability), consideration could be given to dropping concessionality requirements altogether in setting external debt limits.[39] This new flexible approach in particular in countries with higher capacity will allow for more access to non concessional financing, in particular from non DAC donors.

Launch of DAC work to benchmarking the landscape of other forms of development finance.

The DAC Secretariat has proposed to provide a better overview on financing for development and developmentally relevant private flows through DAC statistics, to better meet members' needs for comprehensive and comparable data in support of their development policies. Priority will be given to benchmarking different types of activities of development finance institutions and capturing a more complete picture of so-called innovative financing.

Innovative finance: a source of complementary development financing to benchmark.

The financial crisis has sharpened interest in alternative ways of leveraging development finance to complement existing ODA. The DAC Secretariat has taken steps to inform the debate on the potential role of innovative financing in leveraging additional resources for development, in particular by focusing on innovative sources of development finance. Recent analysis by the OECD[40] focuses on the purpose and working features of some of the existing and projected initiatives and gives indications on the revenues mobilised up to February 2010. This approach suggests primarily identifying innovative financing approaches, primarily:

- New approaches for pooling private and public revenue streams to scale up or develop activities for the benefit of partner countries.
- New revenue streams (e.g. a new tax, charge, fee, bond raising, sale proceed or voluntary contribution schemes) earmarked to developmental activities on a multi-year basis.

[39] IMF (2009c).

[40] OECD (2010b).

- New incentives (financial guarantees, corporate social responsibility or other rewards or recognition) to address market failures or scale up ongoing developmental activities.

This approach puts less emphasis on innovative uses of traditional development finance - such as counter-cyclical lending, debt swaps and debt conversions or issuing guarantees to leverage private investment in partner countries - and innovative delivery mechanisms such as "results-based aid" and "cash-on-delivery", which are mainly designed to enhance aid effectiveness, rather than increase the total volume of resources. The DAC is expected to adopt its future work plan to share the lessons of good and less-good practice, benchmarking and updating new financial instruments.

Due to budget constraints, the Secretariat's work stream on benchmarking the landscape of other forms of development finance is not now expected to start until 2012 and it is therefore too soon to report on this action.

Complementarity between ODA and other forms of development finance

Examples of increased non-concessional operation by the MDBs to amplify the crisis response initiatives.

Other examples of seeking complementarity between ODA and non concessional flows is the case of the World Bank Group which in 2009 initiated a number of initiatives designed to mobilise more public and private resources to stimulate private sector activities by reinvigorating trade finance, promoting infrastructure development to create jobs, and assisting the financial sector. For example IBRD's lending capacity almost tripled to USD 32.9 billion—a new record—from USD 13.5 billion in 2008. For 2010, IBRD lending is projected to exceed USD 40 billion. The IBRD is developing an approach to expand the use of IBRD resources for specific projects in IDA countries based on the IBRD Enclave framework for loans and/or partial risk guarantees.

Box 3: The World Bank Group helping private sector activities in the context of the crisis

- The World Bank Group has also moved to expand the use of IBRD resources to finance specific investment projects in IDA-eligible countries. Co-financing innovations by the IBRD include lender coalitions[1], the expanded use of guarantees, insurance instruments and risk management products by both the IBRD and MIGA.
- With support from bilateral donors and other IFIs, IFC provided a further $14 billion in financing through targeted initiatives in FY09. Key areas of support include:
  - Trade: the IFC has expanded its Global Trade Finance Program to USD 3 billion and launched the Global Trade Liquidity Program (GTLP) to support up to USD 50 billion in trade finance in developing countries over the next three years.
  - Infrastructure: the IFC launched the Infrastructure Crisis Facility Infrastructure Crisis Facility (ICF) to help viable, privately funded or PPP projects that face financial distress as a result of the crisis.
  - Microfinance: the IFC's Microfinance Enhancement Facility (MEF) to help microfinance institutions refinance their debt.
    Bank capitalisation: the IFC Capitalization Fund is designed to support banks in emerging markets. USD 3 billion has already been raised.

1/ An IBRD USD 2 billion loan with deferred drawdown option together with standby commitments from Asian Development Bank (ADB), Japan and Australia has allowed Indonesia to raise USD 12 billion of private funds in 2009 under difficult market conditions.

China leveraging non ODA flows, in particular to Africa.

China was also able to support public and private investments in Africa because Chinese banking sector had remained largely unaffected by the financial crisis and much of these investments are from Chinese sovereign wealth funds with a long-term horizon of investment in Africa. The Chinese government does not publish official data on development assistance. However, the China Africa Development

Fund increased in volume to USD 5 billion in 2009.[41] At the Fourth Forum on China-Africa Co-operation in November 2009, China announced that it would provide USD 10 billion in preferential loans to African countries, to be used mainly to support infrastructure and social development projects over the period 2010-2012. China has also offered to cancel due debts of interest-free government loans that will mature by the end of 2009 owed by all heavily-indebted poor countries and the LDCs in Africa having diplomatic relations with China.[42]

Promotion of public understanding of ODA and other flows// simon's comments to include

The Working Party on Statistics' core objective is to provide the public with transparent and reliable data on aid through the DAC's statistical systems, including the annual DAC Aggregate Reporting System and the Creditor Reporting System (CRS). These systems represent a unique and definitive collection of data on the global aid effort. The DAC Secretariat is also intensifying its efforts to promote a better public understanding of ODA (through press releases, Development Co-operation Report, policy studies, streamlined statistical web interfaces, analytical and policy studies of ODA, etc.). Individual members are also contributing to the improved aid transparency, through a variety of domestic and international initiatives, including President Obama's Open Government Directive, the EU aid information gathering system (TR-AID) initiative and the International Aid Transparency Initiative (IATI). The Working Party on Statistics is also working to ensure broader dissemination of CRS data. The CRS system is not well known in partner countries and a pilot workshop is planned to raise partners' awareness and deepen understanding of the data.

Overall rating of action area

Action Area E shows significant progress, but further action is still required.

9. ACTION AREA F: MONITORING/ACCOUNTABILITY FOR RESPONSE

Co-ordination, alert and monitoring impact

Bilateral crisis interventions at country level have been limited. Bilateral contributions have mostly been channelled through the multilateral agencies and therefore the specific impact of bilateral crisis response is difficult to determine and to monitor.

Little evidence of additional crisis related country level co-ordination and alert system.

There is also very little evidence of additional crisis related country level co-ordination and alert system than the usual existing mechanisms. A part from a few donors, the crisis alert system of the majority of the donors has mainly been through regular field office reporting to headquarters. The IMF and the MDBs have also relied extensively on their field offices and country teams to provide tailored crisis related assistance.

Multilateral surveillance by IFIs - GIVAS still work in progress.

Most bilateral donors have been relying on the IFIs surveillance (in particular budget support donors) for their assistance. The UN agencies have taken the initiative to launch a Global Impact and Vulnerability System (GIVAS). The initiative is intended to help fill the wide information gap between when a crisis hits the most vulnerable and when data on what is happening finally emerges by linking together existing early warning systems and making better use of new innovative ways of collecting real time data. The system is both intended to show

[41] AfDB (2009).

[42] See Sharm El Sheikh Action Plan from Forum on China-Africa Co-operation: http://www.focac.org/eng/dsjbzjhy/hywj/t626387.htm

impact (*i.e.* what is happening right now) and raise alarm bells as to potentially dramatically worsening vulnerabilities (*i.e.* what could happen if we don't act). Its main purpose is to ensure that the information and analysis needed to protect our most vulnerable populations against crisis is put to use, but it is still a work-in-progress.

Considerable DAC effort to flag the potential impact of crisis on ODA.

Aside from the ongoing monitoring effort of the impact of the crisis and the appropriate response in developing countries by DAC subsidiary bodies (POVNET and GENDERNET), the DAC Secretariat has also in the course of 2009 made a considerable effort to alert the international community on the impact of the crisis on *e.g.* development assistance. Throughout 2009, the Secretariat disseminated results of the 2009 Forward Spending survey to all DAC members. This served to inform donor discussions at country-level, and also predicted the Gleneagles gap for Africa ahead of the final ODA out-turns. Given these results and the predictability index, the DAC is able to monitor forward intentions and compare them to earlier commitments, which is especially important in times of economic crisis to know when and where extra financing will be necessary.

Regular review of speed and coherence and accountability

In the past 9 months, the Action Plan has not been revisited on an urgent basis by the DAC. This is partly because the crisis impact thus far seems to be “manageable” through existing processes led by the IFIs, with less need for additional coordination than many had predicted. The international community may have proved fortunate in avoiding more serious and synchronised damage.

Overall rating of action area

Action Area F shows a modest progress, but is still short of action goals

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APPENDIX 1 – DAC AND NON-DAC OECD DONORS RESPONDING TO GLOBAL DEVELOPMENT CHALLENGES AT A TIME OF CRISIS: DAC HIGH LEVEL MEETING ACTION PLAN

1. We, the participants in this DAC meeting at high level in Paris on 27 and 28 May, 2009, adopt the following Action Plan in response to the development challenges raised by the global economic and financial crisis. This Action Plan will feed into other major international forums, such as the upcoming OECD Ministerial Council Meeting, G8 Summit, UN Conference on the World Financial and Economic Crisis, the G20 Summit, and the UN General Assembly.

A. Delivering on our pledges

2. Member countries are deploying a wide range of policies for crisis recovery and sustainable growth, which will have major development impact. Policy coherence is all the more important in the crisis context. Recent OECD and DAC pledges on open trade, trade finance, aid, and the Doha Declaration on financing for Development underscore the importance of rejecting protectionism and of acting counter-cyclically. ODA reached record levels in 2008, and is now some 80% of the projected 2010 level implied by our current commitments. The shortfall remains significant and aid to Africa is falling well behind pledges. We all recognise the need for further collective momentum. We also recognise the risk of pressures towards additional aid tying as a result of the crisis.

- ***We reaffirm our existing ODA commitments, especially for Africa.***
- ***In the spirit of the Accra Agenda for Action, we will resist pressures to tie aid.***
- ***We will work within our governments for coherent use of all policy levers for development.***

B. Integrating crisis management with long-term growth and the MDGs

3. A return by 2011 to 2007 development levels still means four years lost on the road to the 2015 MDG horizon. For some LICs, recovery will be delayed further. Partner countries already face difficult tradeoffs between enduring priorities and urgent needs. The crisis also presents them with opportunities to reshape their strategies in a changing world economy. Aid provides a bridge to help countries safeguard social progress and social investments and at the same time build foundations for stronger, cleaner and fairer growth and the MDGs. Programmes in support of private sector development, employment and social protection, agriculture and food security, and infrastructure are central to this transition. Investing in women is critical at this time so that both women and men have the resources not only to survive - but also to thrive. Protecting developing countries from capital flight associated with tax evasion and strengthening asset recovery process are also action frontiers.

- ***We will enhance our support for partner country priorities which help manage the impact of the crisis and underpin long-term development strategies, strengthened by accelerated action on gender equality. We believe aid can be catalytic in joining these two objectives.***

C. Embedding the Paris Declaration and the Accra Agenda for Action into the crisis response

Improving the quality and effectiveness of aid, by delivering on the Paris Declaration and the Accra Agenda for Action, is the cornerstone of our crisis response. This starts with country ownership and leadership. New and existing thematic facilities which aim to disburse specific sectoral development assistance quickly across countries need to build more on national priorities, use existing channels for aid delivery and respect national accountability systems. There is also a need for stronger partnerships to collectively respond to the evolving country situations. Applying best practices in aid effectiveness in our crisis response will also help retain continued public support for ODA despite the economic downturn.

- ***We will ensure that key commitments of the Paris Declaration and Accra Agenda for Action on country ownership, use of country systems and predictability are integral to the crisis response.***
- ***We will signal clearly that any crisis responses, whether formulated at the country or at the international level, must be supportive of national strategies and processes. International coordination is not a substitute for country ownership.***
- ***We will keep under review the thematic facilities developed in the crisis response context, and phase them out as appropriate, so as not to distort long-term recovery nor fragment the global architecture.***

D. Signalling greater predictability in the international response

4. For low-income countries, additional concessional resources are relatively limited so far, and terms and timing are not yet certain. In the absence of predictable new resource envelopes, the major multilateral institutions have acted quickly to redeploy their existing programmes toward priority crisis-led needs. From a partner country standpoint, however, such redeployment entails the risk of an early exhaustion of existing country allocations. This might reduce take-up of the facilities offered, or require sacrificing other investments needed to reach the MDGs. It is up to donors to these international institutions to break this impasse by signalling greater predictability.

- ***We confirm our willingness to consider the potential need to deploy additional resources for multilateral institutions to help meet emerging needs at the country level.***
- ***We recognise the value of multilateral crisis-response facilities and that voluntary bilateral contributions to them can be effective. These should be additional to resources at country level and not reduce predictability.***

E. Ensuring complementarity between ODA and other development flows

5. The crisis needs to be tackled using all instruments available, not just ODA. Policy coherence for development is critical. A wide array of instruments, channels and sources are available beyond ODA or leveraged by ODA which deliver important development results. This world of development finance includes various elements of other official flows, such as a large share of non-DAC assistance, some "innovative finance" and the private component of public-private partnership schemes, and philanthropic and voluntary contributions. It also includes some of the major new activities and sources linked to climate change, such as the Clean Development Mechanism, as well as to other global public goods. It is essential to make the most of possible synergies between these sources and actors and ODA. Overall financial flows, starting with domestic revenues must, be sustainable for partner countries. This would also raise public awareness and support for ODA in relation to other flows.

- ***We will strengthen monitoring and benchmarking of this landscape of activities financed by, and beyond, ODA and seek overall debt sustainability for partner countries.***
- ***We will promote complementarity between, and greater public understanding of, ODA and other forms of development finance.***

F. Monitoring and accounting for our response to the crisis

6. The collective impact of our response to the crisis needs to be monitored, to ensure we are meeting our commitments on aid volumes and aid effectiveness and that our responses are supporting the needs of our partners. We will work with our partners to ensure that their needs and our forward aid intentions are co-ordinated at country level using existing processes.

- ***We will co-ordinate around common country specific responses based on each partner country's plan and we will jointly and regularly monitor the impact of our support.***
- ***We will regularly review the speed and coherence of the overall crisis response and hold ourselves to account for delivering the commitments we have made today, at next year's HLM and in following years.***

APPENDIX 2 – DAC ACTION PLAN MONITORING FRAMEWORK

<table>
<tr><th>Pledge/Action</th><th>Scope of monitoring: Quantitative and Qualitative</th></tr>
<tr><td colspan="2">1. Delivering on our pledges</td></tr>
<tr><td>Reaffirming existing ODA commitments, especially for Africa
In the spirit of the Accra Agenda for Action, resisting pressure to tie aid
Working with our governments for coherent use of all policy levers for development.</td><td>The <u>quantitative</u> assessment of overall ODA commitments will be based on the latest available ODA figures. Members' regional and thematic commitments, e.g. on Africa and food security, vary in their nature and baselines and will therefore be monitored at individual donor level (including through peer reviews). The forward spending Survey will provide useful advanced indications of donors' intentions in respect of that part of ODA that is country programmable. The Survey will cover indicative aid spending plans for the years 2010 – 2012 and their country and regional composition. The Survey will also include update to the ODA simulation table. The Secretariat will also monitor untying matters through CRS reporting on the tying status of aid.
The <u>qualitative</u> assessment will include the assessment of progress made to ensure policy coherence building on the early drafts of the OECD flagship publication Policy Coherence for Development and the annual Progress Report on OECD's Coherent Approach to Development and Policy Coherence for Development.</td></tr>
<tr><td colspan="2">2. Integrating crisis management with long-term growth and the MDGs</td></tr>
<tr><td>Enhancing support for partner country priorities which help manage the impact of the crisis and underpin long-term development strategies, strengthened by accelerated action on gender equality. We believe aid can be catalytic in joining these two objectives.</td><td>The <u>qualitative</u> and <u>quantitative</u> assessment will be based on data, analyses, and country-level case studies provided by think-tanks (e.g. ODI, IDS) or members, including cross-cutting issues such as gender.</td></tr>
<tr><td colspan="2">3. Embedding the Paris Declaration and the Accra Agenda for Action into the crisis response</td></tr>
<tr><td>Ensuring that key commitments of the Paris Declaration and Accra Agenda for Action on country ownership, use of country systems and predictability are integral to the crisis response.
Signalling clearly that any crisis responses, whether formulated at the country or at the international level, must be supportive of national strategies and processes. International coordination is not a substitute for country ownership.
Reviewing the thematic facilities developed in the crisis response context, and phasing them out as appropriate, so as not to distort long-term recovery nor fragment the global architecture.</td><td>The assessment of progress will be made on a <u>qualitative</u> basis building on the work undertaken by the WP-EFF on implementation of the AAA and Paris Declaration in focus countries [see Country Facilitation Initiatives: DCD/DAC/EFF(2009)10]. In particular, the results of two country systems fora to be held in Ghana and Malawi will provide insights in this area.

The review of the thematic responses will include IMF and World Bank facilities. OECD is leading a task force which will track L'Aquila commitments on 'sustainable agriculture development'; this work will inform progress concerning food security.</td></tr>
<tr><td colspan="2">4. Signalling greater predictability in the international response</td></tr>
<tr><td>Confirming willingness to consider the potential need to deploy additional resources for multilateral institutions to help meet emerging needs at the country level.
Recognising the value of multilateral crisis-response facilities and that voluntary bilateral contributions to them can be effective. These should be additional to resources at country level and not reduce predictability.</td><td>Progress reports of the major development banks (e.g. the IDA mid-term review) and the IMF will help determine the need. The timing of proposed replenishments and/or extensions and modifications of current funding cycles of the major development banks will form the basis of the <u>quantitative</u> and <u>qualitative</u> assessment of this pledge.</td></tr>
<tr><td colspan="2">5. Ensuring complementarity between ODA and other development flows</td></tr>
<tr><td>Strengthening monitoring and benchmarking of the landscape of activities financed by, and beyond, ODA and seek overall debt sustainability for partner countries.
Promoting complementarity between, and greater public understanding of, ODA and other forms of development finance.</td><td>Ensuring complementarity between ODA and other development flows is a continuous process. The Secretariat will make <u>qualitative</u> assessments of this pledge by drawing on the statistical effort to improve tracking of developmentally relevant non-ODA flows and innovative financing sources, as well as on analyses by other agencies. With respect to debt sustainability, the Secretariat will draw on the Joint World Bank–IMF Debt Sustainability Framework for Low-Income Countries and its periodic assessment.</td></tr>
</table>

Pledge/Action	Scope of monitoring: Quantitative and Qualitative
6. Monitoring and accounting for our response to the crisis	
• Co-ordinating around common country specific responses based on each partner country's plan and jointly and regularly monitoring the impact of our support. • Reviewing the speed and coherence of the overall crisis response and hold ourselves to account for delivering the commitments we have made today, at next year's HLM and in following years.	The assessment of progress will be made on a qualitative basis building on in-country case studies provided by members and think-tanks and the results of the Global Impact and Vulnerability Alert System (GIVAS) launched by the UN. The Survey on forward spending plans will also trace donors' responses to the crisis in order to inform progress.