

Unclassified

DCD/DAC/EFF(2006)9

Organisation de Coopération et de Développement Economiques
Organisation for Economic Co-operation and Development

16-Jun-2006

English - Or. English

DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE

Working Party on Aid Effectiveness and Donor Practices

EMERGING DONORS- HOW TO ENGAGE THEM

To be held on 5-7 July 2006

This document is submitted to the WP-EFF for discussion under agenda item III-D. Members are invited to address the issues raised in the last section.

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JT03210839

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EMERGING DONORS – HOW TO ENGAGE THEM

Background

1. In 2004, the DAC undertook to revive its relations with non-DAC donors after a period of several years without active dialogue. Relations were formally re-launched with the ‘Forum on Partnership for More Effective Development Co-operation’, which the DAC hosted with collaboration from UNDP in February 2005. The renewed priority of this work was based on the growing range, activity and importance of emerging donors, and against the background of the growing engagement and importance of non-Members in the work of the OECD in general. The engagement of non-DAC donors was also seen as an appropriate dimension of the reinforced partnership principle for development co-operation, with an emphasis on poverty reduction on the basis of the universally endorsed Millennium Development Goals.

2. Parallel to the resuming of dialogue, the Committee developed an outreach Strategy, which was adopted in September 2005 [DCD/DAC(2005)18/REV1]. The strategy has been formulated on the basis of the DAC’s nature as a forum of donors, with the objective to facilitate increasing effectiveness of the international development effort, as the fundamental aspect of the general mandate of the Committee. Consequently, DAC outreach aims to enhance the relevance, impact and effectiveness of the work of the Committee, and outreach priorities are understood to correspond to general priorities of the Committee, including notably the Aid Effectiveness work.

3. In highlighting the importance of the Aid Effectiveness work also for DAC Outreach, the strategy acknowledges the broad participation and joint ownership in the Working Party on Aid Effectiveness as a condition for its effective functioning, which emphasises mutual accountability and implies concrete commitments for all parties. In view of this, it clearly supports stronger engagement of emerging donors in their donor capacity as the partnership evolves.

The term ‘Emerging Donors’ and groups of non-DAC donors

4. The label ‘Emerging Donors’ is a term of convenience that can be both confusing and is even factually incorrect in many instances. Without implying any sense of strict categorisation, it is conceptually useful to distinguish at least among the following groups:

- a) OECD countries not members of the DAC. Most of these countries have ambitious plans to scale up their aid, and are already well engaged in the Aid Effectiveness work.
- b) New EU member states that are not OECD members. Although small by absolute standards, this group has ambitious plans to scale up their ODA, and is also closely following and implementing the Paris Declaration, as part of their commitments as EU Members.
- c) The Middle East and OPEC countries and Funds. Whereas information from this set of countries is somewhat incomplete, they include big and very experienced donors, which have in many cases already shown a high degree of harmonisation for a considerable amount of time.
- d) Other non-OECD donors. This is a very heterogeneous group including countries that typically have emerged as rapidly developing economies with a strong growth record. Many of them continue to be recipients of ODA, as at the same time they increasingly share and pass on the experience and gains of their development progress. However there has generally been very little information on their aid levels and policies so far.

5. The majority of these countries have past, and sometimes significant, experience as donors, even if their development co-operation efforts subsided throughout much of the 1990s. The term ‘emerging donors’ is therefore factually incorrect, particularly with regards to Middle Eastern donors. As it is being used, it might be more appropriately understood to stand for emerging economies that are strengthening their aid efforts.

Emerging donors and aid effectiveness

6. By contributing new perspective and additional resources to the global development agenda and the aid process, emerging donors bring new opportunities for co-operation with a diversity of lessons and experiences. Their own recent development experience, complemented in many cases by the often enduring perspectives as ODA recipients, are of particular value for a dialogue as and among donors, and are a source of strong credibility when sharing experience on policies and conditions of sustainable development success.

7. At the same time, even as aid from non-DAC donors is expected to significantly increase further over the years ahead, and despite scare information on the aid from donors referred to under Para 4d) above, DAC members can be reasonably assumed to remain the dominant source of concessional official finance for the foreseeable future. Generally, the overall impact of these donors on partner countries is in most cases much stronger through broader engagement than their ODA.

8. However, an implication of overall strongly increasing aid, even if most of it from DAC Members, is that even comparatively small increments of aid from emerging donors may give developing countries considerable freedom of manoeuvre outside the framework of agreed poverty reduction strategies with the risk of inefficient, and potentially counterproductive spending inconsistent with building successful governance and economies. Ensuring productive allocation, and complementary to the respective countries strategies, are therefore key concerns. The aid effectiveness work, with its principles of alignment behind partner country leadership and harmonisation of donors, appears as the obvious vehicle for this.

9. The strong overall impact of emerging donors on partner countries also reinforces the need to consider the implications of their non-aid policies and engagement on poor developing countries. Just as for DAC donors, policy coherence is essential for creating the conditions that allow lasting development success. Whereas individual donors need to take this carefully into account, alignment behind partner country leadership offers the best chance for comprehensive in-country coherence. Given past practice experience of many DAC members, it is not surprising to see many emerging donors starting with bilateral programmes with strong links to exports. Yet, it will be important that emerging donors come to understand the well-documented effects for development effectiveness this may imply with regards to questions such as the tying status of aid, particularly for LDCs, and the importance of meeting international procurement standards.

10. The commitments on aid effectiveness contained in the Paris Declaration on alignment, harmonisation, a focus on results and mutual accountability have the strong support of a broad and representative range of developing countries, donors and multilateral institutions. Stronger involvement from emerging donors in this global framework would leverage the commitments of the Paris Declaration and help rationalise further the still high degree of fragmentation of donor activities at the country and sector levels.

Engaging emerging donors

11. The Paris Declaration already represents an effort and engagement that goes vastly beyond DAC or OECD Membership. On-going efforts to broaden dissemination of the Paris Declaration and further advocacy offer a natural basis for the engagement of many non-DAC donors. Indeed, many have participated in the Paris High Level Forum and associated themselves with the Paris Declaration and its commitments. Notably almost all non-DAC OECD Members, several Arab bilateral donors and institutions as well as several other non-OECD donors are already among the countries adhering to the Paris Declaration – even if some in the latter group may have done so on a self-understanding in the first place as recipient partner country.

12. The DAC will aim to increasingly engage emerging donors with the objective to establish an institutional framework for sustained and structured policy dialogue. Participation of emerging donors will also be sought in the forthcoming OECD Global Forum on Development, which will start with a focus on Development Finance, including importantly development assistance, a theme where several emerging donors are key stakeholders. Together with other relevant international actors, the Committee will further seek to facilitate a better understanding of the aid efforts and policies of emerging donors. The DAC Outreach Strategy, moreover, considers enhanced outreach awareness and dialogue with emerging donors at the level of subsidiary bodies as an important complement in engaging emerging donors in ongoing donor dialogue with a view to facilitating broadened and deepened co-ordination in the global development community. The Working Party on Aid Effectiveness is seen to have a particular role in this regard.

Issues for discussion

As the Working Party on Aid Effectiveness considers its options for a stronger engagement of emerging donors, there are several considerations, mostly of a general nature, that Members may wish to take into account:

1. Acknowledge the important role of emerging donors in the global development effort, and the valuable lessons and experience they bring to the dialogue on aid effectiveness including respect for alternative perspectives.
2. Seek contributions from emerging donors as appropriate in the context of the Working Party mandate and the implementation of the Paris Declaration. A pro-active dialogue is needed for non-DAC donors not yet associating themselves with the Paris Declaration -- or not yet in their donor capacity -- if they are to contribute, understand, and internalise the donor commitments of the Paris Declaration. Given the rapid evolution of emerging donors on the international scene this may include considerations of the benefit of membership in the Working Party (whether as partner country, donor, or 'hybrid' status).
3. Where emerging donors are active or present in the field, they should be engaged at country level or in regional discussions (e.g. local aid co-ordination groups, Consultative Groups/ Round Tables). This will be of key importance as it is where implementation takes place, and policy and commitments are to be put into action.
4. With specific regard to the implementation of the Paris Declaration, the active engagement of non-DAC donors in the monitoring process should be actively encouraged at country level.