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OECD asks donor countries to honour aid promises and spend smarter

Aid to the world's poorest countries is expected to reach about USD 130 billion by 2010, an increase of USD 50 billion from 2004 and twice the amount spent in 2000. But the aid 'boom' in 2005-06 is primarily due to debt relief for Iraq and Nigeria and emergency aid to the Indian Ocean Tsunami hit countries. The OECD's annual **Development Co-operation Report** warns that as of 2007, when these large debt relief operations are complete, donors will have to increase other forms of aid by around 10% per year, double the rate of recent annual increases.

The Development Cooperation Report notes improvements in the composition of aid, for example a 13.3% increase from 2003 to 2004 in funds going directly to long term aid programmes and projects. This is a rise of USD 7.7 billion, the largest for many years, and starts reversing the trend which began in 1985 when donors began to give less long-term aid. The additional aid went towards improving infrastructure, especially in the transport, communications and energy sectors. A third of the extra aid – USD 2.6 billion – went to Iraq and Afghanistan.

But more must be done to improve the effectiveness of aid. 'Technical co-operation' accounts for about a quarter of all funding – USD 19 billion in 2004 - but very little is known about its effectiveness. Most technical co-operation pays for study assistance and experts from donor countries. Often experts cost more in overheads, such as expatriation allowances, than in fees for their professional services. The Development Co-operation Report outlines the benefits of giving funds directly to developing countries and allowing them to recruit who they want. With a fair and transparent recruitment processes, this would be more economical, and help build local capacity, since recipients will resort to international recruitment only when qualified people are not available locally or regionally.

The Report reflects on the failure to achieve the 2005 target for gender equality in schools and identifies the need for better information and data on progress towards the Millennium Development Goals to halve extreme poverty by 2015. The Report calls for an urgent increase in economic growth targeted at poverty reduction, noting that in Sub-Saharan Africa the proportion of people living in extreme poverty has actually increased from 47% to 49%, and in Latin America the rate of extreme poverty is still 11%.

The Paris Declaration on Aid Effectiveness, signed in 2005 by more than a hundred donor and developing countries who committed to increase the impact of aid, will make a difference. Its twelve practical indicators to monitor progress will encourage accountability by donors and developing countries.

The Report also breaks down aid provided in 2003-2004, showing that on average 53% of aid went to education, health, government infrastructure and production; debt relief accounted for 17% of aid, the highest single item in that two year period (primarily because of debt relief to the Democratic Republic of Congo in

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2003); trade-related aid has increased by 50% since the Doha Ministerial Declaration in 2001; the low-income countries receive 58% of aid from donor countries, rather less than their three quarters share of people living under a dollar a day; developing countries caught up in conflict or with non-functioning governments are home to one-third of the world's poorest people, but receive less aid per head than other developing countries; Sub-Saharan Africa gets one-third of all aid; small countries get far more aid per head than large countries.

To read a copy of the Development Co-operation Report, journalists are invited to go to: www.sourceoecd.org/developmentreport for the on-line version of the report or contact the OECD's Media Division at : mailto:news.contact@oecd.org