

**DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE**

STRATEGIC REFLECTION EXERCISE: PROGRESS REPORT

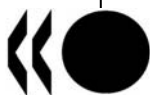
DAC Senior Level Meeting, 9 (p.m.) and 10 (a.m.) December 2008

This document is submitted for DISCUSSION under Item 4 of the Draft Annotated Senior Level Meeting Agenda [DCD/DAC/A(2008)15/REV3] as well as for INFORMATION under Item 4 (tbc) of the Agenda for the Reflection Group Meeting [DCD/A(2008)1].

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JT03256239



I. Introduction

1. The Development Assistance Committee (DAC) High Level Meeting of May 2008 approved the terms of reference for the Strategic Reflection Exercise,¹ which responds to an OECD Council recommendation from the 2007 in-depth evaluation of the DAC. The overall purpose of the exercise is to address the key question of how to sustain and increase the relevance of the DAC and its subsidiary bodies in the changing development co-operation landscape, building on its strengths and comparative advantage. In view of the exercise, the Council approved a two-year extension of the DAC's mandate to December 2010, to enable incorporation of the results of the Reflection Exercise in a new mandate proposal. The exercise will take stock of the changing global landscape and assess the role of development financing and co-operation in poverty reduction for the next 10-15 years, spell out the DAC's comparative advantage and value added, and make recommendations on its role, structure, operating mode, and interface with other parts of the OECD and other development players.

2. This report describes the progress made to date and current status of the Reflection Exercise. It is prepared to brief the DAC Senior Level Meeting (SLM) scheduled for December 9 and 10, 2008. While significant work has been done, consistent with the overall work-in-progress status of the exercise, no substantive conclusions or recommendations are presented. It remains the intention to provide a final draft report to the High Level Meeting in May 2009, for further submissions to Council in July 2009. An updated timetable is presented in Annex 1.

II. Reflection and Support Groups

3. Following the approval of the terms of reference, a Reflection Group was established. Originally anticipated to comprise eight or nine senior level individuals, it now comprises twenty members, a reflection of the degree of interest among DAC Members and Observers. The Reflection Group has met in New York in July (to coincide with the UN Development Cooperation Forum) and in Washington DC in October (to coincide with the annual meetings of the IMF and the World Bank). Three further meetings are planned—in Paris on December 10 and 11 (to coincide with the SLM), and in February and April 2009 on dates and at locations to be decided. A Reflection Group Facilitator was selected and started work in August 2008. The full membership of the Reflection Group is provided in Annex 2.

4. A Support Group has been established, composed of Delegates from DAC Members and Observers, chaired by the DAC Chair, and assisted by the Secretariat. The Support Group has a particular responsibility for stakeholder consultations under the guidance of the Reflection Group. The Support Group has held two meetings to date, in June and September 2008². The following paragraphs describe the main elements of the work to date. Further information, including all reports, presentations and minutes of meetings, may be found at www.oecd.org/dac/reflectiongroup.³

¹ See *Terms of Reference: DAC Strategic Reflection Exercise DCD/DAC(2008)28REV1*

² A further meeting has been scheduled for December 1, 2008.

³ This site is password-protected. Further information on how to access the site can be obtained from the Secretariat.

III. Global Scenarios

5. The Reflection Group has considered a number of papers on the global and development landscape within which development co-operation takes place. A number of these are based on analysis carried out within agencies in individual DAC member countries. Those discussed to date include from the United Kingdom and Germany. Equivalent analysis is in preparation by Canada and the Netherlands and may be provided at the December meeting. The July meeting also discussed the recent Growth Commission report.⁴ A summary of the principal findings of this analysis is provided in Annex 3, and may be summarised as follows:

- The global population will increase from 6.5 billion to around 8 billion in 2020, with developing countries accounting for all of the net increase. Longer life expectancy will be widespread.
- Developing countries are expected to grow economically at a faster rate than developed countries and will collectively account for a greater share of global economic output.
- Two of the main global challenges are climate change and environmental sustainability. Current consumption levels and patterns pose stress in each, with current growth projections suggesting that these stresses will become more acute.
- Sub-Saharan Africa and South Asia will account for most of the world's remaining acutely poor.
- Globalisation will continue, but will be accompanied by an increasing sense of insecurity and alienation in certain large groups.
- Technology offers the potential for substantial development, but access will remain unequal and thus a constraint to its use.
- Existing global governance structures will come under more pressure to adapt to economic, social and demographic shifts

IV. Intellectual Contribution on Aid Architecture.

6. The Reflection Group considered an intellectual contribution on aid architecture. The highlights can be summarised as follows:

- The international aid system remains a public sector island in a sea of private financial flows, dominated by sovereign entities. Numbers of players have grown inexorably.
- There is no overall regulator or even a dedicated single forum to discuss the aid system as a whole. The DAC assumes part of this role by default, with inherent limitations.
- There has been much discussion on the costs of aid fragmentation, but less on possible benefits, such as greater choice and risk-spreading for recipients.
- Multilateral agencies—World Bank, United Nations, European Commission—can offer public-goods services at country level (e.g., assessment of fiduciary risks and capacity, trust fund management), but may lack the incentives to offer other services when their own resources are not involved.
- Scaling-up to meet aid volume commitments made in 2005 will place budget per staff pressures on a few bilaterals, leading to the development of new instruments and channels. New structures that have emerged are not always associated with “additionality”.
- The main DAC response to date has been the aid effectiveness agenda on alignment, harmonization and results, best seen as a process of soft or self regulation.

⁴ See <http://www.growthcommission.org/>.

- Except for the Working Party on Aid Effectiveness, DAC's current composition and governance, which excludes major new donors, all recipients and non-government organisations, limits its sphere of influence. In general, DAC has no remit, beyond some peer pressure, to enforce a greater degree of accountability towards recipients.
- The DAC may need to change its governance structure quite dramatically, if it wants to increase its legitimacy with development groups not currently represented, although this will risk increasing its already somewhat anomalous nature within OECD. A network solution between the DAC and the UN Economic and Social Council, which hosts the Development Co-operation Forums, may be to the advantage of both. At the very least, the DAC should try to position itself as the pre-eminent place where challenges in aid architecture fragmentation are discussed.

V. The Views of Former DAC Chairs

7. Former DAC Chairs were requested to share their views. Five such chairs prepared submissions, which are available at the Reflection Group website, the key messages from which can be summarised as follows:

- DAC should continue delivering its core functions (statistics, aid effectiveness, peer reviews) within development co-operation. Improvements in present arrangements are suggested, such as more policy-relevant statistics, some tightening up of peer reviews and a more ambitious agenda around evaluation.
- DAC needs to prioritise, focus on impact, better manage relations with subsidiary bodies, and avoid supporting too many objectives.
- Greater attention is needed on global issues where aid and policy coherence may have key roles to play against a background of increasing inter-dependence and inequality. In population, agriculture (especially in Africa), energy, water, environment and climate change, development co-operation is an important instrument, which should give weight to the views of the development community. For discussions on global issues within OECD, a better division of labour with the Development Centre could be considered.
- DAC needs to forge relationships with assistance providers outside the DAC, but in a pragmatic way, such as drawing on mutual interest. This should include more dialogue with the private sector. Some issues such as capacity development may be better discussed in a more inclusive forum than the DAC alone.

VI. Initial Reflections

8. In advance of the meeting of the Reflection Group, in New York, members were invited to provide brief submissions setting out their initial thoughts. A summary of these submissions was prepared and discussed during the meeting. The following points emerged from the discussion:

- The role of development assistance needs to be redefined to adapt to a changing world, which would have implications for the mandate and role of the DAC if it wants to remain relevant and meet external expectations. The status quo is not an option. Views were divided on whether needed change should be "revolutionary" or "evolutionary", but the Chair concluded that "the DAC needs to change" in order to "make a difference". With global consensus on the necessity to significantly reduce donor fragmentation, the DAC's role will have to be defined in the context of division of labour within the development community, and by focusing on its comparative advantage.

- The DAC should continue to keep the “core” activities that it does today (identified as statistics, peer reviews, and standard-setting), acknowledging that there is scope for improvement in each.
- This in turn begged questions on: whether all activities in which the DAC is engaged are “core”; which activities does the DAC have a comparative advantage in; and which activities might need to be discontinued to take on new tasks in a flat budget environment. Some members questioned the comparative advantage of the DAC to work in areas such as poverty reduction and gender.
- With respect to standard-setting, there was a debate on whether more work was needed on setting and issuing standards, or in enforcing/monitoring those that have been issued to date (i.e., whether to invest in the “standards gap” or the “implementation gap”). It was noted that a stronger effort in enforcing standards may make it more difficult to attract new development providers.
- The activities in which the DAC might engage anew or increasingly were: (i) global public goods, with a particular focus on globalisation and climate change; (ii) policy coherence for development; and (iii) aid architecture, including engaging with new aid providers and with multilaterals.

9. At its meeting in Washington DC on October 10, the Reflection Group discussed a number of these matters in more detail. Among the main points to emerge from the meeting were:

- Development should be the DAC’s primary focus rather than a narrower focus on aid, implying: increased attention to policy coherence for development, including working more with other policy families of OECD in bringing poverty reduction perspectives; increased engagement of non-DAC players (aid and non-aid), as well as partner countries in order to ensure the DAC’s sustained relevance; and a focus on effectiveness and results as opposed to inputs and processes.
- The DAC should avoid over-expanding its role and improve the three core pillars of peer reviews (more rigour, country-based reviews, reviews of multilateral organisations) statistics (responsive to developing countries), and standard setting (selectivity, discontinuation of areas, reorganisation DAC architecture).
- DAC Members should continue its leadership role in the Working Party on Aid Effectiveness, but there is a need to clarify the Working Party’s membership, its relationship to the DAC, and its mode of deliberation and decision-making.
- Enhanced communications is necessary to sustain and increase public support for aid by making a better case for its value added and simplifying the technocratic language.
- While acknowledging that it remains outside the terms of reference of the Reflection Exercise, there is a need for the Development Cluster to be more streamlined (described as “cluster clean-up”) or have a better division of labour. At the same time, the DAC’s location within OECD offers unique opportunities for cross-sectoral work with other policy communities.

VI. Consultations

10. Seven countries were selected for in-country consultation—Afghanistan, Bangladesh, Indonesia, South Africa, Tanzania, Uganda, and Ukraine. Of these, reports have been received from three at the time of writing. All are expected to have been concluded before the end of the year. Once all have been received, a consolidated report will be prepared for consideration.

11. The DAC Chair has written to all DAC Members and Observers, seeking more formal submissions and a response to a questionnaire by consulting various stakeholder groups in their country. The Chair has also written to a large number of other countries and organisations, seeking inputs and response to the questionnaire. Most submissions are expected to be received this year, following which time a consolidated analysis will be prepared for consideration.

**ANNEX 1
TIMETABLE**

DAC Strategic Reflection Exercise – Timetable	
Activity	Date/Location
Submission of intellectual contributions (aid architecture, global public goods, policy coherence for development)	November 24
Doha financing meeting	Nov 29 to Dec 2, Doha
Support Group Meeting	December 1, Paris
Senior Level Meeting (discuss progress report)	December 9 and 10, Paris
Reflection Group meeting #3	December 10 and 11, Paris
Completion of in-country consultations	December 31
Submissions received from DAC members, observers, and other stakeholders	December 31
Completion of consultations	January 2009
Additional Support Group meetings	As need during 2009 quarters 1 and 2
Reflection Group meeting #4	February 2009 (date and location to be decided at meeting #3)
Reflection Group meeting #5 (final)	April (date and location to be decided at meeting #3)
Finalise Final Report, ready for transmission to HLM	May 13
High Level Meeting	May 27 and 28
Final report to Council	July

ANNEX 2
REFLECTION GROUP MEMBERS

- Mr. Eckhard DEUTSCHER** *DAC Chair*
- M. Herman DE CROO** **Belgium/Belgique**
Ministre d'État, Vice-président de la Chambre des Représentants
Chambre des Représentants
- Mrs. Christine HOGAN** **Canada/Canada**
Vice-President
Canadian International Development Agency
- Mr. Ulrik KNUDSEN** **Denmark/Danemark**
Ambassador, Permanent Representative
Permanent Delegation
- Mr. Pertti MAJANEN** **Finland/Finlande**
Ambassador, Permanent Representative
Permanent Delegation
- Mr. Pierre JACQUEMOT** **France/France**
Ambassador, Democratic Republic of Congo
- Mr. Adolf KLOKE-LESCH** **Germany/Allemagne**
Director General
Federal Ministry for Economic Cooperation and Development
- Mr. Masato WATANABE** **Japan/Japon**
Deputy Director General
Japanese Ministry of Foreign Affairs
- Mr. Kang-ho PARK** **Korea/Corée**
Director-General
Ministry of Foreign Affairs and Trade
- M. Marc BICHLER** **Luxembourg/Luxembourg**
Directeur
Direction de la Coopération au Développement
Ministère des Affaires Etrangères et de l'Immigration
- Mr. Peter VAN LIESHOUT** **Netherlands/Pays-Bas**
Member of the Scientific Advisory Council to the Government
Scientific Council for Government Policy

- Ms. Jackie FRIZELLE**
- New Zealand/Nouvelle-Zélande**
Director
New Zealand Agency for International Development
- Mr. Atle LEIKVOLL**
- Norway/Norvège**
Assistant Secretary General
Ministry of Foreign Affairs
- Ms. Ines ROSA**
- Portugal/Portugal**
Vice-Presidente
Portuguese Institute for Development Assistance
- Mr. Jan KNUTSSON**
- Sweden/Suède**
Director-General for International Development Cooperation
Ministry for Foreign Affairs
- Mr. Joerg FRIEDEN**
- Switzerland/Suisse**
Head, Development Policy & Multilateral Cooperation
Swiss Agency for Development and Cooperation
- Mr. Owen BARDER**
- United Kingdom/Royaume-Uni**
Director
AidInfo @ Development Initiatives
- Ms. Lisa CHILES**
- United States/États-Unis**
Counsellor
US Agency for International Development
- Mr. Maciej POPOWSKI**
- EC/CE**
Director, Horizontal Issues
European Commission
- UN Development Programme/Programme des Nations Unies pour le développement**
- Mr. Bruce JENKS**
Director,
Bureau for Resources and Strategic Partnerships
UNDP
- Mr. Jeffrey LEWIS**
- World Bank/Banque mondiale**
Senior Advisor
Poverty Reduction and Economic Management Vice
Presidency
The World Bank

ANNEX 3

Global landscape for development – summary of trends and drivers identified to date

Source	Period	Trends and drivers
UK DFID – <i>Long-term Context for Development Aid</i> (2008)	2030	<ul style="list-style-type: none"> ▪ Climate change as threat multiplier ▪ Population growth (9-11bn by 2050) and mobility ▪ Commodity prices ▪ Technology potential, especially in Africa ▪ Regionalism ▪ Changes in values and beliefs ▪ Continued poverty concentration in Africa and South Asia, while others become MICs
Germany - <i>Challenges for Developing Countries and Development Policies</i> (2008)	2050	<ul style="list-style-type: none"> ▪ World changing radically ▪ Globalization alongside de-globalization ▪ Global governance change—“E7” output may exceed G7 in 2050 ▪ Climate change is key
UN <i>World Economic and Social Survey</i> (2008)	Short-term	<ul style="list-style-type: none"> ▪ Insecurity exacerbated by food, fuel (and now financial) crises ▪ Natural disasters costly, and increasing in number ▪ Insecurity posed by fragile states ▪ Bretton Woods institutions need renewal
UN <i>State of the Future Project</i> (2007)	2017	<ul style="list-style-type: none"> ▪ Where we are winning: life expectancy, infant mortality, literacy, GDP/cap, conflict, internet users ▪ Where we are losing: CO₂ emissions, terrorism, corruption, global warming, voting population, unemployment
World Bank <i>Global Economic Prospects</i> (2007)	2030	<ul style="list-style-type: none"> ▪ Population and incomes will rise faster in developing countries ▪ Poverty will fall, but remain high in south Asia and Africa ▪ Three big threats—widening inequality, growing labor market tensions, and environmental sustainability ▪ In 2015, 25% less extreme poor, but still 720m on less than \$1 and 2,000m less than \$2 per day; concentrated in Africa and LICUS; two-thirds not living in poor countries ▪ Demographic and technologic changes show signs of increasing inequality within and between countries ▪ Global public goods become more important as globalization increases; climate change the most prominent with 80% of emissions expected to come from developing countries in 2020. ▪ Growth is insufficient—development also needs to be inclusive and sustainable. ▪ Non-ODA flows rising sharply; ODA more fragmented, earmarked, volatile, transaction costly and policy incoherent.
<i>Long Term Strategy Exercise</i> (2007)	2017	
Asian Development Bank <i>Strategy 2020</i> (2008)	2020	<ul style="list-style-type: none"> ▪ One in every two people in the region (1.7 billion) remain poor (\$2 per day) ▪ Member countries represent the world’s best hope to achieve MDGs ▪ Absolute poverty could be reduced to as low as 2% of population—requires sustained strong growth and equitable participation by poor ▪ Disparities in well-being within and between countries ▪ Demographic changes have profound development implications—750 million more people by 2030, pressure to create jobs, increased urbanization, and ageing in some countries. ▪ Rapid growth puts severe strains on environment

		<ul style="list-style-type: none"> ▪ Infrastructure deficit constrains market-led growth and access to services ▪ Progress needed on regional cooperation and integration, financial systems, innovation, technology and higher education, and governance
US National Intelligence Council <i>Global Trends 2025 – A Transformed World</i> (2008)	2025	<ul style="list-style-type: none"> ▪ A global multi-polar world is emerging with the rise of China, India and others. The relative power of non-state actors will increase. ▪ The unprecedented shift in wealth and economic power roughly from West to East now underway will continue. ▪ The US will remain the single most powerful country, but will be less dominant. ▪ Continued economic growth—coupled with 1.2 billion more people by 2025—will put pressure on energy, food, and water resources. ▪ The number of countries with youthful populations in the “arc of instability” will decrease, but the populations of several youth bulge states are projected to remain on rapid growth trajectories. ▪ The potential for conflict will increase owing to rapid changes in parts of the greater Middle-East and the spread of lethal capabilities. ▪ Terrorism is unlikely to disappear by 2025, but its appeal could lessen if economic growth continues in the Middle East and youth unemployment is reduced. For those terrorists that are active the diffusion of new technologies will put dangerous capabilities within their reach. ▪ There are many uncertainties—transition from oil and gas, speed and profile of climate change, return of mercantilism/future of markets, advances toward democracy in China and Russia, regional instability and conflict, especially in the Middle-East, Europe and Japan’s response to social and economic challenges compounded by demography, changed governance of global institutions to reflect transformed geopolitical landscape.
Carnegie Endowment, Remarks by EU Commissioner Mandelson “ <i>Europe and the US: Confronting Global Challenges</i> ” (2007)	Medium- to long-term	<ul style="list-style-type: none"> ▪ India and China were world’s biggest economies in 1830, and will be among the biggest again by 2050 ▪ Machinery of “Atlantic consensus” no longer holds, and needs updating ▪ Globalization increases interdependence and the importance of multilateral institutions
UN <i>World Population Prospects: The 2006 Revision</i> (2006)	2050	<ul style="list-style-type: none"> ▪ Global population will increase from 6.7 to 9.2 billion by 2050, an increase equal to the total number of people in the world in 1950 ▪ Increase expected to be in less developed regions, with developed regions staying stable at 1.2 billion but ageing rapidly ▪ Half of increase in people over 60; number of children expected to fall slightly. ▪ Mortality is falling in less developed regions, except in those affected by HIV/AIDS, where infections continue to rise