

Organisation for Economic Co-operation and Development (OECD)

OECD CONFERENCE ROOM PAPER

For the High-Level Dialogue on Financing for Development
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The Chair of the 2003 OECD Ministerial Council concluded that “at Doha, Monterrey and Johannesburg OECD members affirmed their commitment to promoting sustainable economic growth, achieving the UN Millennium Development Goals and lifting millions of people out of poverty.”

In this context work is proceeding on a number of OECD fronts, including policy dialogue and capacity building with developing countries and other non-OECD economies through Global Forums and regional outreach programmes.

This note sets out briefly the engagement of the OECD on some **key OECD initiatives with a strong post-Monterrey dimension**:

- the harmonisation of donor practices
- aid effectiveness
- policy coherence
- mutual accountability
- investment for development
- international tax dialogue
- taxation and achieving development goals

ODA volume prospects based on donor commitments made in the context of Monterrey are also attached.

Harmonisation of Donor Practices

The High Level Forum on Harmonisation held in Rome on 24-25 February 2003 produced a “**Rome Declaration**”, in which both bilateral and multilateral agencies have undertaken to make an intensive effort to harmonise donor practices and align these with developing country public management systems. Six “**Good Practices Papers**” developed by the Task Force on Donor Practices of the OECD’s Development Assistance Committee (DAC), with the participation of 16 developing countries, are a core reference point for this effort.

DAC Members recognise there is a need to shift the focus from discussion of principles to actual implementation at country level. A **stocktaking exercise** is being undertaken in order to monitor progress in the application of Good Practice Papers. The conclusions and recommendations of this exercise are to be submitted at the end of 2004 and would contribute to the discussions at a second High Level Forum on Harmonisation scheduled in early 2005.

OECD - Donor Practices: High Level Forum on Harmonisation (Rome, February 2003):
http://www.oecd.org/topic/0,2686,en_2649_34735_1_1_1_1_37413,00.html

Harmonising Donor Practices for Effective Aid Delivery
http://www.oecd.org/document/60/0,2340,en_2649_3236398_15731196_119820_1_1_37413,00.html

Harmoniser l'aide pour renforcer son efficacité
http://www.oecd.org/document/51/0,2340,en_2649_3236398_15989107_119820_1_1_37413,00.html

Aid Effectiveness

In light of the international consensus reached at Monterrey and in the Rome Declaration, **the DAC has established a Working Party on Aid Effectiveness and Donor Practices** to carry forward and extend the work of the previous DAC Task Force on Donor Practices.

As part of its mandate, the Working Party is engaged in:

- assessing and supporting the harmonisation of donor practices and alignment with country-owned poverty reduction strategies and other development frameworks, systems and processes (including implications for the appropriate use of instruments and for allocations)
- results measurement, monitoring and management
- contributing to building capacity for effective public procurement in developing countries
- contributing to improved public financial management in developing countries
- follow up on the issue of untying

The Working Party is involving partner countries in its work and is collaborating with a wide range of development organisations beyond the permanent DAC Observers (World Bank, IMF and UNDP) including the Regional Development Banks and the Strategic Partnership with Africa (SPA). Country ownership and capacity development are fundamental considerations in its work.

In order to effectively cover its broad mandate the Working Party has established a Task Team on harmonisation and alignment and “Joint Ventures” linked to other international

efforts in three areas: public financial management, managing for development results and procurement.

Policy Coherence for Development

The OECD has been giving increased attention to policy coherence for development over several years, but this has received new impetus from the major conferences in Doha, Monterrey, and Johannesburg. To meet the Millennium Development Goals, and in particular to develop a global partnership, OECD countries have renewed their resolve to achieve policy coherence for development. This entails each OECD country pursuing policies that support—and do not undermine—specific efforts it is making to help and sustain the development process.

The OECD Ministerial Statement “**Action for a Shared Development Agenda**” (2002) set out the need to address policy coherence issues and the OECD Horizontal Programme on “**Policy Coherence for Development**” brings together different strands of work within the organisation to increase the focus on policy coherence and to help fill gaps in relevant analytical work.

Ongoing work focuses on specific sectors such agriculture, fisheries and trade, as well as institutional arrangements to improve coherence in national capitals. The work will bring in lessons and best practices from one or two regional experiences.

Periodic reports from this work will contribute to global efforts to monitor achievement of the MDGs.

OECD Action for a Shared Development Agenda:

http://www.oecd.org/document/41/0,2340,en_2649_201185_2088681_119690_1_1_1,00.html

Pour un Programme d'action commun de l'OCDE au Service du développement :

http://www.oecd.org/document/41/0,2340,fr_2649_201185_2088696_119690_1_1_1,00.html

Mutual Accountability and the development Partnership with Africa

African nations and the development assistance community share a common agenda for changing the way they work together, based on African ownership of development strategies, joint commitment to shared goals, and efforts to forge long-term, predicable partnerships underpinned by mutual accountability. This agenda emerges from a convergence of views as expressed in a number of political agreements and commitments, including the Millennium Summit Declaration, the Monterrey Consensus, the NEPAD founding statement, the G8 “Africa Action Plan” and OECD Ministerial-level decisions and statements.

Against this background NEPAD has proposed a **process of mutual review of development partners** in terms of their commitment to Africa. It has requested UNECA and OECD to conclude work on the institutional framework for this process. Reflection and discussion within both communities on the proposed Mutual Review process is proceeding.

DAC Members agreed at their April 2003 High Level Meeting to move forward with work on the mechanism and this is a major item for DAC's forthcoming Senior Level Meeting in December.

On the African side, Ministers participating at the June 2003 Conference of African Ministers of Finance, Planning and Economic Development stressed the importance of accountability issues, including the proposed Mutual Review mechanism. They recognised their primary responsibility to be accountable to their own people for political and economic governance and the importance of working out their own solutions to African problems. The Ministers endorsed the mutual review concept and agreed to make this a biennial feature of their future meetings, beginning in 2005.

New Investment Initiatives

The OECD has formulated a **Strategy on Investment for Development**, with the ultimate goal of promoting a shared view among OECD and non-OECD governments and business of what constitutes "good policies" in the range of areas bearing on investment, and how to implement them effectively. A key component of this strategy is a **"Framework for Investment Policy Dialogue"**.

This project will be launched at an OECD Global Forum on International Investment to be held in Johannesburg on 17-18 November, jointly hosted by the Government of South Africa. Alongside this Forum will be a workshop on Sustainable Development, Environment and the OECD Guidelines for Multinational Enterprises.

A further associated event will be an OECD-Africa Investment Roundtable, which is part of the new **OECD-Africa Investment Initiative**, established under an OECD-Africa Advisory Board and designed to be "demand driven, African-led and OECD-supported".

International Tax Dialogue

To support the development and enhancement of relations between international organizations and between national tax authorities, **the IMF, OECD and World Bank have formed the International Tax Dialogue (ITD)**. Active considerations with the UN Secretariat to join the ITD have taken place. The aims of the ITD are consistent with Monterrey outcomes which stressed the importance of strengthening the revenue-raising capacity of developing countries and the crucial role of international organizations in supporting these efforts. Effective revenue raising requires well-designed tax policies, translated into clear legislation and importantly effective tax administration. The ITD has

been established to facilitate increased cooperation on tax matters by establishing a dialogue to share good practice.

The core elements of the ITD are:

Objective

- Promote effective international dialogue between governments on taxation, giving all countries a real input into the discussion of tax administration and policy issues
- Identify and share good practices in taxation
- Provide a clearer focus for technical assistance
- Avoid duplication of effort in respect of existing activities

Scope

- International and domestic tax policy and administration issues

Approach

- Build on strengths of existing institutions
- Ensure active involvement and participation from regional tax administration organizations, regional development banks, and potentially other interested organizations
- Arrange regular international conferences on issues of common interest in tax policy

The ITD is focused on increasing dialogue. It does not have the power to make, enforce or mediate binding tax rules.

A key initiative of the ITD is the ITD web internet site. www.itdweb.org is a free, multilingual, multinational site which provides an opportunity for tax authorities and international organizations to share experiences and knowledge of tax issues. Over 1400 documents are currently shared in this way. A database of technical assistance activities will be implemented by summer 2004, with online discussion groups to follow.

Taxation and Achieving Development Goals

The OECD through the **Global Forum on Taxation** and its regional and country programmes (with China, Russia and India), runs approximately 60 events a year on topics of key interest to developing countries including the development and negotiation of tax treaties and the use and implementation of the OECD's transfer pricing guidelines. The significance of these events for developing countries lies in the need to develop and implement tax policies which can provide a revenue base to support a development infrastructure which will both alleviate poverty and encourage foreign direct investment.

In addition, in line with the Monterrey consensus, a refocusing of the programme of partnership on taxation has taken place to include a specific focus on the development agenda to encourage capacity building through the implementation of mechanisms in tax administration to ensure that the revenue base is secured through control and customer service techniques based on organizational, auditing and collection strategies.

ODA Volume Prospects in the context of Monterrey

Simulation of ODA prospects for 2006									
Country	Net ODA in 2002 (US \$m)	ODA/GNI in 2002	Commitment/ Announcement/ Assumption	Year to be attained	Net ODA in 2006 (in millions of 2002 US \$)	ODA/GNI in 2006	Real change in ODA in 2006 compared with 2002 (at 2002 prices and exchange rates) ¹		
							(US \$m)	Percent	
Austria	475	0.23%		0.33%	2006	722	0.33%	248	52%
Belgium ²	1,061	0.42%		0.7%	2010	1,479	0.54%	418	39%
Denmark	1,632	0.96%		>0.7%	n.a.	1,568	0.85%	-63	-4%
Finland	466	0.35%		0.44%	2007	600	0.42%	134	29%
France ²	5,182	0.36%		0.5% (0.7% by 2012)	2007	7,229	0.47%	2,046	39%
Germany	5,359	0.27%		0.33%	2006	7,066	0.33%	1,708	32%
Greece	295	0.22%		0.33%	2006	476	0.33%	181	61%
Ireland ²	397	0.41%		0.7%	2007	665	0.63%	268	68%
Italy	2,313	0.20%		0.33%	2006	4,195	0.33%	1,882	81%
Luxembourg	143	0.78%		1%	2005	198	1.00%	55	38%
Netherlands	3,377	0.82%		0.8%	Already	3,566	0.80%	189	6%
Portugal	282	0.24%		0.33%	2006	420	0.33%	137	49%
Spain	1,608	0.25%		0.33%	2006	2,328	0.33%	720	45%
Sweden	1,754	0.74%		1%	2006	2,582	1.00%	828	47%
United Kingdom	4,749	0.30%		0.4%	2005-06	6,888	0.40%	2,139	45%
EU Members, Total	29,093	0.34%		0.39%	2006	39,984	0.43%	10,891	37%
Australia ³	962	0.25%		0.26%	in 2003-04	1,089	0.26%	126	13%
Canada	2,013	0.28%		8% annual increase	to 2010	2,739	0.34%	726	36%
Japan	9,220	0.23%		1998-2002 av. Level (\$10.5 bn)	in 2006	10,500	0.26%	1,280	14%
New Zealand	124	0.23%		Future level is under review		134	0.23%	10	8%
Norway	1,746	0.91%		1%	2005	2,081	1.00%	334	19%
Switzerland ²	933	0.32%		0.4%	2010	1,128	0.36%	195	21%
United States ⁴	12,900	0.12%		Increase by \$7 bn from 2001	2006	17,026	0.15%	4,126	32%
DAC Members, Total	56,991	0.23%				74,680	0.28%	17,689	31%

¹ Assumes average real growth in GNI of 2% p.a. [3% for Canada and zero for Japan] from 2002 to 2006.

² ODA/GNI ratio for 2006 interpolated between 2002 and year target scheduled to be attained.

³ Estimated ODA/GNI 0.26% in 2003/04. As aid volume determined in annual budgets, assumes same ratio in forward years.

⁴ Assumes, for 2006, additional \$5 bn from the Millennium Challenge Account and \$2 bn from the Emergency Plan for AIDS Relief, and 2% p.a. inflation in the USA to deflate from 2006 to 2002 prices.

Source : Development Co-operation Directorate, OECD, October 2003