Current Trends in International Cooperation and Japan’s Role

by Richard Manning
Chair
OECD-Development Assistance Committee
“Where donors come together to make aid more effective”
Development Assistance Committee

- Part of OECD’s “Development Cluster”, including Development Centre.
- Brief history and structure
- Key tasks
  - Statistics and definition of official development assistance
  - Peer Review
  - Aid effectiveness and the Paris Declaration
  - Policy issues, e.g. environment, gender, governance, aid for trade
  - Close links with UN (e.g. ECOSOC Development Cooperation Forum, Financing for Development) and International Financial Institutions
Volume of ODA
Looking back

Major components of net ODA between 2000 and 2005

Constant 2004 USD billions

- Debt relief
- Humanitarian aid
- Development programmes (Afghanistan + Iraq)
- Development programmes (exc. Afghanistan + Iraq)
Volume of ODA
Looking forward

DAC Members' net ODA 1990 – 2005;
DAC Secretariat simulation 2006-2010

% of GNI

ODA as a % of GNI (left scale)

Total ODA (right scale)

Total ODA to Africa (right scale)

Volume of ODA Looking forward

DAC Members' net ODA 1990 – 2005;
DAC Secretariat simulation 2006-2010

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DAC Members' net ODA 1990 – 2005;
DAC Secretariat simulation 2006-2010

% of GNI

ODA as a % of GNI (left scale)

Total ODA (right scale)

Total ODA to Africa (right scale)
Share of total net ODA by major DAC donor 1990-2005

% of total DAC net ODA

- Japan
- United States
- France
- Germany
- United Kingdom

Legend:
- Japan
- United States
- France
- Germany
- United Kingdom
Japan’s Gleneagles G8 pledge to increase ODA

What the Government said at the time:

Japan will strive to realize a strategic expansion of its ODA volume in order to ensure a credible and sufficient level of ODA. In this context, Japan intends to increase its ODA volume by US$10 billion in aggregate over the next five years, compared to the level of ODA on the basis of 2004 net ODA disbursement.

[MFA statement 6/7/05]
Japan’s Gleneagles G8 pledge to increase ODA

What the cynics said:

*The Japanese government stands accused of reneging on its promise at the recent Group of Eight meeting to increase aid to poor countries after admitting it was considering including debt relief for Iraq in the total.*

[Financial Times, 17/8/05]
New sources of aid flows

• Innovative finance

• 2006 saw start up of three major initiatives, all health related

• Relatively modest – possibly USD 2 billion per year- but significant addition to health-related flows

• Additionality of these flows not a simple issue
New sources of aid flows

Non-DAC donors

• Significant increases from OECD non-DAC members, other EU countries and states outside OECD and EU

• Some countries do report (next slide)

• But we need better information on others, and this is key priority for the DAC
### ODA from Non-DAC Donors 2005

<table>
<thead>
<tr>
<th></th>
<th>USD million</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net disbursements</strong></td>
<td></td>
</tr>
<tr>
<td><strong>OECD Non-DAC</strong></td>
<td></td>
</tr>
<tr>
<td>Czech Republic</td>
<td>135</td>
</tr>
<tr>
<td>Hungary</td>
<td>100</td>
</tr>
<tr>
<td>Iceland</td>
<td>27</td>
</tr>
<tr>
<td>Korea</td>
<td>752</td>
</tr>
<tr>
<td>Poland</td>
<td>205</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>56</td>
</tr>
<tr>
<td>Turkey</td>
<td>601</td>
</tr>
<tr>
<td><strong>EU NON-OECD DONORS</strong></td>
<td><strong>87</strong></td>
</tr>
<tr>
<td><strong>MIDDLE EAST</strong></td>
<td></td>
</tr>
<tr>
<td>Israel</td>
<td>95</td>
</tr>
<tr>
<td>Kuwait</td>
<td>547</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>1,022</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>141</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>3,770</strong></td>
</tr>
</tbody>
</table>
Non-ODA flows

• Commercial flows far more important than aid for middle-income and resource rich countries

• Flows from Foundations increasing rapidly (perhaps USD 3 billion a year from US Foundations)

• Remittances important in many countries
Major trends in aid allocation

Major aid flows to Iraq, and debt relief to Iraq and Nigeria can obscure long term trends

But....
Major trends in aid allocation

- 96% of ODA goes to the least-developed, other low income and lower middle income countries
- Signs of declining aid to East Asia and Europe as countries progress (Thailand, Philippines, Bosnia out of Top 25)
- “Good performers” attract more aid (Vietnam, Tanzania, Ghana)
- Crises are very expensive for donors
# ODA Recipients – Top 5

<table>
<thead>
<tr>
<th></th>
<th>1994-95</th>
<th></th>
<th>1999-2000</th>
<th></th>
<th>2004-95</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>3 300</td>
<td>China</td>
<td>2 320</td>
<td>Iraq</td>
<td>6 038</td>
</tr>
<tr>
<td>Egypt</td>
<td>2 559</td>
<td>Indonesia</td>
<td>1 933</td>
<td>Afghanistan</td>
<td>2 448</td>
</tr>
<tr>
<td>India</td>
<td>2 083</td>
<td>Viet Nam</td>
<td>1 715</td>
<td>Viet Nam</td>
<td>1 866</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>1 681</td>
<td>India</td>
<td>1 702</td>
<td>Ethiopia</td>
<td>1 780</td>
</tr>
<tr>
<td>Indonesia</td>
<td>1 380</td>
<td>Egypt</td>
<td>1 436</td>
<td>China</td>
<td>1 728</td>
</tr>
<tr>
<td>Total</td>
<td>11 003</td>
<td></td>
<td>9 106</td>
<td></td>
<td>13 860</td>
</tr>
</tbody>
</table>
## ODA Recipients 6-10

<table>
<thead>
<tr>
<th></th>
<th>1994-95</th>
<th>1999-2000</th>
<th>2004-95</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zambia</td>
<td>1 460</td>
<td>1 285</td>
<td>1 557</td>
</tr>
<tr>
<td>Côte d'Ivoire</td>
<td>1 438</td>
<td>Serbia &amp; Montenegro 1 236</td>
<td>Pakistan 1 500</td>
</tr>
<tr>
<td>Pakistan</td>
<td>1 310</td>
<td>Tanzania 1 105</td>
<td>Sudan 1 386</td>
</tr>
<tr>
<td>Mozambique</td>
<td>1 239</td>
<td>Thailand 861</td>
<td>Bangladesh 1 334</td>
</tr>
<tr>
<td>Philippines</td>
<td>976</td>
<td>Mozambique 1 030</td>
<td>Mozambique 1 245</td>
</tr>
<tr>
<td><strong>Top 10 total</strong></td>
<td><strong>17 426</strong></td>
<td><strong>14 622</strong></td>
<td><strong>20 883</strong></td>
</tr>
</tbody>
</table>
New donor projects and activities per year (2001-2003)

- Mozambique: 845
- Ethiopia: 790
- Tanzania: 700
- Uganda: 630
- Nicaragua: 600
- Bolivia: 550
- Vietnam: 540
56 action-oriented commitments

1. Ownership
2. Alignment
3. Harmonisation

- Partners set their agenda
- Policy alignment
- System alignment
- Common arrangements
- Simplify
- Share

Managing for Results
Aid Effectiveness

Monitoring the Paris Declaration indicators
Key findings from survey

• Only 19% of recipients had operational development strategies in 2005

• Transaction costs are heavy:
  – 10,837 donor missions reported (roughly one a day per country)
  – 2,381 pieces of country analytical work

• But also some less predictable information....
Aid flows in recipient country budgets - huge variability

Percentage of aid reported in the budgets of partner countries

- Aid is **over** reported
- Aid is **accurately** reported
- Aid is **under** reported
Are donors using local systems?

- Some correlation, but it’s weak

% of aid using country PFM systems

Quality of country PFM systems

Low score  Quality of country PFM systems  High score

100%

80%

60%

40%

20%

0%

1.5  2.0  2.5  3.0  3.5  4.0  4.5  5.0

maximum value

minimum value
How predictable is aid year by year?

Disbursement shortfall in millions of US dollars

- Shortfall over $400 million
- Shortfall between $100 million and $400 million
- Shortfall of less than $100 million
How far is Japan from achieving the 2010 targets? (1/2)

<table>
<thead>
<tr>
<th></th>
<th>Aid is on budget</th>
<th>2010 target where applicable</th>
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</thead>
<tbody>
<tr>
<td>3</td>
<td>Japan</td>
<td>70%</td>
</tr>
<tr>
<td></td>
<td>Other donors in same countries</td>
<td>81%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>85%</td>
</tr>
<tr>
<td>4</td>
<td>Coordinated TC</td>
<td>75%</td>
</tr>
<tr>
<td></td>
<td>Other donors in same countries</td>
<td>41%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>50%</td>
</tr>
<tr>
<td>5a</td>
<td>Use of PFM systems</td>
<td>29%</td>
</tr>
<tr>
<td></td>
<td>Other donors in same countries</td>
<td>40%</td>
</tr>
<tr>
<td>5b</td>
<td>Use of procurement systems</td>
<td>26%</td>
</tr>
<tr>
<td></td>
<td>Other donors in same countries</td>
<td>40%</td>
</tr>
</tbody>
</table>
How far is Japan from achieving the 2010 targets? (2/2)

<table>
<thead>
<tr>
<th></th>
<th>In-year predictability</th>
<th>Japan</th>
<th>114%</th>
<th>Other donors in same countries</th>
<th>63%</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>Untied aid</td>
<td>Japan</td>
<td>77%</td>
<td>Other donors in same countries</td>
<td>62%</td>
</tr>
<tr>
<td>8</td>
<td>Program-based approaches</td>
<td>Japan</td>
<td>34%</td>
<td>Other donors in same countries</td>
<td>42%</td>
</tr>
<tr>
<td>9</td>
<td>Joint missions</td>
<td>Japan</td>
<td>2%</td>
<td>Other donors in same countries</td>
<td>26%</td>
</tr>
<tr>
<td>10a</td>
<td>Joint analytic work</td>
<td>Japan</td>
<td>52%</td>
<td>Other donors in same countries</td>
<td>53%</td>
</tr>
</tbody>
</table>

2010 target where applicable
Encouraging Signs
Government revenue, sub-Saharan Africa, as percent of GDP

[Graph showing government revenue trends for oil-exporting and oil-importing countries from 1997 to 2005]
Millennium Development Goals

- Number of children of primary school age recorded as *not* at school is down from 98 to 77 million from 1999 to 2004.

- Infant mortality is down in Tanzania by about 30% over the same period, with similar results in several other sub-Saharan African countries.
• In implementing the ODA Charter, Japan should highlight that the primary objective of ODA is for the development of the recipient country and should ensure that, narrower national interests do not over-ride this objective.

• Japan should make every effort to increase ODA levels as economic conditions improve, building broad-based public support to facilitate this.

• The development of a clearer policy on how Japan intends to focus on poor countries or poor populations within countries should be considered.

• Japan should strive to achieve a more balanced sector portfolio in line with new ODA Charter directions, by focusing more investment in basic health and education services to reduce poverty.