DAC HIGH-LEVEL MEETING REVIEWS ROLE OF DEVELOPMENT CO-OPERATION
IN ADDRESSING CURRENT GLOBAL CHALLENGES AND SUPPORTING
DEMOCRATISATION, HUMAN RIGHTS AND GOOD GOVERNANCE

1. Members of the Development Assistance Committee (DAC), joined by the World Bank, the International Monetary Fund (IMF) and the United Nations Development Programme (UNDP), met for their annual High-Level Meeting on 3-4 December 1991. They reviewed the role of development co-operation in addressing current global challenges and in supporting participatory development, including democratisation, respect of human rights and good governance, and adopted new principles for aid policies.

2. The Committee warmly welcomed Portugal and Spain as new members of the DAC. (*) In responding positively to the invitation to become members, the Governments of Portugal and Spain have subscribed to the aims of the DAC and to the specific recommendations and guiding principles adopted by it over the years. Portugal has additionally made the request to be removed from the DAC List of Developing Countries. Portugal has an aid programme of currently $150 million or 0.25 per cent of its GNP. Spain has a programme of $800 million or 0.16 per cent of GNP.

3. This High-Level Meeting immediately followed the OECD Meeting of Ministers of Environment and of Development in which environment and aid ministers met jointly to consider a co-operative approach to the challenge of achieving environmentally sustainable development. DAC Members pledge their full support for the recommendations in the Policy Statement adopted by the meeting.

(*) The other 19 Members of the DAC are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom, the United States and the Commission of the European Communities. Portugal had been a member until 1974.
The Global Challenges and the Implications for Official Development Assistance and Improved Policy Coherence

4. The High-Level Meeting took place against a background of increasingly demanding global challenges with important implications and opportunities for co-operation between OECD countries and developing countries:

-- The intensifying process of global interdependence as a wider range of developing countries adopt market-based export-oriented economic strategies.

-- Continuing mass poverty in many developing countries.

-- Migratory pressures due to lack of development prospects.

-- The continuing demographic explosion with all its consequences including the intensifying pressures on national environments and on the world’s ecosystem.

-- The problems of illicit production, trafficking and consumption of narcotics.

-- The need for major increases in global savings to finance investment and economic reform.

-- The need also for increased savings in developing countries and making fuller use of the opportunities for increased trade and investment among themselves.

-- The opportunity to respond to the growing recognition among developing countries of the vital connection between more pluralistic forms of government and economic life with more scope for individual initiative for their citizens, human rights and economic and social development.

-- The dramatic political and economic changes in the Soviet Union and Central and Eastern Europe, which should in the medium term have positive consequences for developing countries’ economic opportunities, although concern has also been expressed about increased competition for resources. Reduced global tensions may improve prospects for increased and more effective development assistance.

-- The opportunities offered by reduced regional tensions which should help developing countries reduce excessive arms expenditures.

5. Aid ministers and heads of aid agencies expressed their conviction that these global challenges can be addressed effectively only if development co-operation becomes a more central policy concern for governments in the 1990s. This implies more effective development assistance supported by adequate resources and more attention to the impact on developing countries of the range of relevant economic policies of OECD countries.
6. Economic, financial, trade and structural adjustment policies by OECD countries which contribute to a propitious world economic environment are of critical importance for developing countries. Major international efforts are underway to improve global policy coherence, most fundamentally the Uruguay Round, but also other efforts, in OECD and elsewhere, to improve policy co-ordination and structural adjustment in OECD countries, with significant potential for improving economic opportunities for developing countries. Greater efforts are nevertheless required.

7. DAC Members agree to strengthen their efforts, in their governments and in OECD, to pay full regard to the potential impact on developing countries in the formulation of the range of relevant government policies, notably in such areas as trade, environment, private investment and migration, and to work towards the largest possible consistency in development and other policy objectives.

8. Aid efforts at basic developing country capacity-building remain of fundamental importance since competent human resources and institutions and adequate infrastructure determine the extent to which a developing country can cope with and benefit from participation in the international economy.

9. Substantial additional resources, both private and public, have to be mobilised to achieve more satisfactory sustainable economic and social development. Developing countries should create a favourable environment in order to attract private investment as a growing contribution to their external resources. They will also have to strengthen their own efforts at mobilising their national resources and using them more effectively. Developing countries committed to market-based economic reform, democratisation and good governance, should in general be given priority in the allocation of development assistance. At the same time, Members recognise that in view of the huge development tasks ahead, particularly given the strong efforts towards democratisation and economic policy reform throughout the developing world, substantial additional aid efforts will be required both quantitatively and qualitatively. They take note of the target already established by international organisations for the total level of development assistance (0.7 per cent of GNP). They recall that at the Conference on Least Developed Countries there was agreement that "a significant and substantial increase in the aggregate level of external support should be made available" and that options for implementation were recommended for various categories of donor countries. They reaffirm their 1990 request to the DAC to review with particularly close attention the trends in development assistance over the coming years in the context of strong competing financial demands arising from new global challenges, including the evolving situation in Central and Eastern Europe and the Soviet Union and the Republics. They agree that the DAC should, against this background, and consistent with its basic mandate, improve the monitoring of financial flows, review the geographical allocation and the targeting of the use of aid resources, and look at possibilities for increasing the availability and improving the effectiveness of development finance. Members decided to consider these matters again at the 1992 High-Level Meeting within the context of the review of strategic aid issues.
Participatory Development, Democratisation, Human Rights and Good Governance

10. Participatory development, including democratisation, respect of human rights and good governance are basic conditions for broad based sustainable economic and social development. DAC Members recognise that their achievement will be a difficult long-haul process. Sustained and determined action by developing countries is therefore required which DAC Members will encourage and support.

11. DAC Members reaffirm their support for development co-operation strategies based on Participatory Development as set out in the DAC Statement on Development Co-operation in the 1990s. At this meeting they pursued the discussion of implications for aid particularly in the following areas:

-- encouraging democratisation and respect of human rights;

-- supporting structural adjustment and policy reform efforts that promote broad-based development, taking due account of the effects on vulnerable population groups;

-- greater emphasis on human resources development with priority for programmes providing affordable, effective and sustainable services for education, training and health for the poor, with equal access for women, and broad popular participation in the selection, administration and financing of these services;

-- providing voluntary family planning programmes within overall population policies;

-- contributing to the improved functioning of governments and civil services, also at the local level, emphasising accountability and transparency;

-- strengthening the private sector;

-- attacking corruption;

-- working towards reduction in excessive military expenditures.

12. DAC Members have become increasingly affirmative in discussions with their developing country partners on the importance of the central Participatory Development issues outlined above. DAC Members see these issues as central to their aid relationship and very important to their own constituencies. While DAC Members acknowledge the complexities of the issues involved, progress in these areas is bound to become an increasingly important consideration in aid allocations.

13. DAC Members warmly welcome the trend towards democratisation in many developing countries throughout the world. They will further encourage this process through appropriate development assistance activities and the policy dialogue, and particularly respect for human rights, representative government accountable to its citizens, and good governance within a framework of law. They recognise that there can be a wide variation of institutional arrangements and practices which manifest these democratic values, based on the specificity
of each country’s political, economic, social and cultural conditions. They intend to continue their exchange of views and experience in this regard in the DAC, and to build on and strengthen their common efforts in encouraging respect for human rights.

14. Reduction in excessive military expenditures is a key element in sound economic policy and good governance and frees scarce resources for sustainable economic and social development. DAC Members welcome the growing attention paid by the multilateral institutions, such as the World Bank, IMF and UNDP, in monitoring public expenditure programmes for opportunities to reduce unproductive expenditures, especially excessive military expenditures. They note that several DAC Members take the size and trends in military expenditures increasingly into account in their aid allocation decisions. They will also exchange views and experience in this regard in the DAC.

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DAC Adopts New Principles for Effective Aid

15. Continuing its efforts to contribute to improving aid quality and to adapt it to evolving circumstances and the lessons of experience the DAC has adopted a series of principles in key areas of aid management:

-- Principles for Programme Assistance,
-- Principles for New Orientations in Technical Co-operation,
-- Principles for Aid Evaluation,

-- Good Practices for Country Environmental Surveys and Strategies,
-- Good Practices for Environmental Impact Assessment of Development Projects,
-- Guidelines for Aid Agencies on Involuntary Displacement and Resettlement in Development Projects,
-- Guidelines for Aid Agencies on Global Environmental Problems.

16. These principles bring together the results of the work done under DAC auspices on essential aspects of aid management. They were developed in a process of consultations among Member agencies, the World Bank, IMF and the UNDP. Members undertake to review and adapt their current practices against these standards which may imply significant re-orientations in current aid practices and request the DAC to monitor, in a systematic manner, the implementation of these principles. DAC Members see these principles not only as guidance for the orientation of their own aid policies, but as a basis for dialogue and co-operation with developing countries in order to improve the effectiveness of the totality of resources devoted to the development effort.