DAC HIGH-LEVEL MEETING REVIEWS ROLE OF DEVELOPMENT ASSISTANCE
IN THE NEW INTERNATIONAL CONTEXT

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 30 November and 1 December 1992. The Committee warmly welcomed Luxembourg as a new Member of the Development Assistance Committee.* Luxembourg’s aid programme corresponds to 0.32 per cent of its GNP and is expanding rapidly. Greece and Turkey also participated in the meeting.

2. The economic and political environment in which DAC Members pursue their development co-operation efforts has undergone important changes, notably:

   -- Crucial political, economic and social transformations in the developing world, bringing more affirmative approaches towards democratisation, respect of human rights, good governance, the private sector, reduction of excessive military expenditures and fighting corruption.

   -- Crucial political, economic and social transformations in the former communist world towards pluralistic market-oriented societies.

   -- Intensifying national, regional and global environmental pressures.

   -- AIDS and other major disease threats; narcotics; terrorism and organised crime; nuclear security and arms proliferation; and the risk of intensifying migration pressures.

(*) The Members of the DAC are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, the United States and the Commission of the European Communities.
-- Conflict and turmoil in a number of regions which prevent constructive development efforts and, in some cases, even effective emergency assistance for suffering populations.

-- Increasingly stringent budgetary conditions in donor countries, bringing a need for sharper priority setting among increasing claims for scarce aid resources.

Basic Rationales for Aid

3. Aid ministers and heads of aid agencies reviewed the basic rationales and orientations for aid in this new context:

-- They reaffirm that the basic task of official development assistance (ODA) is to support sustainable development, reduce poverty and build viable economies and societies, and generate the capacity for beneficial participation in the world economy. The strategies for working with developing countries towards broad-based participatory development set out in their Policy Statement on Development Co-operation in the 1990s, remain valid. However, further adjustments in aid orientations are required to meet the array of new challenges of the post cold war era.

-- They underline the contribution of aid to assist developing countries to participate constructively in the solution of common global problems, such as preserving the global environment, combating narcotics and major disease threats, contributing to peace-building and a well-functioning, open world economic system.

-- They stress the importance of transparency and international monitoring in the whole range of international aid flows beyond traditional official development assistance and reconfirm the arrangements made to use the DAC statistical reporting systems for collecting data also on aid to the Central and Eastern European countries and the New Independent States of the ex-Soviet Union.

-- They ask the DAC to complete the current review of the ODA definition and related issues such as the composition of the DAC List of Developing Countries and Territories and Other Aid Recipients and the question of the utility of introducing broader aid concepts by the time of the High-Level Meeting in 1993.

-- As an interim step to update the DAC List, Members agree, effective 1 January 1993, to add the five Central Asian Republics: Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan and to omit, after a transitional period of three years, a number of countries presently on the List of Developing Countries: Bahamas, Brunei, Kuwait, Qatar, Singapore and the United Arab Emirates. These steps are preliminary. The DAC will consider as part of the overall review criteria for the inclusion in or exclusion from the List of Developing Countries and Territories.
Policy Coherence

4. Members reaffirm their resolve to work towards consistency between development co-operation and the impact of their policy decisions in other areas, notably trade, environment, private investment and migration. They welcome the arrangements being made in the OECD at large to strengthen the consideration of development issues in all relevant aspects of its work and encourage the DAC to participate actively in these efforts.

Aid Effectiveness and Aid Principles

5. Aid ministers and heads of aid agencies reconfirm their commitment to ensure the effective use of aid. They note encouraging improvements in the bilateral and multilateral aid delivery systems. Donors and multilateral aid agencies are working to improve aid programming, appraisal, implementation, evaluation, and co-ordination procedures. Members are committed to work towards the jointly agreed principles and standards for effective aid brought together in the DAC Development Assistance Manual which has just been published.

Good Governance

6. Members express their conviction that good governance, including democratic development, respect for human rights, reducing excessive military expenditures and fighting corruption, is a basic condition for broad-based sustainable economic and social development. They will encourage and support efforts by developing countries in these areas and intend to continue their exchange of views and experience in this regard in the DAC.

7. Respect for human rights and democratic development are key elements of good governance. Members pay particular attention to these issues in their aid programmes, and in their policy dialogue with recipient countries. Members remain firmly committed to human rights and democratic development and will continue to exchange views and experience on these subjects in the DAC.

8. Reduction in excessive military expenditures is a key element of good governance and effective resource use. Members welcome trends in some developing countries towards reduction in military expenditures. Members take the size and trends of military expenditures increasingly into account in their aid allocations and will continue to exchange views in this regard in the DAC with contributions also from the OECD Development Centre.

9. Fighting corruption and improving financial accountability is an essential element of good governance. Corruption can undermine the whole fabric of economic and political life. Aid ministers and heads of aid agencies are convinced that the control procedures in place ensure correct use of aid for the vast bulk of funds. Nevertheless, corruption can result in the misuse of aid as well as domestic resources and can damage the reputation of aid
efforts in donor countries. Members will take steps to assist developing countries to strengthen accountability and to implement effective anti-corruption strategies. They will also give attention to strengthening their own procedures to ensure probity in the use of aid funds.

Regional Co-operation

10. Members welcome the conclusions emerging from recent DAC work on regional co-operation among developing countries. They note the significant range of new initiatives which developing countries in a number of regions are promoting. In contrast to many past efforts in this field, these initiatives are characterised by pragmatic approaches to helping markets to work within and across national boundaries, improving regional capacities to become internationally competitive, identifying and addressing regional problems, and more generally, reinforcing progress towards the broadly-based economic and political structures needed to meet development challenges and assure peace and stability. Members recognise the need to bring the regional dimension more fully into the design and implementation of development co-operation and are ready to support and encourage regional co-operation initiatives.

Tied Aid Credits

11. Progress has been made in reaching agreement on strengthening transparency and discipline in the use of tied aid and mixed credits ensuring that concessional loans are used for priority developmental purposes where commercial financing is not feasible or appropriate. Members will continue to work with the Participants in the Arrangement on Guidelines for Officially Supported Export Credits to implement these agreements effectively.

Emergency Aid and Civil Conflict

12. Aid agencies are heavily engaged in the management of emergency and refugee assistance. Conflict resolution and protective security action where violence and anarchy threaten are increasingly required to avoid large-scale distress. Members expressed their deep concern at the number and scope of these situations. They agree on the need to strengthen the capacity for co-ordinated national and international responses on a forward-looking basis. In some cases, peace-building efforts are essential for effective emergency and indeed development assistance.

13. In this context, Members discussed the tragic situation in Somalia. They stressed the importance of new action to enable the effective distribution of food aid, assuring at the same time the continued safety of the non-governmental personnel who have been risking their lives to alleviate the suffering in Somalia. They welcomed the current efforts in the UN to this end.
14. Members welcome the outcome of the UNCED at Rio de Janeiro in June and reaffirm the commitments they have made to integrate the objectives and activities of Agenda 21 in their development co-operation programmes. The DAC stands ready to contribute to the implementation of the conclusions of the Conference and to the monitoring work of the Sustainable Development Commission.

Aid Volume

15. The recent aid volume record is set out in the 1992 DAC Chairman’s Report which has just been published. There was steady if modest growth in total DAC ODA (at about 1.7 per cent per year in real terms over the last five years) with a stable aggregate ODA/GNP ratio and continuing large diversity in aid volume performance among donors. Aid from the former Soviet Union has been substantially reduced and Arab aid has also declined since the Gulf war. Members express their appreciation for the substantial voluntary contributions by the non-governmental organisations which are of particular importance in reaching grassroots levels and providing emergency assistance.

16. New uncertainties have emerged over whether a number of DAC Members facing the need for major budgetary restraint will maintain present aid levels. This comes at a time when the agenda of problems and situations requiring an effective aid response has multiplied. Despite budgetary constraints, DAC Members recognise that substantial new and additional funding for sustainable development and implementation of Agenda 21 will be required. Members who recently expressed at UNCED their commitment to reach the accepted United Nations target of 0.7 per cent of GNP for ODA, confirmed their agreement to augment their aid programmes in order to reach that target as soon as possible, to the extent that they had not yet achieved that target. Some Member countries have agreed to reach the target by the year 2000. Those countries which have already reached the target were commended and encouraged to continue to contribute to the common effort to make available the substantial additional resources that have to be mobilised. Other Member countries, in line with their support for reform efforts in developing countries, agreed to make their best efforts to increase their level of ODA. In this context, the importance of equitable burden-sharing among DAC Member countries was recognised. Non-DAC countries in a position to do so were urged to contribute to the common efforts by increasing their aid flows.