DAC

Development Assistance Committee

Shaping the 21st Century: The Contribution of Development Co-operation



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INTRODUCTION AND SUMMARY

Values and interests

As we approach the end of the twentieth century, the time is ripe to reflect on the lessons of development co-operation over the last 50 years and to put forward strategies for the first part of the next century. This report sets forth the collective views on these matters of development ministers, heads of aid agencies and other senior officials responsible for development co-operation, meeting as the Development Assistance Committee of the Organisation for Economic Co-operation and Development.[1]

In the year 2000, four-fifths of the people of the world will be living in the developing countries, most with improving conditions. But the number in absolute poverty and despair will still be growing. Those of us in the industrialised countries have a strong moral imperative to respond to the extreme poverty and human suffering that still afflict more than one billion people. We also have a strong self-interest in fostering increased prosperity in the developing countries. Our solidarity with the people of all countries causes us to seek to expand the community of interests and values needed to manage the problems that respect no borders— from environmental degradation and migration, to drugs and epidemic diseases. All people are made less secure by the poverty and misery that exist in the world. Development matters.

The record of the last 50 years, from Marshall Plan aid to the network of development partnerships now evolving, shows that the efforts of countries and societies to help themselves have been the main ingredients in their success. But the record also shows that development assistance has been an essential complementary factor in many achievements: the green revolution, the fall in birth rates, improved basic infrastructure, a diminished prevalence of disease and dramatically reduced poverty. Properly applied in propitious environments, aid works.

Co-operation within the United Nations, the international financial institutions, the OECD and other global and regional fora has greatly enhanced these efforts and shaped an evolving multilateralism in which all countries hold a vital stake.

We have learned that development assistance will only work where there is a shared commitment of all the partners. We have seen the results in countries which have grown, prospered and achieved industrialisation; they no longer depend on aid but stand on their own feet and participate in the global economy. We have seen, on the other hand, the countries in which civil conflict and bad governance have set back development for generations. And we have learned that success takes time and sustained international and local effort

As we look ahead, we see an overwhelming case for making that effort. As a crucial part of this undertaking, the international community needs to sustain and increase the volume of official development assistance in order to reverse the growing marginalisation of the poor and achieve progress toward realistic goals of human development. Domestic preoccupations in Member countries should not jeopardise the international development effort at a critical juncture. Today's investments in development co-operation will yield a very high return over the coming years.

[1] This report was adopted at the Thirty-fourth High Level Meeting of the Development Assistance Committee, held on 6-7 May 1996.

We believe that ways must be found to finance multilateral development co-operation that are adequate, efficient, predictable and sustainable. The full implementation of current agreements to pay arrears and create workable financing systems is an essential part of efforts to ensure that the United Nations and the multilateral development banks avoid severe crisis and continue to play their vital roles.

We also recognise that those responsible for public money are accountable for its effective use. We have a duty to state clearly the results we expect and how we think they can be achieved.

It is time to select, taking account of the many targets discussed and agreed at international fora, a limited number of indicators of success by which our efforts can be judged. We are proposing a global development partnership effort through which we can achieve together the following ambitious but realisable goals:

Economic well-being:

- a reduction by one-half in the proportion of people living in extreme poverty by 2015.

Social development:

- universal primary education in all countries by 2015;
- demonstrated progress toward gender equality and the empowerment of women by eliminating gender disparity in primary and secondary education by 2005;
- a reduction by two-thirds in the mortality rates for infants and children under age 5 and a reduction by three-fourths in maternal mortality, all by 2015;
- access through the primary health-care system to reproductive health services for all individuals of appropriate ages as soon as possible and no later than the year 2015.

Environmental sustainability and regeneration:

- the current implementation of national strategies for sustainable development in all countries by 2005, so as to ensure that current trends in the loss of environmental resources are effectively reversed at both global and national levels by 2015.

While expressed in terms of their global impact, these goals must be pursued country by country through individual approaches that reflect local conditions and locally-owned development strategies. Essential to the attainment of these measurable goals are ***qualitative factors*** in the evolution of more stable, safe, participatory and just societies. These include capacity development for effective, democratic and accountable governance, the protection of human rights and respect for the rule of law. We will also continue to address these less easily quantified factors of development progress.

Effective international support can make a real difference in achieving these goals. This is far from saying that they can be achieved by aid alone. The most important contributions for development, as in the past, will be made by the people and governments of the developing countries themselves. But where this effort is forthcoming it needs and deserves strong support from the industrialised countries. We commit ourselves to do the utmost to help:

- first, by a willingness to make mutual commitments with our development partners, supported by adequate resources;
- second, by improving the co-ordination of assistance in support of locally-owned development strategies; and
- third, by a determined effort to achieve coherence between aid policies and other policies which impact on developing countries.

These approaches were set out in broad terms in the statement of policy that we adopted in 1995 entitled *Development Partnerships in the New Global Context.*[2] The report that follows builds on this statement and proposes specific new practical measures to achieve the vision of partnership for development.

We intend our report to be a contribution to the broad contemporary effort to improve the effectiveness of development co-operation. A rich process of dialogue and decisions is underway—within the OECD, in the Interim and Development Committees of the World Bank and IMF, in the regional development banks, in the G7, and in the United Nations system. This heightened international focus on development co-operation reinforces our conviction that development matters.

The success or failure of poor people and poor countries in making their way in an interdependent world will have a profound influence in shaping the 21st century. We offer our proposals in this report with confidence that international co-operation can be effective in supporting development, and that the results will be well worth the effort they will demand of our societies. The stakes in a stable, sustainable future for this planet and all who will inhabit it are far too high for us to forego that effort.

[2] The text of the statement is an annex to this report. It is analyzed and discussed in the 1995 DAC report *Development Co-operation: Efforts and Policies of the Members of the Development Assistance Committee* (OECD, 1996).

I. A VISION OF PROGRESS

A. New Challenges and Opportunities in a Time of Global Change

The management of global issues in the 21st century will require the active participation of all members of the international community. The developing countries, with 80 per cent of the world's population, must be part of a shared vision for this new century. Their future will be ever more tightly linked to that of our own societies. Their role in preserving peace and stability, expanding the global economy, combating poverty, increasing choices and opportunities and respect for human rights, and achieving sustainable environmental and population balances will be more significant than ever before.

The new opportunities and challenges are coming into clearer focus:

- Globalisation is helping certain developing countries achieve the highest rates of economic growth in the world. Well before mid-century the present developing countries will account for half of global economic output.

- Population growth in the developing countries will account for virtually all the increase in the world's population, from 5 billion in 1990 to about 7.5 billion in 2015. This increase over 25 years is roughly equal to the total size of the human population in 1950.

- With growing economic interdependence, global competition and vigorous private sector activity are encouraging greater similarity in the policies of industrialised and developing countries.

- On the other hand, there is growing diversity within countries and among countries. Some developing countries are achieving considerable rates of growth and impressive reductions in poverty, although significant concentrations of poverty remain. Other countries, especially in Sub-Saharan Africa, have been increasingly marginalised from the global system and suffer continuing deterioration in already deplorable living standards.

- Growing strains on the quality of water, soil and air, loss of biodiversity, depletion of fish stocks, current patterns of production and consumption and global climate change all raise questions about the continued capacity of the Earth's natural resource base to feed and sustain a growing and increasingly urbanised population.

- It is now clear that not only environmental, but also social, cultural and political sustainability of development efforts are essential for the security and well-being of people and the functioning of the complex, interdependent global system now emerging.

There is a compelling need for development co-operation strategies that will help the international community to manage these emerging challenges and opportunities into the next century. The choices before us involve far more than just the relevance and effectiveness of aid programmes. Decisions about international support for development will play a part in defining our societies' overall vision for the future. What can development do to help create a stable global order in which people can live secure and productive lives? How can it help to avoid a future of conflict and chaos, of poverty and environmental

devastation? How will development co-operation adapt to the changing global context?

B. The Vital Interests at Stake

The Member countries of the Development Assistance Committee spend about $60 billion dollars each year for official development assistance. There are three principal motivations for their efforts.

The first motive is fundamentally humanitarian. Support for development is a compassionate response to the extreme poverty and human suffering that still afflict one-fifth of the world's population. The people who live in extreme poverty, for the most part, lack access to clean water and adequate health facilities; many do not receive sufficient nourishment to live a productive life; the majority do not possess basic literacy or numeracy skills.[3] Their deprivation is unnecessary and its continuation is intolerable. The moral imperative of support for development is self-evident.

The second reason for supporting development is enlightened self-interest. Development benefits people not only in poor countries, but also in the industrialised donor countries. Increased prosperity in the developing countries demonstrably expands markets for the goods and services of the industrialised countries. Increased human security reduces pressures for migration and accompanying social and environmental stresses. Political stability and social cohesion diminish the risks of war, terrorism and crime that inevitably spill over into other countries.

The third reason for international support for development is the solidarity of all people with one another. Development co-operation is one way that people from all nations can work together to address common problems and pursue common aspirations. Sustainable development expands the community of interests and values necessary to manage a host of global issues that respect no borders—environmental protection, limiting population growth, nuclear non-proliferation, control of illicit drugs, combating epidemic diseases.

In a changing world, old distinctions between "North" and "South", as well as between "East" and "West", are becoming blurred. Issues can no longer be divided into "domestic" and "international". Risks of social disintegration and exclusion affect all countries, as do opportunities to benefit from participation in a growing global economic system. As underlined in the DAC's 1995 *Development Partnerships* policy statement, the basic notion of security is being redefined, placing much more weight on the needs and concerns of human beings and the quality of their environment. Everyone is made less secure by the poverty and misery that exist in this world.

C. Achievements and Lessons Learned

Development progress over recent decades has been unprecedented in human history. In the early 1950s, when large-scale development assistance began, most people outside the developed countries lived as they had always lived, scraping by on the edge of subsistence, with little knowledge of and no voice in global or national affairs, and little expectation of more than a short life of hard work with slight reward. Since then, many countries have achieved truly dramatic improvement in overall indicators of human welfare:

- Life expectancy in the developing countries has risen by more than twenty years (from 41 to 62 years).

[3] The situation was described as follows in *Our Global Neighborhood: The Report of the Commission on Global Governance* (Oxford University Press, 1995, p.139): "The number of absolute poor, the truly destitute, was estimated by the World Bank at 1.3 billion in 1993, and is probably still growing. One fifth of the world lives in countries, mainly in Africa and Latin America, where living standards actually fell in the 1980s. Several indicators of aggregate poverty—1.5 billion lack access to safe water and 2 billion lack safe sanitation; more than 1 billion are illiterate, including half of the rural women—are no less chilling than a quarter-century ago. The conditions of this 20 per cent of humanity—and of millions of others close to this perilous state—should be a matter of overriding priority."

- The percentage of the population with access to clean water has doubled (from 35 per cent to 70 per cent).

- Adult literacy has risen from less than half the population to about two-thirds.

- Food production and consumption have increased at a rate about 20 per cent faster than population growth.

These impressive strides have not been uniform. In some countries poverty is increasing, and in many countries the poor have not shared in the positive global trends described above. Millions of people still die each year from preventable and treatable diseases; 130 million primary school-age children do not attend school; more than one-third of the children in developing countries are malnourished and one in ten dies before reaching the age of five years. Respect for human dignity, and in particular acceptance of the equality of women, remains an unfulfilled dream for too many.

While the distance that remains is less than the road already travelled, the journey is far from over. The striking progress that we have seen in recent decades gives us confidence that poverty can be overcome and development achieved. But history has shown us that progress is not inevitable. There is no room for complacency. Special attention by the international community is needed to build on the economic, social and political improvements underway in Sub-Saharan Africa, and to help counter further marginalisation of the continent.

It is clear that success has been achieved only where the people and the institutions of developing countries have made sustained efforts to help themselves. At the same time, the record demonstrates that international co-operation has also contributed greatly, and increasingly, to the development results we have witnessed over the past 50 years.

In this review we have considered where development co-operation has made the greatest difference. This can be examined at two levels. First, at the *global level*, some of the basic features of the human condition have been re-shaped over the past half-century, as is documented below. Second, there is much to be learned from the *performance of individual countries*, where the complex factors contributing to success or failure have produced such starkly different outcomes.

At the global level:

- The dramatic fall in infant and child mortality has been supported by a major international campaign to increase child survival, led by the World Health Organisation and the United Nations Children's Fund and supported by many bilateral donors.

- Almost 1.4 billion people gained access to clean water during the 1980s, the United Nations International Drinking Water Supply and Sanitation Decade. This impressive result is an example of developing country efforts backed by effective aid.

- International development agencies have sponsored research, education and immunisation programmes to control smallpox (now eliminated), polio (eliminated in almost all countries), diphtheria and measles, and have introduced simple and effective ways to combat infant diarrhoea, river blindness and guinea worm disease. The success of these efforts can be measured in millions of lives saved and billions of dollars of economic benefits.

- The "green revolution" that has contributed so much to the 20 per cent increase in calorie consumption (and an accompanying decline in malnutrition) was given substantial impetus from international support for agricultural research, development of new crop varieties, extension services, irrigation and assistance to production and marketing, in addition to development co-operation in support of sound agricultural and other economic policies.

- Development co-operation has helped expand access to family planning and related education that have resulted in sharp falls in fertility rates and in desired family size in many developing countries. Contraceptive use in

developing countries has risen from 10 per cent of couples in 1960 to 50 per cent in the 1990s.

- Development assistance has financed numerous projects to extend and improve energy, transportation and communications infrastructure as well as to strengthen capacity for the management of these systems. That physical investment and institutional capacity have been important to bring more people and more nations into the modern economy.

- Development co-operation can now also claim significant contributions to a broad range of less quantifiable factors of importance to sustainable development. These range from improved capacity for managing economic and social policies to heightened attention to issues of accountability, the rule of law and human rights, expanded participation and the accumulation of social capital, and appreciation for environmental sustainability. These aspects of development, more complex than some earlier challenges, are basic to international co-operation today.

At the country level, we see even more clearly that development co-operation is one factor among many affecting development results. In the course of this review, DAC Members contributed more than 60 country-specific examples, together with many regional and generic lessons. In recent years, we have examined the overall experience of countries to try to assess the impacts of aid. Academics have also attempted to make statistical associations between the volume and types of aid and total economic and social progress achieved by countries. While the sceptical analyses have usually received more attention, some new work has pointed to more positive associations. [4]

Isolating any single factor as *the* cause of development success or failure is usually impossible. When aid works best, it is as a catalyst or reinforcement of other factors. At the same time, the record shows that it has indeed contributed, in just these ways, to a wide range of development successes in a great many countries facing radically different circumstances. Independent evaluations and our own re-examination in this exercise show a solid and rising score of successful contributions in the economic and social performance of many individual countries, as well as at the global level.

Development and development co-operation reflect human experience. They never provide neat and simple stories of progress. Set-backs have occurred, resources have been wasted, and ill-conceived or poorly-managed aid has even been counter-productive. Some countries have become excessively dependent on aid. Both the successes and the failures have taught us a lot about how best to achieve results. In particular, we have learned that successful development strategies must integrate a number of key elements. They require a sound and stable policy framework; an emphasis on social development; enhanced participation by the local population, and notably by women; good governance, in the widest sense; policies and practices that are environmentally sustainable; and better means of preventing and resolving conflict and fostering reconciliation.

These basic lessons inform our overall conclusion that development co-operation is only a complement, albeit often a vital one, to the efforts of the people, the institutions and the governments of the developing countries.

D. Goals to Help Define the Vision

We agree with the 1995 G7 Summit at Halifax that a higher quality of life for all people is the goal of sustainable development. A higher quality of life means that people will attain increased power over their own future. The pursuit of that broad vision will put the focus on many unfinished tasks, some of which have already been identified in the preceding discussion. They include overcoming extreme poverty, achieving food security, increasing the effectiveness of market economies and the efficiency of government, fostering regional co-

[4] See *Aid Effectiveness: A Study of the Effectiveness of Overseas Aid in the Main Countries Receiving ODA Assistance* (Mosley and Hudson, ODA, 1996) and *Private Investment Recovery and Sustainable Growth after Adjustment: A study for the Overseas Development Administration,* ESCOR, No. RS914 (Fitzgerald and Mavrotas, Queen Elizabeth House, Oxford, February 1996).

operation, enhancing the participation of all people, and notably women, and reducing the dependency of the poorest people and poorest countries by increasing their capacity for self reliance. This daunting array of tasks needs a defining structure.

We believe that a few specific goals will help to clarify the vision of a higher quality of life for all people, and will provide guideposts against which progress toward that vision can be measured.

Many goals have been formulated through the series of recent United Nations conferences addressing subjects important to development—education (Jomtien, 1990), children (New York, 1990), the environment (Rio de Janeiro, 1992), human rights (Vienna, 1993), population (Cairo, 1994), social development (Copenhagen, 1995), and women (Beijing, 1995).[5] These conferences have identified a number of targets to measure the progress of development in particular fields. They reflect broad agreement in the international community, arrived at with the active participation of the developing countries.

The selection of an integrated set of goals, based on these agreed targets, could provide valuable indicators of progress. We are suggesting several such indicators in the fields of economic well-being, social development and environmental sustainability. The particular indicators we have chosen reflect our judgement of their importance in their own right and as meaningful proxies for broader development goals. Our selection does not indicate any diminished commitment to other goals accepted by the international community, at international conferences or elsewhere.

These targets are aspirations for the entire development process, not just for co-operation efforts. They represent only a proposal of what we as donors consider to be helpful measures of progress to inspire effective development co-operation. Their achievement will require agreement and commitment from developing country partners, through their own national goals and locally-owned strategies. They can be realised only through concerted actions developed through a process of dialogue and agreement in a true spirit of partnership.

Success will depend upon the broad acceptance of a comprehensive approach, drawing on the resources, energies and commitment of institutions and individuals in government at all levels, in the private sector, in non-governmental organisations—in developing and industrialised countries and in international organisations. It will depend equally upon an individual approach that recognises diversity among countries and societies and that respects local ownership of the development process. We will need to change how we think and how we operate, in a far more co-ordinated effort than we have known until now.

1. **Economic well-being: The proportion of people living in extreme poverty in developing countries should be reduced by at least one-half by 2015.** The 1995 Copenhagen Declaration and Programme of Action set forth the goal of eradicating poverty in the world, through decisive national actions and international co-operation "as an ethical, social, political and economic imperative of humankind". The World Bank has used the standard of $370 per capita in annual income, or about $1 per day, as the threshold of extreme poverty. Based on that standard, it has estimated that 30 per cent of the population in developing countries—or some 1.3 billion people—live in extreme poverty, and that their numbers are increasing.

   This goal obviously goes only part of the way toward meeting the global poverty eradication target identified at Copenhagen. But it seeks to give that target a concrete, attainable focus for the medium term. Reductions of poverty on this order of magnitude have been achieved in individual countries; we are proposing a generalisation of those individual successes. Even if the incidence of extreme poverty can be reduced by one-half, there will still remain a human tragedy of enormous proportions. But success in achieving the 50 per cent reduction will demonstrate both the need and the ability to continue the effort.

[5] Additional major conferences on the important issues of human settlements and food security are scheduled to take place in 1996.

Obviously, this target will be much harder to reach in some countries than in others. But global averages are not enough. The objective must be pursued country by country, and substantial progress must be sought in all countries. This target implies significantly increased rates of per capita economic growth. However, growth rates will vary greatly among countries and we have concluded that a global growth target would be neither feasible nor useful to the formulation of country strategies.

2. **Social development: There should be substantial progress in primary education, gender equality, basic health care and family planning, as follows:**

a) There should be universal primary education in all countries by 2015. This goal, building on the ground laid at the Jomtien Conference on Education for All in 1990, was endorsed by the 1995 Copenhagen Summit on Social Development and also by the 1995 Beijing Conference on Women as a goal for 2015. The attainment of basic literacy and numeracy skills has been identified repeatedly as the most significant factor in reducing poverty and increasing participation by individuals in the economic, political and cultural life of their societies**.**

b) Progress toward gender equality and the empowerment of women should be demonstrated by eliminating gender disparity in primary and secondary education by 2005. The Cairo and Beijing Conferences, as well as the Copenhagen Summit, recommended that the gender gap in primary and secondary education be closed by 2005. Investment in education for girls has been shown repeatedly to be one of the most important determinants of development, with positive implications for all other measures of progress. Achieving gender equality in education will be a measure of both fairness and efficiency.

c) The death rate for infants and children under the age of five years should be reduced in each developing country by two-thirds the 1990 level by 2015. The rate of maternal mortality should be reduced by three-fourths during this same period. The 1994 Cairo Conference on Population and Development established the goals of reducing the infant mortality rate to below 35 per thousand live births, and reducing under-five mortality to below 45 per thousand, by 2015. This target endorses those goals. Child mortality, as a measure of the availability of health and nutrition for the most vulnerable members of society, is a key indicator of the overall state of health in a society.

Maternal mortality is an area of one of the greatest disparities between developing and industrialised countries, although there is great divergence among countries. The Cairo Conference adopted targets of reducing the rate in every developing country by one-half from the 1990 level by 2000 and by a further one-half by 2015. These targets were confirmed at the Beijing Conference. The 1995 World Development Report estimates the maternal mortality rate per 100 000 live births in developing countries overall at about 350 during the 1980s.

d) Access should be available through the primary health-care system to reproductive health services for all individuals of appropriate ages, including safe and reliable family planning methods, as soon as possible and no later than the year 2015. This objective, agreed to at the 1994 Cairo Conference on Population and Development, is key to enabling people to make active choices on their reproductive behaviour and thus to contribute to stabilising the world population and assuring the sustainability of development.

3. **Environmental sustainability and regeneration: There should be a current national strategy for sustainable development, in the process of implementation, in every country by 2005, so as to ensure that current trends in the loss of environmental resources—forests, fisheries, fresh water, climate, soils, biodiversity, stratospheric ozone, the accumulation of hazardous substances and other major indicators—are effectively reversed at both global and**

national levels by 2015. This objective is derived from the 1992 Rio Conference on the Environment and Development. It is intended to supplement the global targets established under international environmental conventions. The national strategy for sustainable development, called for at Rio, is foreseen as a highly participatory instrument intended "to ensure socially responsible economic development while protecting the resource base and the environment for the benefit of future generations".

This goal implies that all countries will have acquired by 2015 the capacity to address environmental issues and respond to environmental problems. The Rio Conference emphasised that progress in economic and social development, including progress toward all the goals outlined in this report, depends critically on the preservation of the natural resource base and limitation of environmental degradation. Rio and other international fora have also reinforced the message that these goals can only be met if developing countries themselves drive the action, with full participation by all of their societies' stakeholders.

Sustainable development needs to integrate a number of additional key elements, not all of which lend themselves to indicators along the lines suggested here. The Copenhagen Declaration, for example, included a commitment to promote social integration by fostering societies that are stable, safe and just and based on the promotion and protection of all human rights. In the same vein, the 1995 DAC *Development Partnerships* policy statement identified democratic accountability, the protection of human rights and the rule of law as among the key elements of integrated development strategies. Investment of development resources in democratic governance will contribute to more accountable, transparent and participatory societies conducive to development progress. ***While not themselves the subject of suggested numerical indicators, we reaffirm our conviction that these qualitative aspects of development are essential to the attainment of the more measurable goals we have suggested. Accordingly, we will continue to address them in our dialogues with partners and in our policies and programmes.***

II. NEW STRATEGIES FOR THE CHALLENGES AHEAD

A. A Changing Development Co-operation

We made a clear statement last year on our view of the roles of partners in development co-operation. Sustainable development, based on integrated strategies that incorporate key economic, social, environmental and political elements, must be locally owned. The role of external partners is to help strengthen capacities in developing partner countries "to meet those demanding, integrated requirements for sustainable development, guided by the conditions and commitments in each country".[6]

To give substance to our belief in local ownership and partnership we must use channels and methods of co-operation that do not undermine those values. Acceptance of the partnership model, with greater clarity in the roles of partners, is one of the most positive changes we are proposing in the framework for development co-operation. In a partnership, development co-operation does not try to do things for developing countries and their people, but with them. It must be seen as a collaborative effort to help them increase their capacities to do things for themselves. Paternalistic approaches have no place in this framework. In a true partnership, local actors should progressively take the lead while external partners back their efforts to assume greater responsibility for their own development.

Partnerships are becoming more complex. Earlier aid efforts involved working almost always with central governments. Today, we are working with many more partners to meet demands for greater efficiency, respond to more pluralistic and decentralised political systems, and recognise the importance of a dynamic private sector, local ownership and participation by civil society.

Our understanding of development and development co-operation has undergone fundamental change. It has expanded to take more fully into account how societies operate and how the international system functions. We now see a much broader range of aims for a more people-centred, participatory and sustainable development process:

- reducing poverty while achieving broadly-based economic growth;
- strengthening human and institutional capacities within nations to meet internal challenges and help avert further tragic cases of social disintegration and "failed states";
- improving the capacity of developing countries to contribute to the management and solution of global problems; and
- reinforcing the transformation of institutions and enabling environments to facilitate the emergence of developing countries and transition economies as growing trade and investment partners in the global economy.

We are confident that development co-operation can make a crucial contribution toward these aims. At the same time, our expectations are

[6] See the annexed *Development Partnerships in the New Global Context*.

now more modest about what can be achieved by development co-operation alone. We are convinced that a partnership approach is the way to meet the varied and complex challenges that we face, many of which are still quite new. Development co-operation experience is still at an early stage in working with issues such as good governance, private sector development, capacity to manage environmental issues and gender equality, which have attained their current prominence only in recent years.

When development is viewed in this broad context of societal transformation it is evident that development co-operation and other policies must work together. Our crucial interests in the broad goals of peace, economic growth, social justice, environmental sustainability and democracy obviously go far wider than aid programmes. The resources devoted to development co-operation and the expertise in the development agencies need to be integrated into coherent policy frameworks in which development objectives are given their full weight. Within our governments, development is important not only to aid agencies, but also to ministries of foreign affairs, finance, trade, environment, agriculture, and defence. More broadly, our citizens have much at stake in how national policies interact to complement—or to frustrate—development.

B. A Stronger Compact for Effective Partnerships

We have stressed throughout this paper that each developing country and its people are ultimately responsible for their own development. Thus, the developing country is the necessary starting point for organising co-operation efforts, through relationships and mechanisms that reflect the particular local circumstances. Some developing countries will need special help in building the necessary capacities. Development co-operation at the regional level, and on sectoral lines, is also important. However, these approaches should complement and enrich efforts to strengthen national capacities for sustainable development.

As a basic principle, locally-owned country development strategies and targets should emerge from an open and collaborative dialogue by local authorities with civil society and with external partners, about their shared objectives and their respective contributions to the common enterprise. Each donor's programmes and activities should then operate within the framework of that locally-owned strategy in ways that respect and encourage strong local commitment, participation, capacity development and ownership.

While the particular elements of partnerships will vary considerably, it is possible to suggest areas in which undertakings might be considered by the partners as their commitments to shared objectives.

Joint responsibilities:

- create the conditions conducive to generating adequate resources for development;
- pursue policies that minimise the risks of violent conflict;
- strengthen protections at the domestic and international levels against corruption and illicit practices;
- open up wide scope for effective development contributions from throughout civil society;
- enlist the support of rapidly-developing countries and regional development mechanisms.

Developing country responsibilities:

- adhere to appropriate macroeconomic policies;
- commit to basic objectives of social development and increased participation, including gender equality;
- foster accountable government and the rule of law;
- strengthen human and institutional capacity;
- create a climate favourable to enterprise and the mobilisation of local savings for investment;

- carry out sound financial management, including efficient tax systems and productive public expenditure;

- maintain stable and co-operative relations with neighbours.

External partner responsibilities:

- provide reliable and appropriate assistance both to meet priority needs and to facilitate the mobilisation of additional resources to help achieve agreed performance targets;

- contribute to international trade and investment systems in ways that permit full opportunities to developing countries;

- adhere to agreed international guidelines for effective aid, and monitoring for continuous improvement;

- support strengthened capacities and increased participation in the developing country, avoiding the creation of aid-dependency;

- support access to information, technology and know-how;

- support coherent policies in other aspects of relations, including consistency in policies affecting human rights and the risks of violent conflict;

- work for better co-ordination of the international aid system among external partners, in support of developing countries' own strategies.

C. Making Aid Work Better

In the final part of this paper we propose some specific measures to help to achieve more effective development co-operation. The following suggestions reflect our collective experience; they seek to build on our strengths and correct identified weaknesses. However, one of the key lessons about development co-operation is that donor-driven initiatives rarely take root and that developing countries and their people must be at the centre of any effective system. The ideas presented here, therefore, will require broader discussion, especially with our developing country partners, and will need to be tested in practice and adapted as necessary.

Support for locally-owned strategies

One of the most frequent weaknesses of past aid efforts was excessive proliferation of aid projects. Most donors have been moving beyond the project-by-project approach to reliance on explicit country strategies in working with the countries of their major concentration. These countries tend to be those that are the most aid-dependent. There are often a number of donors working in them. While each donor's strategy seeks to respond to national priorities, the number and diversity of donor strategies raise questions about the burden they create for local institutions and the degree to which they foster or impair local ownership and participation.

DAC Members, working with multilateral agencies and other donors, will help developing country partners to strengthen their own development strategies, and will encourage co-ordinated support from the donor community. One way to reinforce locally-owned strategies may be for donors increasingly to finance those aspects of the strategy calling for public expenditure through the budget of the developing country. This approach is being tested in a number of pilot efforts with a view to assuring both effectiveness and accountability by the developing country.

Commitment of adequate resources

Development finance is becoming more diversified. In the mid-1980s official development finance was the major part of resource flows to developing countries. In the mid-1990s private flows far exceed those from official sources. Experience has demonstrated the fundamental importance of high rates of domestic savings, efficient local financial systems and sound economic policies in the developing countries. In all the fast-growing developing economies, domestic savings are one of the main engines of growth, often supported by private foreign investment. Development co-operation needs to address these essential factors so that more developing countries will be able to compete for capital and technology.

Our vision of development is one that fosters self-reliance in which countries and people are less in need of aid. However, many poorer countries simply do not yet have access to other resources sufficient to achieve the outcomes that serve everyone's interests. Private flows are highly concentrated in a limited number of countries and sectors. The smaller and least developed countries still attract little of this potential source of development finance. Moreover, private resources generally do not flow directly to some key sectors of priority need, such as health and education. Development will depend upon the continued availability of concessional resources, while countries build the capacity to create and mobilise domestic resources and attract private capital flows. For a number of highly indebted poor countries, development will also depend upon concerted international action to alleviate an unsustainable burden of debt.

In our 1995 *Development Partnerships* policy statement we reaffirmed our commitment to generating substantial resources for development co-operation to back the efforts of countries and people to help themselves. In endorsing that statement, the OECD Council at Ministerial Level expressed its continuing commitment "to mobilise as many public resources as possible and to encourage private flows to back the self-help efforts of developing countries".

Only four of the DAC's 21 Member countries consistently meet the widely accepted volume target of 0.7 per cent of GNP established by the United Nations in 1970 as an appropriate level for official development assistance.[7] For the DAC as a whole, ODA disbursements are now only 0.3 per cent of GNP. Moreover, a growing portion of available ODA resources has been devoted to humanitarian needs and debt relief in recent years, placing an even greater strain on aid budgets. Among other things, these strains have created unprecedented shortfalls in financing of the United Nations system and the multilateral development banks. These multilateral institutions remain a cornerstone in global efforts to foster development. Their difficult financial situation is a cause for concern.

As recently as 1992, in the programme of action agreed at the United Nations Conference on the Environment and Development in Rio, developed countries reaffirmed their commitments "to reach the accepted United Nations target of 0.7 per cent of GNP for ODA, and to the extent that they have not yet achieved that target, agree to augment their aid programmes in order to reach that target as soon as possible...". Other developed countries agreed at Rio "to make their best efforts to increase their level of ODA".

In this report we have focused on indicators of development progress—on outcomes rather than the volume of inputs. Nevertheless, as we have pointed out, ODA is an essential investment to complement other development resources. Clearly, we need to sustain and increase official development assistance if we expect to see a reversal of the growing marginalisation of the poor and achieve progress toward realistic goals of human development. It is equally clear than an effort to build stronger compacts with developing countries on a foundation of shrinking resources and declining commitment will lack credibility. Therefore, it is necessary to express, once again, our deep concern that domestic preoccupations and budgetary pressures in some Member countries seriously jeopardise the international co-operation effort at a critical juncture.

[7] The four are Norway, Denmark, Sweden and the Netherlands. See the DAC 1995 Development Co-operation Report, Chapter IV, for analysis and detailed information concerning ODA performance of DAC Members.

Enhanced co-ordination in international fora and on the ground

We are committed to better co-ordinate our aid efforts in line with the strategies of our partner countries. General and sectoral co-ordination among donors varies greatly from country to country. Given the variety of country situations, there is no single model that can be recommended. But methods of proven effectiveness could be given stronger encouragement. For example, the developing country should be the co-ordinator of development co-operation wherever possible. However, in cases where local interest or capability is weak, it remains for donors to encourage regular fora for co-ordination, and to assure that their own local representatives participate. Lead agencies from within the donor community (bilateral or multilateral) could be identified for particular themes or sectors, and developing country partners should be an integral part of the process. The in-country co-ordination could then be monitored in international Consultative Groups and Round Tables, as well as in DAC Aid Reviews. The objective would be to create incentives for effective co-ordination and to strengthen local capacity to lead the co-ordination process.

Monitoring and evaluation

We need to check continuously that planned improvements in aid co-ordination and delivery actually take place, with full feedback from the intended beneficiaries. The Development Assistance Committee already serves part of this role as a standard-keeper and co-ordination body without operational programmes of its own. More can be done in future, building on the many evaluation exercises underway (including those of the multilateral development banks), on the DAC's peer reviews of bilateral donor programmes, and new developing country-based aid reviews, now in a pilot stage. Many specific and hard-won lessons learned are identified in the *DAC Principles for Effective Aid* and other policy guidance, as well as in the growing body of work on results-oriented programming, evaluations and follow-up. Guidelines for effective aid need to be continuously disseminated and tested at the field level, and the results fed back into new programmes. We shall continue to monitor the application of all these lessons to future development co-operation efforts.

Expanding the base for co-operation

Aid is a scarce resource and, as we have stressed throughout this report, it must be targeted to meet priority needs and help generate other development investments. One of the most encouraging indications of progress over recent decades is that many countries have reduced or eliminated their need for aid, and some have become donors themselves.

The DAC has now established a regular system for review of its *List of Developing Countries and Territories* with a view to identifying those that should progress from that list. Members already direct a substantial majority (some 63 per cent) of their aid flows to low-income and least-developed countries, and they are committed to continuing that concentration as countries progress. As countries move toward a pattern of sustained growth and development, co-ordinated efforts should be made to assure that continued aid investments are directed to the sustainability of their own strategies, and that a conscious path toward a phase-out of aid is identified.

Countries, institutions and individuals with recent experience in successful development can be especially effective in sharing their experience and insights with others. They also provide concrete examples of the shared international benefits of development. We need to strengthen and encourage the participation of those who can bring the experience of their own development into an expanding base of international co-operation. Such efforts are now part of our joint work in the DAC.

D. Bringing Our Policies Together

This report has described how the linkages between industrialised and developing countries extend far beyond development assistance. There are many areas where policies of the industrialised countries can complement or frustrate development efforts. Fiscal deficits of industrialised countries can influence both the cost and the availability of capital for developing countries. Environmental, sanitary and other restrictions on imports can sometimes operate as non-tariff barriers. The promotion of military exports can drain limited resources away from development priorities. On the other hand, industrialised country policies can foster trade and investment flows, can facilitate the sharing of technology, and can in many other ways advance development objectives.

The ramifications and opportunities of policy coherence for development now need to be much more carefully traced and followed through than in the past. We should aim for nothing less than to assure that the entire range of relevant industrialised country policies are consistent with and do not undermine development objectives. We will work with our colleagues in the broad collaborative effort now underway within the OECD to examine linkages between OECD Members and the developing countries, building on the promising work on this theme completed in 1994.[8] We are confident that we can do more than just avoid policy conflict. We will work to assure that development co-operation and other linkages between industrialised and developing countries are mutually reinforcing.

The 21st century can be one of increased co-operation, of hope and of opportunity. We put forward these ideas to show the importance of development for the security and well-being of all who will inhabit this planet in the coming century. We are confident that development co-operation, together with other modes of international co-operation, can work to produce results that will be well worth the effort they will demand of our societies.

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[8] The 1994 study concentrated on linkages with 15 "major" developing economies. *Linkages: OECD and Major Developing Economies* (OECD, 1995). In January 1996 the OECD Council authorised the initiation of a broader effort, with a planned completion date of May 1997, to be entitled "Globalisation and Linkages to 2020: Challenges and Opportunities for OECD Countries".

ANNEX

Development Partnerships in the New Global Context

Members of the Development Assistance Committee (DAC) of the OECD met on 3-4 May 1995 at the level of Development Co-operation Ministers and Heads of Aid Agencies.

They agreed on shared orientations for their development co-operation efforts and preparing for key challenges of sustainable economic and social development into the 21st century.

Members also expressed deep concern that domestic preoccupations and budgetary pressures in some Member countries could seriously jeopardise the international development co-operation effort at a critical juncture.

For three decades, the highest rates of economic growth in the world have been achieved among developing countries, notably in Asia and Latin America. Many formerly poor countries have made rapid advances in standards of living, fuelled by expanded trade, capital and technology flows. Development co-operation has helped, and must continue to help, lay the foundations for their success.

Yet many countries and people have not yet shared in this progress, or have even lost ground. At the same time, numerous countries, including countries in Africa, are adopting far-reaching economic and political reforms. They seek to increase opportunities for their people, and to integrate successfully into a highly competitive, interdependent world.

Development and greater interdependence require high levels of domestic effort, high standards of accountability, and a strong civil society. Open, participatory economic and political systems are increasingly important factors. Meanwhile, the basic notion of security is being redefined, placing much more weight on the needs and concerns of human beings and the quality of their environment.

More widespread and sustainable progress now depends on building strong capacities to achieve good governance, reduce poverty, and protect the environment. Civil conflict, terrorism, population and migration pressures, epidemic disease, environmental degradation, and international crime and corruption hinder the efforts of developing countries and concern us all.

Within this new context, thriving developing country partners will contribute to greater prosperity and greater security in their own regions and globally. We therefore endorse the following strategic orientations, and commend them for active support in our own countries and throughout the international community.

1. Development co-operation is an investment

Support for development has contributed to extraordinary achievements in economic and social well-being. Well over two billion people have increased their incomes, life-expectancy, education, and their access to basic services. Development co-operation has also led to the emergence of new economic partners who play an increasingly dynamic role, generating new trade, investment, and jobs-as well as the need for adjustment-in our own countries. Developing country markets for OECD exports have expanded by 50 per cent since 1990.

We regard development co-operation as a key investment in the future.

2. Combating poverty at its roots is a central challenge

Support for development reflects our enduring concern for the human dignity and well-being of others. Despite the promising trends in many developing countries, more than one billion people still live in extreme poverty. Yet, building on lessons learned, there are good prospects for significantly reducing poverty in the coming years.

We will focus our support on strategies and programmes that will work to enable the poorest to expand their opportunities and improve their lives.

3. Strategies for success are now available

Experience has shown that achievements in sustainable development, and effective co-operation, need to integrate a number of key elements:

- A sound policy framework encouraging stable, growing economies with full scope for a vigorous private sector and an adequate fiscal base.
- Investment in social development, especially education, primary health care, and population activities.
- Enhanced participation of all people, and notably women, in economic and political life, and the reduction of social inequalities.
- Good governance and public management, democratic accountability, the protection of human rights and the rule of law.
- Sustainable environmental practices.
- Addressing root causes of potential conflict, limiting military expenditure, and targeting reconstruction and peace-building efforts toward longer-term reconciliation and development.

We will focus our co-operation on helping to strengthen capacities in our partner countries to meet these demanding, integrated requirements for sustainable development, guided by the conditions and commitments in each country.

4. Development assistance is vital to complement other resources

Developing countries themselves are ultimately responsible for their own development. Their own earnings, savings and tax revenues are the most important source of investment in their economic and social progress. For development to succeed, the people of the countries concerned must be the "owners" of their development policies and programmes.

Private investment flows are mainly attracted by the most dynamic countries and sectors of the developing world, and private donations are directed primarily to immediate humanitarian needs. Official development assistance remains vital for many key investments in developing countries, especially the poorer countries.

We remain committed to generating substantial resources for development co-operation to back the efforts of countries and people to help themselves.

5. Other policies need to be coherent with development goals

Expanded trade, investment and other linkages, and the growing role of the developing countries in the international economic system (notably in the World Trade Organisation) have raised the stakes for OECD countries. It is critical that other policies not undercut development objectives.

We will work with the other policy-makers concerned to ensure that our countries follow consistent, open economic policies in relations with our development partners.

6. Our co-operation must be effective and efficient

Both bilateral and multilateral development assistance must be managed for maximum efficiency and effectiveness. We are confident that past achievements and lessons learned in development co-operation show clearly how best to reinforce current efforts of developing countries.

The agreed principles and best practices for effective aid must be implemented with rigor. Critical evaluation must be an ongoing feature of development assistance efforts, to identify the best and most cost-effective approaches. Public accountability, based on indicators of achievement, is essential.

We will intensify our activities in aid co-ordination, the evaluation of aid effectiveness, peer reviews, and the implementation of best practices.

7. The Development Assistance Committee will advance these priorities

Co-operation for sustainable development is a fundamental concern of the OECD. Effective development co-operation helps to strengthen the multilateral system and promotes job-creating growth and social cohesion on an international scale. OECD members commit substantial resources toward this effort, including more than $50 billion annually in official development assistance, 90 per cent of the world's total.

We reaffirm our commitment to work together in the Development Assistance Committee to implement the directions outlined here for this decade, to integrate the contributions of development co-operation with the other policy priorities of Members, and to help prepare strategies looking to the next century.