

International Development: Beyond The White Paper

2. The 1997 Development Cooperation Report: Efforts and Policies of the Members of the Development Assistance Committee

James Michel

Chairman, OECD/DAC

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"Development co-operation needs a coherent policy environment in order to be effective... Higher priority must be given to integrating development co-operation efforts into a broader coherent policy framework that will facilitate the participation of poor people and poor countries in the new global age that is taking shape."

This year's annual flagship publication of the OECD's Development Assistance Committee (DAC) takes stock of the efforts underway to make a new development partnerships strategy into a working reality. OECD Members' vision and commitment to that strategy were conveyed in the 1996 report, *Shaping the 21st Century: the Contribution of Development Co-operation*. The 1997 Development Co-operation Report assesses progress in three main areas for improvement: clearer goals; better partnerships and more coherent policies; and adequate resources.

Clearer Goals

The new report graphically illustrates the enormous effort that will be required - particularly in the 66 poorest countries - to achieve the goals set by the international community for poverty reduction, and social development by the year 2015. The concentration of poverty, illiteracy and poor health underscores the need for a "high performance scenario" in the international economy, one that fully includes those countries and population groups most at risk of being left behind. The year has seen widening acceptance of the need to focus on a manageable number of key goals. The report also documents impressive initial steps in a joint international effort to agree on a single set of indicators for tracking progress toward these development goals.

Better Partnerships and Coherent Policies

The new development partnerships strategy hinges on putting developing countries, and their own people, in the driver's seat for their development - more "ownership" and less "donorship". Development is a continuous process of policy reform and "social learning" - not a simple transfer of money or execution of projects. The 1997 report shows how this social learning approach is rooted in a growing store of experience and thinking about development. At the same time, it shows how the donors still have far to go in changing to a more responsive aid culture and adapting their management accordingly. A number of examples of "best practice" illustrate what can be done.

The new philosophy - and more integrated approach - to development and development co-operation are evidenced by some major new thrusts of joint donor effort in the DAC which attracted wide international attention and support in 1997. New DAC Guidelines on Conflict, Peace and Development Co-operation showed ways of responding to the prevalent challenges of conflict prevention, action during conflict and post-conflict recovery. DAC work on participatory development and good governance provided points of reference for the international community as the linkages between participation, governance and development progress became ever more widely recognised. Measures to help developing countries

strengthen their own capacities to manage environmental problems and to participate more successfully in the international trading system are other new contributions by donors to strengthening integrated, long-term support for sustainable development.

Resources for Development

The picture of financing for development in emerging and developing countries is now one of change and volatility. This year's Development Co-operation Report maintains its traditional authoritative OECD reporting on aid and other financial flows to developing countries. But it goes much further in analysing the wider context - the conditions needed over the longer term (i.e. beyond the current crises in a number of Asian countries) for reducing reliance on aid and financing the sustainable development of dynamic market economies. The analysis shows that key elements for developing countries, as indeed for all countries, are the role of financial systems and their prudential supervision, effective tax systems and policies affecting private investment, debt, trade and liberalisation of capital movements.

Contrary to some simplistic projections, most countries do not face any straightforward transition from aid-financed to privately-financed development. They must work with a diverse mix of development financing, policies, sources and instruments. A new focus for the donors is on how development co-operation can contribute - in ways more significant than the traditional notion of "filling gaps" - to mobilising all sources of financing to support agreed development goals. The new statistical data (covering 1996) show net resource flows to developing countries from DAC Member countries at \$304 billion, surpassing the previous year's record volume of \$238 billion - an increase of about \$66 billion.

This total of \$304 billion included:

- \$66 billion in official development finance from DAC Members and multilateral organisations, compared to \$72 billion in 1995, of which \$58 billion was official development assistance (ODA), compared to \$60 billion in 1995; and
- \$234 billion in private flows from DAC member countries, compared to \$161 billion in 1995, of which roughly three-fourths was still concentrated in only 12 countries.

Of this total private flow

- \$60 billion was direct investment, compared to \$55 billion in 1995;
- \$86 billion was bond lending, compared to \$30 billion in 1995; and
- \$70 billion was in bank loans, compared to \$60 billion in 1996, most of which represented short-term borrowing by Asian countries in both 1995 and 1996.

Aid Trends and Facts

Some key trends in aid flows are documented in this year's Report.

- Loans, not long ago 25 per cent of bilateral ODA, now account for less than 10 per cent of bilateral net ODA flows.
- Aid to social sectors - education, health, water and sanitation - has steadily increased in the 1990s, from about 20 to about 30 per cent of bilateral ODA, as much aid for productive enterprise has been displaced by private finance and, more recently, expenditures for debt relief and emergency aid have subsided.
- The share of aid to the poorest countries has held fairly steady, and the special cases of a few countries account for much of the geographic change. For example, the particular situations in four states in Africa (Somalia, Democratic Republic of the Congo, Sudan, Kenya) accounted for almost all of the reported decline in allocations to that region.
- The aggregate numbers for ODA efforts of DAC Members in 1996 show a continued decline in overall ODA disbursements to developing countries and multilateral organisations. The \$55 billion total represents a further decline of almost 4 per cent from 1995 (at constant prices and exchange

rates). Ten of 21 DAC member countries reported increases and 11 reported decreases. There was a particularly large fall in Japan's ODA.

- The volatility in Member performance is illustrated by the figures on volume. In 1995, Japan was the largest donor by a wide margin, followed by France, Germany and the United States - in that order. For 1996, Japan's lead is much reduced, followed now by the United States, Germany and France.

In terms of combined aid effort, the overall percentage of ODA in terms of GNP for DAC Member countries is 0.25, an all-time low. The average country-effort was 0.4 per cent. Once again, only four high performing donors - Denmark, Norway, Sweden and the Netherlands - exceeded the United Nations' target of 0.7 per cent of GNP.

The Report now incorporates stronger reporting on the programmes and activities of the multilateral institutions, including this year summary findings of studies of the multilateral system undertaken in several OECD member countries (Denmark, Canada, Australia, United States).

In reviewing the ODA efforts of individual DAC Members, the Report includes special coverage of those programmes reviewed by the DAC since last year's report - Switzerland, France, Portugal, Belgium, the Netherlands and the United Kingdom. It also includes simple summary charts with key aid facts and trends for the DAC as a whole, and also for each Member.

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