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The OECD's Development Assistance Committee and German Development Cooperation: A Relationship under Scrutiny

The OECD's Development Assistance Committee (DAC) is a coordinating body of the major bilateral donors which seeks to improve the effectiveness of development cooperation. The DAC's work focuses on three areas: (1) the setting of quality standards for development cooperation and the uniform recording of resource flows and aid performance, (2) policy coordination through the establishment of guidelines for important areas of development cooperation and (3) periodic reviews of the members' aid policies and programmes in the light of the common standards and guidelines (aid reviews).

Some criticism of the DAC emerged from the German development cooperation community in the past. The two most important criticisms were that (1) the DAC was exceeding its mandate by claiming to implement a strategy of its own, which was formulated in the 1996 document "Shaping the 21st Century: The Contribution of Development Cooperation" ("S 21"); (2) the DAC had expanded its work programme too far and was neglecting its core tasks.

Against this background, the Federal Ministry for Economic Cooperation and Development (BMZ) commissioned the GDI to undertake a study (Ashoff 2000), which considered the following aspects among others: (1) assessment and use of DAC results by the German aid system, (2) Germany's influence on the profile of the DAC's work, (3) relevance of the German criticism levelled at the DAC and (4) recommendations for German development cooperation. The most important findings are:

- The DAC has set a number of standards (definition of official development assistance/ODA, recommendations on the terms and conditions of aid, list of recipient countries, statistical reporting directives, aid-tying rules, anti-corruption clause, principles for the evaluation of development assistance), which Germany has acknowledged are important. With only a few qualifications, the DAC's policy guidelines are rated highly by the BMZ and the two most important executing agencies in German development cooperation, the German Agency for Technical Cooperation (GTZ) and the Bank for Reconstruction (KfW). However, they are not yet being used in German development cooperation as systematically as they should be.*
- German development cooperation was reviewed by the DAC on three occasions in the 1990s. The resulting review reports contain clear positive and critical statements and recommendations. Given the DAC's rank as an internationally experienced and independent review body and the plain statements they make, the DAC's review reports, which have been published since 1994, are important documents that should be used exhaustively by the German development cooperation system internally, for discussions with Parliament and other government departments and in public relations work.*
- The DAC is a forum on whose work Germany has been able to make a major impression with competent and committed contributions and which therefore gives Germany a chance to bring clear influence to bear on the donors' policy coordination. Successful involvement in the DAC along these lines, however, requires a considerable commitment of manpower and, in some respects, financial resources. The German development cooperation community should therefore decide what issues it intends to pursue in the DAC in the future and agree on the aim, nature and scale of its involvement.*
- In "S 21" all the DAC members have pledged to help achieve seven quantified development objectives ("output targets") with their development cooperation. The criticism referred to above is right to claim that "S 21" is not a DAC strategy but a declaration of intent, the implementation of which cannot be prescribed by the DAC, but is a matter for the DAC members and their partner countries. On the other hand, Germany should not only commit itself in principle to "S 21" and the output targets but also see the latter as additional guides in the planning of development cooperation measures.*
- With cuts in funding and staff in the DAC Secretariat and the range of subjects covered by the DAC's work so wide, the danger is that the DAC will neglect its core functions. New issues should therefore be considered in the DAC only if the core tasks are being performed, the new issues attract broad interest among the DAC members, the aim is, where possible, to produce common guidelines and the DAC Secretariat has sufficient capacity to assist the DAC in its work.*

The DAC's membership and operation

The DAC currently has 23 members: the 15 EU countries, the EU Commission (representing the EU as a donor in its own right), Australia, Canada, Japan, New Zealand, Norway, Switzerland and the USA. Agreements are reached in the DAC, as in the OECD as a whole, by consensus. They are not legally binding but, as recommendations made by consensus, they are politically binding, this being enhanced by the fact that their implementation is reviewed by the DAC. Peer pressure among the members also plays a part in the achievement of consensus and in the reviews.

The DAC's work is essentially performed by its members, who cooperate at various levels, ranging from the *High Level Meetings* of the ministers responsible for development cooperation to special working groups in which experts deliberate on and draft the standards and guidelines. In the OECD Secretariat, which assists the members in their work, the *Development Cooperation Directorate* (DCD), also known as the DAC Secretariat, is assigned to the DAC. Besides preparing and following up the DAC's meetings, the DCD is responsible for the ongoing monitoring of the DAC members' aid policies and programmes, the aid reviews (together with two other DAC members as Examiners) and the compilation and publication of development cooperation statistics.

Assessment and use of DAC results by the German aid system

Quality assurance through joint DAC standards

By agreeing on basic development cooperation standards (see Box 1), the DAC performs a quality assurance function undertaken by no other international institution. Not only does German development cooperation conform to the DAC's definition of ODA, list of aid recipients, statistical reporting directives and coding system (which has replaced the three different codes previously used by the BMZ, KfW and GTZ): the BMZ has also made the transfer of responsibility for project evaluations to the executing agencies conditional on compliance with the DAC's evaluation principles.

Box 1: Basic DAC standards

- *Definition of ODA* (official development assistance): official grants or loans to developing countries (Part I of the DAC List of Aid Recipients) and multilateral organizations, intended for economic and social development and having a grant element of at least 25 per cent
- *DAC List of Aid Recipients* (Part I: developing countries, Part II: countries in transition)
- *Recommendation on Terms and Conditions of Aid* (e.g. grant element of ODA commitments of at least 86 %)
- *Statistical Reporting Directives* intended to ensure uniform recording of aid and other resource flows
- *Coding System for Reporting on the Purpose of Aid*
- *Principles for the Evaluation of Development Assistance*
- *New Measures in the Field of Tied Aid*: rules on the tying of aid to procurement in the donor country (part of the "Helsinki consensus" to reduce export subsidies); efforts currently being made to untie aid further
- *Recommendation on Anti-Corruption Proposals for Aid-Funded Procurement*

Like most DAC members, Germany satisfies the criteria of the DAC's recommendations on terms and conditions of aid (in 1998, for example, this was not true of Italy, Japan, Portugal, Spain and the USA). In recent years the aid-tying rules have had a major influence on German development cooperation; consequently, there has been a sharp decline in German mixed financing, in which official funds are combined with capital market funds and which is tied to German supplies because of state export guarantees.

Policy coordination

In the 1990s the DAC produced policy coordination results in the form of guidelines, principles and orientations for a number of areas of development cooperation (see Box 2). They are based on an intensive exchange of experience, they are geared to best practice, and they represent a common view (recommendations made by consensus).

With only a few qualifications, the BMZ, KfW and GTZ have rated the quality of these results highly, regarding them as reflecting the international debate and as being detailed and relevant to the practice of development assistance. The DAC guidelines have been used in different ways and to different degrees; they are not known everywhere. The German development cooperation community should make more systematic use of them in the future:

- They represent a consensus of the bilateral donor community to which reference can and should be made with a view to achieving better donor coordination. This quality, which is often overlooked, distinguishes the DAC guidelines from conceptual papers of such other international organizations as the World Bank. The DAC guidelines should be made better known within German development cooperation from this angle too.
- The DAC guidelines correspond in character to the BMZ's sectoral (or cross-sectional) concepts. There are DAC results on a number of subjects for which there are no BMZ concepts (examples being "programme aid", "technical cooperation", "conflict, peace and development cooperation" and various environmental issues). Here the DAC concepts, in whose preparation and approval Germany has, after all, been involved, fill a gap in German development cooperation. In such cases the BMZ should make the DAC guidelines binding in the same way as its own sectoral concepts (as it has done with the DAC's evaluation principles).
- If only to avoid duplication of effort, existing DAC guidelines should be used systematically during the establishment or updating of BMZ concepts on the same subject. In addition, the relationship between DAC guidelines and BMZ concepts on the same subject will need to be clarified for users.

DAC aid reviews and review of German aid

The DAC aid reviews are the only comprehensive reviews of all the DAC members' development cooperation systems to be undertaken at regular intervals (approximately every three years) by a third party on the basis of uniform standards and procedures. No other national or international institution carries out such reviews. The last three reviews of German development cooperation by the DAC took place in 1992, 1995 and 1998. Among the points emphasized in the review reports were the following:

- *Positive aspects*: extensive German aid to the countries of Central and Eastern Europe and the former USSR; the wide-ranging conceptual work and considerable expertise of the German aid system; the important role played by the Political Foundations and the mobilization of substantial resources by non-governmental organizations/NGOs (double the DAC average in % of GNP).
- *Criticisms*: declining development cooperation effort (ODA as a proportion of gross national product in 1990: 0.42%, in 1998: 0.26%); weak field representation in partner countries; coordination problems due to the complex structure of the German aid system; blurred boundaries between policy-making and implementation of policies and between financial and technical assistance.
- *Recommendations*: return to former aid levels; strengthening of field representation; further development of the BMZ's country concepts to dovetail the various development cooperation instruments more closely; increased efforts in development education and information in Germany (e.g. through NGOs).

Various DAC recommendations were implemented in whole or in part (e.g. transfer of responsibility for project evaluations from the BMZ to the executing agencies; further development of the country concepts; strengthening of field representation through an increase in the number of GTZ and KfW offices in partner countries).

The review reports on German development cooperation have already been used by the BMZ, GTZ and KfW for internal discussions and, in some cases, as a reference document in the presentation of their cases before Parliament and other government departments. The DAC's rank, the plain statements made in the reports and the example set by some other DAC members, however, indicate that even greater use should be made of the review reports:

- for the self-critical debate within the aid system (in the BMZ and with the executing agencies);
- for the systematic debate with the parliamentary Committee on Economic Cooperation and Development and for discussions on specific issues with the Budget Committee and other ministries where they are affected;
- for the dialogue with NGOs and public relations work aimed at improving political backing for development cooperation; it should be remembered in this context that the review reports refer not only to shortcomings but also to positive aspects and that some shortcomings (e.g. the declining aid level) have been criticized by the German development cooperation community itself.

Box 2: Important results of the DAC's policy coordination (since 1990)

- *Principles for New Orientations in Technical Cooperation* (1991)
- *Principles for Programme Assistance* (1991)
- *Orientations for Development Cooperation in Support of Private Sector Development* (1994)
- *Guidelines on Environment and Aid* (1991 - 1995): nine guidelines on specific environmental issues (e.g. environmental impact assessment in development cooperation; involuntary displacement and resettlement in development projects; sustainable use of tropical wetlands)
- *Donor Assistance to Capacity Development in Environment* (1995)
- *Orientations on Participatory Development and Good Governance* (PDGG, 1993)
- *Policy Note on Strengthening Country-Level Coordination for Participatory Development and Good Governance* (1996)
- *Guidelines on Conflict, Peace and Development Cooperation* (1997)
- *Guidelines for Gender Equality and Women's Empowerment in Development Cooperation* (1998)

Impact of German contributions to key DAC work

German development cooperation has had a major impact on the DAC's work in the areas of "environment", "PDGG" and "technical cooperation". An example will serve to illustrate this: On the basis of the five allocation criteria introduced in 1991 for German development cooperation (respect for human rights, participation of the people, rule of law, economic order geared to the market and social needs, development commitment of government action) the BMZ argued strongly in the DAC for common guidelines, which were adopted in 1993 as the "*Orientations on Participatory Development and Good Governance*". A representative of the BMZ subsequently chaired a working group, which developed the guidelines further to take account of the approach to be adopted by donors at country level ("*Policy Note*" of 1996; see Box 2).

In other areas too (e.g. "statistics", "untying of aid", "gender", "conflict, peace and development cooperation") German development cooperation has made relevant contributions.

Experience shows that, whenever Germany has participated in the DAC's work with competence and commitment, its contributions have been successful and much appreciated. If, then, the German development cooperation system intends to bring its experience and expertise to bear in the donor community to help improve donor coordination, it has in the DAC a forum in which it can have a major impact.

The success of German involvement in the DAC's work has been based on the following factors: (1) the topicality of the subject, (2) the existence of expertise and experience, (3) the mobilization of know-how "scattered" among various German development cooperation organizations, (4) people capable of introducing the experience and expertise competently into the DAC and of guiding its work towards a common result, (5) support for these people from the domestic "apparatus" and (6) financial contributions towards the cost of studies and working meetings.

Heavy involvement in the DAC is not, of course, an end in itself and can be justified only where, on the basis of special know-how acquired by the German aid system, it seems important to advance donor coordination with a view to increasing the effectiveness of the donor community's development cooperation efforts, and where the other DAC members are interested. Under these conditions there are a number of issues that German development cooperation can introduce into the DAC because it has strengths in the areas concerned and because preliminary conceptual work has been done in the shape of the BMZ's sectoral and cross-sectional concepts (e.g. "poverty alleviation", "vocational training", "financial system development"). For the position to be adopted by Germany in the DAC in the future it is important that the BMZ (together with the executing agencies) should define the concerns of German development cooperation for the DAC's work at an early stage and agree on the objective, nature and scale of Germany's involvement and on the manpower and financial resources to be mobilized.

German criticism in the context of "*Shaping the 21st Century: The Contribution of Development Cooperation*"

In the 1990s the development cooperation budgets of many DAC members fell sharply. In 1996, as a political signal against the growing aid fatigue, the DAC members adopted a statement of principles entitled "*Shaping the 21st Century: The Contribution of Development Cooperation*" ("S 21"), which emphasizes that, despite past successes in the development process, major development problems persist throughout the world and that, while their solution ultimately depends on the partner countries' own efforts, development cooperation can provide effective support.

What is new in "S 21" is that the DAC members have committed themselves not only to increasing their development cooperation efforts ("input target") but also to contributing, through their development cooperation, to the achievement of seven quantified development objectives ("output targets") adopted at earlier UN conferences (see Box 3).

Germany was critical of the fact that, with the backing of various DAC members (e.g. Japan and the United Kingdom), the DAC chairman and the DCD propagated "S 21" as the new DAC strategy, emphasizing that the output targets were a guide for the donors and the DAC's future work and calling

for the rapid implementation of "S 21". Germany, supported by the USA, France and others, argued that it was for each DAC member, not the DAC, to decide how and how quickly to implement "S 21" and that the output targets had no claim to exclusiveness as a guide.

Box 3: Quantified development objectives in the DAC document "Shaping the 21st Century: The Contribution of Development Cooperation"

- Reduction of the proportion of people living in extreme poverty by at least one-half by 2015
- Universal primary education in all countries by 2015
- Elimination of gender disparity in primary and secondary education by 2005
- Reduction of the death rate for infants and children under the age of five years in each developing country by two-thirds the 1990 level by 2015
- Reduction of the rate of maternal mortality by three quarters in the same period
- Access through the primary health-care system to reproductive health services, including safe and reliable family planning methods, not later than the year 2015
- Implementation of a national strategy for sustainable development in every country to begin not later than the year 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

This criticism is right to maintain that "S 21" is not a strategy, but a declaration of intent. A strategy comprises not only objectives but also prescriptions for its implementation and, above all, an agreement with the partner countries. "S 21" does not – and cannot – contain any of this, because the global output targets can be achieved only at the level of individual countries. It is therefore for the DAC members to seek to contribute to the achievement of the output targets with their development cooperation and in agreement with their partners. On the other hand, it is for the DAC chairman and the DCD to encourage the DAC members to implement joint recommendations and to monitor their implementation.

The criticism voiced by Germany had a deeper motive: disquiet about the output targets. During the deliberations on "S 21" Germany was not a supporter of these targets on the grounds that the partner countries would be mainly responsible for their achievement and development cooperation would take too much blame for any failures. Despite these reservations, the DAC members committed themselves to the output targets because they saw them as an attractive means of making the mission of development cooperation seem even more plausible to the public. Germany too agreed to the output targets after emphasis had been placed, at its urging, on the partner countries' own responsibility and on qualitative as well as quantitative development objectives (such as respect for human rights, participation and good governance).

There are good reasons for supporting and for opposing the output targets, but a decision has to be taken one way or the other. They cannot be approved because of the signal they

send out to the public, only to have their reasonableness questioned afterwards, as was the case for a time. The BMZ now tends to make greater use of "S 21" as a reference document for German development cooperation than it did in the past. However, in line with "S 21" it is important not only to acknowledge the output targets in principle but to include them in the planning of development cooperation measures as an additional guide. German development cooperation has no cause to be hesitant in this respect. It has differentiated concepts and experience (in the areas of "poverty alleviation", "training" and "environment", for example) which it can use and also introduce in the DAC for discussions on ways of implementing "S 21".

Is the DAC neglecting its core functions?

In recent years the DAC Secretariat has had to accept a reduction in its financial resources and staff. Yet the DAC work programme is very wide-ranging, and this for several reasons: the increasing number of subject areas in which development cooperation is involved, the DAC members' differing interests and initiatives launched by the DAC Secretariat. Reviewing the implementation of the many guidelines that now exist also calls for growing capacities. In these circumstances, the German criticism that, by tending to deal with too many new issues, the DAC is in danger of neglecting its core tasks is the expression of a legitimate concern.

To enable the DAC to comply with its mandate, its tasks should be ranked as follows: *first*, performance of permanent tasks (standards, statistics, aid reviews); *second*, consolidation of what has been achieved (appropriate monitoring of the implementation of existing guidelines); *third*, new issues. In decisions on new issues four criteria should be observed: (1) broad interest among the DAC members and not just the specific interests of individual members (no "DAC à la carte"); (2) avoidance of duplication of effort by ensuring that the results achieved by other donor fora are taken into account; (3) orientation of work towards common guidelines; (4) sufficient DCD capacity to assist the DAC in its work.

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Further Reading

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