

DAC
@
60
YEARS

THE DAC

60 YEARS,
60 HIGHLIGHTS



DAC @ 60 YEARS



OECD

BETTER POLICIES FOR BETTER LIVES



60

YEARS

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INTRODUCTION

The ten founding members of the Development Assistance Committee (DAC) first met on 5 October 1961. 60 years later, the DAC now has 30 members, representing the largest bilateral providers of Official Development Assistance (ODA).

As the custodian of ODA, the DAC's core business has always been to promote and protect the integrity of ODA. It does this in many ways. Setting global standards for effective development co-operation. Gathering, analysing and publishing data to promote transparency. Developing policies and guidance to promote best practice. Agreeing recommendations to improve the quality and quantity of development co-operation. Holding members to account and promoting lesson learning through peer reviews.

Much has changed since 1961 and the DAC has evolved in response. In the last decade, global agreement in 2015 on the Sustainable Development Goals (SDGs) and the associated Addis Ababa Action Agenda to finance their delivery, has set the weather for global development and for the DAC. The DAC has responded to the challenge of the SDGs with an ambitious agenda that reflects the complexity of development and seeks to support better development outcomes for poor women, men and children in partner countries.

The highlights of the last decade are captured in this updated edition – from the critical role of other sources of development finance to the scourge of conflict and fragility. This pocket-size booklet gives an overview of the DAC's history, charting in reverse chronological order, 60 times the DAC has taken action, achieved results and expanded its ambitions over its 60- year lifespan.

Learn more about the DAC:


www.oecd.org/dac/development-assistance-committee



BETTER POLICIES FOR BETTER LIVES

A STRONGER RELATIONSHIP WITH CIVIL SOCIETY

The DAC adopts a Recommendation on *Enabling Civil Society in Development Co-operation and Humanitarian Assistance*. It provides a framework for donors to respect, protect and promote civic space and support and engage with civil society. DAC members commit to supporting civil society organisations as accountable, effective and transparent partners, as part of a wider commitment to protecting rights and democratic values.



2021

DAC STATEMENT ON THE COVID-19 GLOBAL PANDEMIC

Recognising the deep and lasting impact of the pandemic on countries most in need, the DAC is the first multilateral development organisation to issue a statement on the Covid-19 crisis. It calls on its members to protect existing ODA commitments and commits to working harder to encourage the support of multilateral banks, the private sector and civil society to help partner countries protect and rebuild the livelihoods of poor people affected by the pandemic.

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2020

FIGHTING SEXUAL EXPLOITATION, ABUSE AND HARASSMENT IN INTERNATIONAL CO-OPERATION

The DAC responds to public shock and dismay as evidence of sexual exploitation and abuse in the humanitarian sector hits the headlines, adopting the first international legal standard on *Ending Sexual Exploitation, Abuse, and Harassment in Development Co-operation and Humanitarian Assistance*. Since then, UN agencies such as UNICEF, UNHCR and UNFPA, have also adhered. This is part of the DAC's efforts to raise the development community's ambition on tackling gender inequality and eradicating sexual abuse.

IMPROVED COORDINATION IN FRAGILE AND CONFLICT AFFECTED PLACES

Recognising that extreme poverty is increasingly concentrated in fragile and conflict affected places, the DAC passes a Recommendation on the Humanitarian-Development-Peace nexus. Members commit to improving coordination, programming and financing to deliver more coherent, complementary and effective approaches. This ground breaking Recommendation has since been formally adopted by six UN agencies: UNDP, WFP, UNICEF, IOM, UNFPA and UN Habitat.

ALIGNING WITH THE 2030 AGENDA FOR SUSTAINABLE DEVELOPMENT

The DAC redefines its mandate and aligns its objectives with the 2030 Agenda for Sustainable Development. The overarching ambition of the DAC is now to promote SDG-aligned development co-operation and other relevant policies.

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2018

BLENDING ODA WITH OTHER FINANCE

Recognising the need to make ODA go further and to mobilise more private finance to deliver the SDGs, the DAC *Blended Finance Principles* provide the first common framework for bilateral, multilateral, philanthropic and other actors on blending official and private finance for development.



THE DAC ELECTS ITS FIRST CHAIRWOMAN

After fourteen Chairmen, the DAC elects Charlotte Petri Gornitzka its first Chairwoman in 2016. Two years later, she is succeeded by another woman, Susanna Moorehead.

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2016

MEMBERSHIP OF THE DAC EXPANDS

The DAC incorporates its largest ever cohort of new members by welcoming several eastern European nations - the Slovak Republic, the Czech Republic, Poland and Slovenia – and Iceland. In 2016, Hungary becomes the DAC's thirtieth member.

Meanwhile...

In 2015, the *Addis-Ababa Action Agenda (AAAA)*, the *2030 Agenda for Sustainable Development* and the *Paris Agreement* are adopted by the United Nations, redefining and providing new impetus to the global quest for better lives for all, everywhere. The SDGs are universal and reflect the complexity of development.

MODERNISING ODA IN A CHANGING WORLD

At their High Level Meeting, members commit to modernising ODA and updating its statistical framework to reflect more accurately how it is spent. Changes include how to measure concessional loans to the public sector, recognising mobilised private finance, as well as clarifying the eligibility of peace and security expenditures, and refugee costs in donor countries. In 2019, the DAC adopts the “grant equivalent” system as the new standard for measuring ODA. In 2020, it agrees on how to measure debt treatment on that basis. Work continues on the rules for reporting private sector instruments.

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2012

A NEW, GLOBAL AMBITION FOR DEVELOPMENT CO-OPERATION

The Global Partnership for Effective Development Co-operation (GPEDC) is established, bringing together providers and beneficiaries of external assistance. “Aid effectiveness” becomes “development effectiveness” following the adoption of the Busan Partnership Agreement by 161 countries and 56 international organisations. For the first time, public and private actors join forces to implement four internationally agreed principles: country ownership; a focus on results; inclusive partnerships; and transparency and mutual accountability.

KOREA JOINS THE DAC

In January 2010, Korea joined the DAC, demonstrating the changing face of international development assistance.

Between 1945, when Korea became independent, and the late 1990s, the country relied heavily on foreign assistance – a total of USD 13 billion – to rebuild its economy. “Making good use of this assistance, we worked hard to overcome poverty and achieve development,” said Oh Joon, Korean Deputy Minister of Foreign Affairs. “For many Koreans, including myself, it happened in our own lifetime. As a child, I went to an elementary school where we drank milk and ate corn bread that came in containers marked ‘United Nations’ or ‘US Government’. A few months ago, I visited a kindergarten in Mongolia where children were studying with textbooks marked as gifts from the Republic of Korea.”

Today Korea is a major global economy and its aid to other countries – in particular in Asia – has grown: in 2008 Korea gave USD 803 million, up from USD 696 million one year earlier.

DILI DECLARATION

Developing and developed countries come together in Dili, Timor-Leste, to agree on the Dili Declaration, which outlines goals for peacebuilding and statebuilding as well as concrete commitments for governments and international actors to reach these goals.

Meanwhile...

Korea joins the DAC. (See Box 1)

SOUTH-SOUTH CO-OPERATION

A high-level meeting in Bogota, Colombia, points to co-operation among developing countries as a fundamental component of international efforts to deliver development results. The Bogota Statement – founded on 110 case stories from countries that are both aid recipients and donors – aims to adapt the aid effectiveness principles of the Paris Declaration (see Box 3) and Accra Agenda for Action (see Box 2) to South-South co-operation.

CHINA-DAC STUDY GROUP

The China-DAC Study Group is created to promote dialogue and co-operation in development efforts in Africa. This forum for dialogue and mutual learning enables DAC donors and China to share lessons from their experiences and approaches in the continent.



2008

THE ACCRA AGENDA FOR ACTION

Designed to strengthen and deepen implementation of the Paris Declaration (see Box 3), the Accra Agenda for Action (AAA) takes stock of progress and sets the agenda for accelerated advancement towards the 2010 targets. The AAA represents an unprecedented alliance of more than 80 developing countries, DAC donors, some 3 000 civil society organisations, emerging economies, United Nations and multilateral institutions, and global funds. It proposes three main areas for improvement:

Ownership: Countries have more say over their development processes through wider participation in development policy formulation, stronger leadership on aid co-ordination and more use of country systems for aid delivery.

Inclusive partnerships: All partners – including DAC donors and developing countries, as well as other donors, foundations and civil society – participate fully.

Delivering results: Aid is focused on real and measurable impact on development.

Capacity development – to build the ability of countries to manage their own future – also lies at the heart of the AAA.

ACCRA AGENDA FOR ACTION

At the Accra High Level Forum on Aid Effectiveness, developed and developing countries endorse the Accra Agenda for Action. (See Box 2.) In doing so, developing countries commit to taking control of their own future, donors pledge to coordinate better amongst themselves and all agree to be more accountable to each other – and to their citizens.

STRENGTHENING FRAGILE STATES

A model for donors working with conflict-ridden states – developed by the DAC and the World Bank Learning and Advisory Process on Difficult Partnerships – is formally adopted as the DAC Principles for Good International Engagement in Fragile States and Situations.

GROWTH THAT BENEFITS THE POOR

The DAC endorses guidance to help donors increase the impact of growth on poverty reduction (Promoting Pro-Poor Growth), focusing on areas that are important for long-term and sustainable poverty reduction: the private sector, agriculture and infrastructure.

AID FOR TRADE

The World Trade Organization (WTO) and OECD launch an initiative to promote more and better aid for trade, emphasising the central role that trade can play in reducing poverty. The initiative encourages developing countries to take charge of their trade-related aid needs and promotes open and transparent dialogue on what works and what doesn't, based on the Paris Declaration. (See Box 3.)

REVIEW OF DEVELOPMENT EFFECTIVENESS

In 2005 – following a request from African Heads of State – the United Nations Economic Commission for Africa and the DAC develop a Mutual Review of Development Effectiveness. Through this biennial consultation, African leaders and policy makers engage with OECD counterparts to assess commitments, monitor performance and identify good practice on the continent.

Meanwhile...

The United Nations Millennium+5 Summit and the Gleneagles G8 Summit rally commitments by many donors to increase ODA by 2010.



2005

AID RECIPIENTS REDEFINED

The DAC approves a new, simplified List of Recipients of Official Development Assistance (see Highlight 26). It includes all low- and middle-income countries, except those that are members of the G8 or the European Union. It also excludes countries with a firm date for EU admission.

Meanwhile...

As an OECD contribution to the United Nations World Summit, the OECD Ministerial Council approves a Statement on Making Poverty Reduction Work, outlining what the OECD and its members bring to the international development effort.



2005

SECURITY SYSTEM REFORM

The DAC deepens existing research on the challenges of where development and security meet (2001) with the Guidelines on Security System Reform and Governance. This authoritative work paves the way for ground-breaking co-operation across government sectors – judicial, police and the armed forces – to tackle critical problems in conflict-affected, fragile states.

PARIS DECLARATION ON AID EFFECTIVENESS

Beyond its principles on effective aid, the Paris Declaration lays out a practical, action-oriented roadmap to improve the quality of aid and its impact on development by 2010. It puts in place a series of specific implementation measures and establishes an international monitoring system to ensure that donors and recipients hold each other accountable for their commitments – a feature that is unique among international agreements. The Paris Declaration's 56 partnership commitments are organised around five fundamental principles for making aid more effective:

Ownership: Developing countries set their own strategies for development, improve their institutions and tackle corruption.

Alignment: Donor countries bring their support in line with these objectives and use local systems.

Harmonisation: Donor countries co-ordinate their action, simplify procedures and share information to avoid duplication.

Managing for results: Developing countries and donors focus on producing – and measuring – results.

Mutual accountability: Donor and developing country partners are accountable for development results.

THE PARIS DECLARATION

At the Paris High Level Forum, over 100 developed and developing countries endorse the Paris Declaration on Aid Effectiveness, agreeing to tackle issues that have hampered development for decades. (See Box 3.)



A COALITION OF THE WILLING

Growing out of the DAC Task Force on Donor Practices (see Highlight 39), the Working Party on Aid Effectiveness has grown from its origins as a forum for donors to become a widely inclusive international partnership. Its 80 members include representatives from bilateral, multilateral and emerging donors, developing country governments, civil society organisations, international aid initiatives, and the public and private sectors. Their shared aim is to make aid work better. Hosted by the DAC, the Working Party on Aid Effectiveness is the forum behind the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action. (See Boxes 3 and 2.)

DONORS ALIGN TO COUNTRY NEEDS

At the High Level Forum on Harmonisation (Rome), the Rome Declaration on Harmonisation is adopted to promote donor co-ordination of aid efforts, tailored to meet the most pressing development needs of recipient countries. The DAC Task Force on Donor Practices – which becomes the Working Party on Aid Effectiveness (see Box 4) – is created as an open forum for donors to share experiences and expertise.

POLICY COHERENCE FOR DEVELOPMENT

Achieving global prosperity through economic development has been at the heart of the OECD's work since its foundation. In an interdependent global economy, aid is only one component of development. The OECD works to support policies in diverse areas, including agriculture, trade, investment and migration.

When policies in different areas conflict, their positive impact on developing countries is weakened – or can turn negative. The OECD initiative on policy coherence for development promotes coherent, whole-of-government approaches that ensure sound design of institutional frameworks at all stages of policy making. In June 2008, OECD ministers adopted the OECD Declaration on Policy Coherence for Development.



BOOSTING AID QUANTITY AND QUALITY

With the Monterrey Consensus reached at the International Conference on Financing for Development (Monterrey, Mexico), donor countries pledge substantial increases in aid by 2006, and developing countries recognise the importance of creating an enabling environment for investment. The DAC approves six Good Practice Papers on Harmonising Donor Practices for Effective Aid Delivery.

Meanwhile...

The Statement on Policy Coherence for Development – Action for a Shared Development Agenda is adopted by the OECD Council. (See Box 5).

UNTYING AID FOR THE POOREST

The DAC Recommendation on Untying ODA to Least Developed Countries encourages further untying of aid in the countries most in need. (See Box 7.) It does not apply, however, to free-standing technical co-operation and food aid.

Meanwhile...

To reinforce co-ordination among OECD development units, the OECD creates the Development Group comprising the Development Co-operation Directorate, the Development Centre, the Centre for Co-operation with Non-Members, and the Sahel and West Africa Club. This group later takes the name of the Development Cluster (2002).

DEVELOPMENT AND SECURITY

The DAC issues Guidelines on Helping Prevent Violent Conflict, including the seminal DAC Guidance on Conflict, Peace and Development Co-operation. Developed in the late 1990s, this guidance provides the basis for two special DAC meetings on the complex reconstruction and relief challenges of Afghanistan (2002) and Iraq (2003), bringing seemingly polarised players to the table around common concerns for peace and security.

REDUCING POVERTY

The DAC adopts the Guidelines on Poverty Reduction, building consensus on the central role of poverty reduction in aid agency strategies and pioneering the use of a multidimensional and interdisciplinary perspective.



2001

GENDER IN THE 21ST CENTURY

During a United Nations Special Session, Women 2000: Gender Equality, Development and Peace for the 21st Century, the DAC contributes a plan for mainstreaming gender into development – a critical precondition for achieving the international development goals.

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2000

THE DAC AND THE MILLENNIUM DEVELOPMENT GOALS

In its 1995 Statement on Development Partnerships in the New Global Context, the DAC called for a comprehensive development strategy with poverty reduction at its core. In doing so, it laid the ground for the elaboration of the Millennium Development Goals (MDGs).

The DAC recognised that such a strategy could only be implemented through close partnerships among the wider development community. After intense research, consultation and dialogue, in 1996 it brought together a set of concrete, medium-term goals – based on recommendations of major United Nations conferences – in *Shaping the 21st Century: The Contribution of Development Co-operation*. (See Highlight 30.)

This report called for wide international partnership to:

- reduce by one-half the proportion of people living in extreme poverty by 2010
- provide universal primary education in all countries by 2015
- eliminate gender disparity in primary and secondary education by 2005
- reduce mortality rates for infants and children under the age of five by two-thirds, and for mothers by three-fourths, by 2010

- provide access for all individuals of appropriate ages to reproductive health services no later than 2015
- put in place national strategies for sustainable development by 2005 so as to effectively reverse negative trends in the loss of environmental resources at both national and global levels by 2015

Impressive consensus emerged in the international community around these goals, culminating in a joint report by the International Monetary Fund (IMF), OECD, United Nations and World Bank entitled *A Better World for All: Progress towards the International Development Goals*. Published on the eve of the 2000 United Nations Millennium Summit, *A Better World for All* was hailed as "...a common framework to guide our policies and programmes and to assess our effectiveness."

In September 2000, the Millennium Declaration and the Millennium Development Goals were adopted as a universally agreed-upon vision to guide international development co-operation.

MDGs

A BETTER WORLD FOR ALL

On the eve of the United Nations Millennium Summit, the International Monetary Fund (IMF), OECD, United Nations and World Bank jointly publish *A Better World for All: Progress towards the International Development Goals*. (See Box 6.) The DAC endorses this report and adopts a Policy Statement on Partnership for Poverty Reduction: From Commitment to Implementation, outlining key actions to achieve these agreed goals.

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2000

FOCUS ON STATISTICS, GENDER EQUALITY

The DAC leads the establishment of the Partnership in Statistics for Development in the 21st Century, PARIS21 in short. This network of countries, organisations, agencies and individuals helps developing countries overcome the challenges of producing, analysing and using sound, transparent data. In this same year, the DAC issues Guidelines for Gender Equality and Women's Empowerment in Development Co-operation.

Meanwhile...

Greece joins the DAC.

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1999

MEASURING PROGRESS

The DAC introduces a set of indicators to demonstrate progress towards internationally agreed development goals, measured against a 1990 baseline. These indicators – reflecting the recommendations of donors, developing countries, multilateral organisations and international experts – build momentum towards the adoption of the Millennium Development Goals in 2000. (See Box 6.)



1998

SHAPING THE 21ST CENTURY

Continuing its emphasis on people-centred development, local ownership, global integration and international partnership, the DAC designs a strategy for “a new global partnership with developing countries [...] to achieve global results”. *Shaping the 21st Century: The Contribution of Development Co-operation* gathers strong consensus around a series of goals for global development. (See Box 6.)



INVOLVING THE PRIVATE SECTOR

The DAC Orientations for Development Co-operation in Support of Private Sector Development encourages aid agencies to involve this sector in creating wealth and reducing poverty as a means of fostering dynamic market-based economies in developing countries.

Meanwhile...

The DAC launches a self-reflection exercise to help prepare development co-operation strategies for the 21st century.



1995

DEVELOPMENT FOR AND BY PEOPLE

Reinforced by a detailed survey of DAC members' policies and practices, the DAC issues the Guidelines on Participatory Development and Good Governance, giving a high-level profile to this issue. The DAC High Level Meeting also adopts the far-reaching Policy Statement on Gender Equality: Moving towards Sustainable, People-Centred Development, which makes gender equality a strategic objective for development co-operation.



DEVELOPMENT IN A NEW CONTEXT

With the adoption of the Statement on Development Partnerships in the New Global Context (see Box 4), the DAC reaffirms its commitment to putting developing countries directly in charge of managing their own integrated development strategies – to address economic, social, political and environmental factors, built on solid foundations of democratic accountability, protection of human rights and rule of law.

AID RECIPIENTS: WHO QUALIFIES?

With emerging aid recipients in Eastern Europe and the former Soviet Union, diversification among developing countries and new development challenges such as environmental sustainability and security, the DAC revises its List of Developing Countries and Territories. A new two-part DAC List of Aid Recipients distinguishes between countries in transition, where aid is not counted as ODA, and developing countries and territories. In 2005, the DAC returns to a single List of Recipients of Official Development Assistance. (See Highlight 42.)

Meanwhile...

Mexico and the United Nations Development Programme (UNDP) become DAC observers.

POLICY-ORIENTED AID

With the Principles for Programme Assistance, DAC members underline the increasing trend to provide budget support – that is, cash, commodities and sector-based aid – as opposed to stand-alone projects. These principles emphasise the need for appropriate policies in developing countries, as well as the long-term objectives of strengthening developing countries' administrations and financial self-reliance.

Meanwhile...

Spain joins the DAC, Portugal re-joins.

Luxembourg joins the DAC (1992).



1991

REGULATING TIED AID

To complement work on untying aid (see Box 7), the DAC teams up with the export credit community to issue New Disciplines for Tied Aid and Associated Financing. These prohibit the use of tied aid credits for commercially viable projects, as well as in better-off developing countries, and require international competitive bidding for large projects.



TARGETING THE ENVIRONMENT

OECD development and environment ministers endorse the Guidelines on Aid and Environment – a series of principles developed by the DAC to address environmental threats such as climate change, ozone layer depletion, deforestation and deteriorating water supply. Donors pledge to target financial support to ensure sustainable development.

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1991

GENDER EQUALITY

The DAC Guidelines on Women in Development signal that attaining sustainable development is only possible when the needs and interests of both men and women are fully recognised in the planning and implementation of projects and programmes.

Meanwhile...

The OECD establishes the Centre for Co-operation with European Economies in Transition (1990).

FAIR AID

To ensure that aid does not lead to unfair trade competition – and that it goes to priority development projects – the DAC agrees on Guiding Principles for Associated Financing and Tied and Partially Untied Development Assistance. (See Box 7.)

AID AND THE ENVIRONMENT

The OECD Council calls for the thorough assessment of the potential environmental impact of aid projects and programmes. The resulting Recommendation on Measures Required to Facilitate the Environmental Assessment of Development Assistance Projects and Programmes stresses the need to ensure appropriate staff and financing, and to build local capacity.



VALUE FOR MONEY

To ensure value for money, the DAC sets out Good Procurement Practices for Official Development Assistance (see Box 3) to encourage competition among suppliers of goods and services supported by aid. These recommendations are supplemented in 1997 when the DAC adopts a recommendation on tackling corruption in procurement.

DEVELOPING COUNTRIES IN THE LEAD

The DAC High Level Meeting adopts Guiding Principles on Aid for Improved Development Policies and Programmes and Implications for Aid Co-ordination, acknowledging that recipient governments have the central responsibility for co-ordinating aid and that the role of international organisations is to promote effective development strategies and programmes for improved aid co-ordination.



THE DAC AT 25

The DAC publishes *Twenty-Five Years of Development Co-operation*, tracing aid volumes and major policy developments to assess the effectiveness of aid. Despite setbacks in sub-Saharan Africa and some countries in Latin America, the report finds that many developing countries have achieved remarkable economic and social growth and that aid, accompanied by growing exports to OECD countries, has significantly contributed to these gains.

Meanwhile...

Ireland joins the DAC.



1985

IMPROVING DONOR CO-ORDINATION

To promote better aid co-ordination and policy, the DAC steps up its agreements with the Bank for International Settlements (BIS), the World Bank and the United Nations Development Programme (UNDP). The first annual OECD External Debt Statistics are published, based mainly on OECD/BIS combined data.



WOMEN IN DEVELOPMENT

With the Guiding Principles to Aid Agencies for Supporting the Role of Women in Development – the foundation of later work (see Highlight 22) – the DAC affirms that development “must involve the full participation of both men and women to be effective. Substantial gains will only be achieved with the contribution of both sexes.”

DEVELOPING-COUNTRY DEBT

The international debt crisis marks the beginning of a long process of policy reform and structural adjustment by developing countries. The Development Co-operation Directorate publishes the first survey of external debt of developing countries.



1982

GUIDELINES FOR BETTER AID

The DAC conducts an in-depth comparative review of the aid procedures of DAC agencies and adopts the Guidelines for Improving Aid Implementation. The DAC also adopts Guidelines on Local and Recurrent Cost Financing, which introduce an important new element of flexibility in the policy of development co-operation financing.

HIGHER BENCHMARKS FOR AID

DAC members agree to strengthen the Recommendation on Terms and Conditions of Aid (see Highlight 5), raising the required grant element of each member's total ODA to 86% and establishing higher benchmarks for their aid to the least developed countries.



MEETING BASIC HUMAN NEEDS

The DAC High Level Meeting adopts a Statement on Development Co-operation for Economic Growth and Meeting Basic Human Needs, which places emphasis on their essential role in economic growth. Because programmes supporting basic human needs are likely to have high local costs in developing countries, DAC members adopt the DAC Guidelines for Local Cost Financing.

Meanwhile...

The OECD Sahel and West Africa Club is created at an inaugural session in Dakar.



1977

ENGAGING ALL ACTORS

The OECD Ministerial Council adopts the Declaration on Relations with Developing Countries and establishes an Ad Hoc High-Level Group on Economic Relations between Member Countries and Developing Countries. Also in this year, the DAC holds a first meeting on the integration of women in development, with two priorities: securing decent standards of health, nutrition and housing for women; and incorporating women in economic, social, political and decision-making processes.

Meanwhile...

Finland joins the DAC.



UNTYING AID: THE RIGHT TO CHOOSE

Tied aid describes official grants or loans that stipulate that procurements with those funds must be used to purchase services, goods or works from companies in the donor country. Because of this, tied aid often prevents recipient countries from ensuring best value for aid money.

Untying aid – removing the legal and regulatory barriers to open competition for aid-funded procurement – generally increases aid effectiveness by reducing transaction costs, increasing value for money and allowing recipient countries to make their own choices. It also encourages donors to align their aid programmes more fully with the objectives and financial management systems of recipient countries.

From 1999-2001 to 2008, the proportion of untied bilateral aid rose progressively from 46% to 82%.

82%

UNTYING AID

Ten DAC members subscribe to a Memorandum of Understanding on Untying Bilateral Development Loans in Favour of Procurement in Developing Countries, encouraging other bilateral donors to increasingly untie their bilateral development loans. (See Box 7.)

Meanwhile...

Portugal withdraws from the DAC and requests to be included on the DAC List of Developing Countries.



OFFICIAL DEVELOPMENT ASSISTANCE

Official development assistance (ODA) flows consist of concessional official financing that have as their main objective the promotion of the economic development and welfare of developing countries. ODA flows comprise contributions made by donor government agencies at all levels to developing countries (“bilateral” flows) and to multilateral institutions. To be considered as concessional, flows must meet a minimum grant element, calculated using a specific discount rate. The minimum grant elements and discount rates are differentiated by income group (45% for LDCs and other LICs using a 9% discount rate, 15% for LMICs using a 7% discount rate, 10% for UMICs using a 6% discount rate and 10% for loans to multilateral institutions using a 5% discount rate for global institutions and multilateral development banks, and 6% for other organisations).

The headline measure of ODA records the grant equivalents, not the flows. The grant equivalents are obtained by multiplying the annual disbursements on the loan by the loan’s grant element.

The DAC is the authoritative monitoring hub for its member countries’ ODA, maintaining a comprehensive statistical database and publishing regular reports that serve as the basis for ODA references, analyses and comparisons.

TRACKING ODA

The DAC adopts a firmer definition of ODA as part of the revised DAC Terms Recommendation (see Highlight 5), which sets an overall financial target for each DAC member's ODA programme at 84% grant element. Special terms are recommended for least developed countries.

Meanwhile...

New Zealand joins the DAC (1973).



WHAT IS AID?

The DAC adopts the concept of ODA (see Box 8), which separates aid funds from other official flows. The annual DAC Chair's report publishes first-time figures on ODA as a percentage of gross national product (GNP).

Meanwhile...

Switzerland joins the DAC.



1969

REPORTING ON AID

The OECD Council approves the Expanded Reporting System on External Lending, a joint project by the OECD and the International Bank for Reconstruction and Development (IBRD) that will serve as the basis for the Creditor Reporting System (CRS), the DAC database on individual countries' aid activities.

Meanwhile...

Australia joins the DAC.



THE 0.7% TARGET

The best known target in international aid is to raise ODA to 0.7% of donors' national income.

A target of 1% was first suggested by the World Council of Churches in 1958 and during the 1960s, all DAC members subscribed to it. But it had a major flaw: this target was based on total flow of official and private resources to developing countries, but governments could not control or predict private capital flows, nor could they adjust official flows to compensate for fluctuations in private flows.

Efforts were made to correct this flaw by elaborating a sub-target for official flows. Based on work by the Nobel-Prize-winning economist Jan Tinbergen, a target of 0.75% of national income was proposed; it was accepted by some donors at the Second United Nations Conference on Trade and Development in 1968.

In 1969, the Pearson Commission's report *Partners in Development* proposed a target of 0.7% of donor GNP, to be reached "by 1975 and in no case later than 1980." This was taken up in a United Nations resolution on 24 October 1970.

The 0.7% target built on the DAC's 1969 definition of ODA (See Highlight 7). This definition was later tightened (see Highlight 8) by establishing a minimum grant element required for loans.

DAC members generally accepted the 0.7% target for ODA with some notable exceptions: Switzerland – not a member of the United Nations until 2002 – has not adopted the target, and the United States does not subscribe to specific targets or timetables, although it supports the more general aims of the resolution.

With the revised System of National Accounts in 1993, gross national product was replaced by gross national income (GNI), an equivalent concept. DAC members' performance against the 0.7% target is therefore now shown in terms of ODA/GNI ratios.

The 0.7% target has been repeatedly endorsed at the highest level. In 2005, the 15 countries that were members of the European Union by 2004 agreed to reach the target by 2015. It also served as a reference for 2005 commitments to increase ODA made at the G8 Gleneagles Summit (2005) and the United Nations World Summit (2005).

0.7%

AID QUANTITY AND QUALITY

A new DAC Recommendation on Financial Terms and Conditions commits members to offering softer terms on development loans and reducing the tying of their aid. (See Box 7) DAC members reaffirm their support for the target of providing 1% of their national product in assistance and capital to the developing world. (See Box 9.)

Meanwhile...

Austria and Sweden join the DAC.



1965

TERMS AND CONDITIONS OF AID

The DAC adopts a Resolution on the Terms and Conditions of Aid, recommending that DAC members ensure that the terms of aid are adapted to the circumstances of each developing country or group of countries. This will serve as the basis for the first Recommendation on Financial Terms and Conditions (1965), setting the standards for official development assistance (ODA). (See Box 8)

Meanwhile...

Denmark joins the DAC.



1963

IMPROVING AID

The DAC launches regular reviews of its members' development assistance efforts and policies. The first annual DAC High Level Meeting is convened in July to examine the conclusions of the first Aid Reviews (now known as Peer Reviews). The DAC issues agreed Directives for Reporting Aid and Resource Flows to Developing Countries on a comparable basis. The DAC Chair also issues the first annual Development Co-operation Report.

Meanwhile...

The OECD establishes the Development Centre, which comes into operation in 1964.



1962

DAC ESTABLISHED

Following the OECD's entry into operation in September 1961, the DAG becomes the Development Assistance Committee (DAC), holding its first meeting on 5 October 1961. The OECD Development Department is created, consisting of two branches: the Development Finance Branch, and the Technical Co-operation Branch. The Development Finance Branch later becomes the Development Assistance Directorate (DAD, 1969), and then the Development Co-operation Directorate (DCD, 1975), which acts as the operational arm of the DAC.

Meanwhile...

The United Nations General Assembly designates the 1960s as the United Nations Development Decade, setting two specific objectives: to achieve, by 1970, a rate of growth in developing countries of 5% *per annum*; and to increase international assistance and capital flows to developing countries to “approximately 1% of the combined national incomes of the economically advanced countries.”



DEVELOPMENT ASSISTANCE GROUP

On 13 January 1960, the Development Assistance Group (DAG) is created as a forum for consultations among donors on assistance to developing countries. The DAG is part of an extraordinary surge in aid-related institutional developments, which have laid the foundation for the current aid system.

DAG members in 1960...

Belgium, Canada, France, Germany, Italy, Portugal, the United Kingdom, the United States, the Commission of the European Economic Community, Japan, and the Netherlands.



1960

THE DAC AT A GLANCE

DAC Chairs by year of appointment

1961	James W. Riddleberger
1963	Willard L. Thorp
1967	Edwin M. Martin
1974	Maurice J. Williams
1979	John P. Lewis
1982	Rutherford M. Poats
1986	Joseph C. Wheeler
1991	Alexander R. Love
1994	James H. Michel
1999	Jean-Claude Faure
2003	Richard G. Manning
2008	Eckhard Deutscher
2011	J. Brian Atwood
2013	Erik Solheim
2016	Charlotte P. Gornitzka
2018	Susanna Moorehead

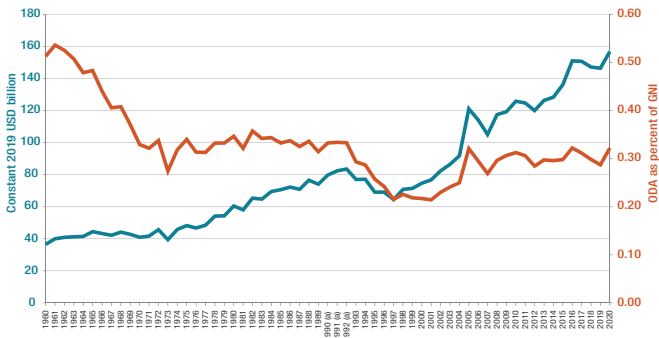
THE DAC AT A GLANCE

DAC members by year of membership

1960 (DAG)	Belgium, Canada, European Commission, France, Germany, Italy, Japan, the Netherlands, Portugal*, United Kingdom, United States
1962	Norway
1963	Denmark
1965	Austria, Sweden
1966	Australia
1968	Switzerland
1973	New Zealand
1975	Finland
1985	Ireland
1991	Portugal*, Spain
1992	Luxembourg
1999	Greece
2010	Korea
2013	The Slovak Republic, the Czech Republic, Poland, Slovenia, Iceland
2016	Hungary

*Portugal joined the DAC in 1960, withdrew in 1974 and re-joined in 1991.

OFFICIAL DEVELOPMENT ASSISTANCE (ODA) FLOWS OVER 60 YEARS



(a) Total DAC excludes debt forgiveness of non-ODA claims in 1990, 1991 and 1992.

1960-1972: Post-war prosperity sees aid flows hold steady

From 1960 to 1972, a period of considerable post-war economic growth for both developed and developing countries, total net ODA from members of the DAC remained steady, but fell as a share of donors' rising GNI. In 1969, the DAC defined ODA and in 1970, the UN General Assembly adopted the ODA/GNI target of 0.7%.

1973-1979: Despite oil crises, ODA volumes increase

Despite two oil price shocks in this period, and growth of output slumping from 4.9% for developed countries to 0.9% and from 7.2% to 4.9% for developing countries, the volume

of ODA actually grew by 38% in real terms from 1973 to 1979. Additionally, the ODA/GNI ratio stayed level throughout these years.

1980-1989: Debt crises don't stop ODA growth

The 1980s brought a succession of sovereign defaults and a fall in private lending. Growth did not recover to previous levels in developed or developing countries. Despite economic volatility, ODA rose by 22% in real terms between 1982 and 1990. In this decade, the annual average growth of ODA and GDP were similar, increasing by about 3% per year.

1990-1999: Geopolitical cooling sees ODA volumes fall

In the early 1990s, global GDP growth dropped while the end of the Cold War meant that geopolitical competition declined, with a high impact on ODA. ODA volumes decreased by 19% in real terms between 1990 and 1997 and from 0.33% of GNI in 1990 to 0.22% in 1997. The annual average growth rate of ODA was -0.20%, compared to an annual average GDP growth rate of 2.7%. The aid quality, effectiveness and results agenda started to gather momentum.

2000-2010: High political will makes it the most generous decade for ODA

After the Millennium Development Goals were agreed upon in 2000, ODA began to rise again. Commitments made by heads of state at the Monterrey Conference on Financing for Development (2002) and the Gleneagles G7 summit (2005) led to a 60% increase in ODA in real terms. Annual average ODA growth was 5.7% compared to GDP at 1.8%. The impact of the 2008 global financial crisis did not affect overall levels until the following decade.

2011-2019: ODA budgets tighten before rebounding

ODA rose at a slightly higher rate (2.5%) than GDP (2.2%). ODA volumes and share of GNI fell by 1% in real terms in 2011 and 4% in 2012, showing a lagged effect of the financial crisis. ODA rebounded again in 2013, reaching its peak in 2016, mainly due to rising in-donor refugee costs. While ODA volumes fell slightly in 2017 and 2018, there were positive signs of renewed focus on the poorest countries in 2019 – with an increase in commitments for this objective.

2020: COVID-19 spending helps to lift foreign aid to an all-time high

In 2020, total ODA by DAC countries reached its highest level ever recorded at USD 161 billion, representing 0.32% of DAC countries' combined GNI. The increase was in part due to DAC members' support of an inclusive global recovery in light of the COVID-19 pandemic and in part due to an increase in bilateral sovereign lending by some loan-giving members.

DAC @ 60 YEARS



OECD

BETTER POLICIES FOR BETTER LIVES



FOR MORE INFORMATION VISIT:

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DAC
@
60
YEARS