"We are committed to shaping globalisation to the benefit of all, and ensuring that the poorest are not left behind. We recognise the need, nationally and internationally, to bring greater coherence across the range of policies that impact on the achievement of this goal. Trade, investment and development policies, in particular, have a vital contribution to make to sustainable development and poverty reduction: strengthening policy coherence among these areas deserves special attention."[1]

1. Policy coherence for development – what is it, why is it important and what does it mean in an operational sense?

Accelerating progress on development, and meeting the Millennium Development Goals (MDGs[2]), depends on the interaction and effectiveness of a wide range of policies (international relations, economic, social, environmental) and on the actions of all stakeholders (government, business, civil society) in both developed and developing countries. Development co-operation has a crucial role to play, working together with partner countries, to promote their development, but it does not and cannot operate in a vacuum. Crucial for the effectiveness and impact of development co-operation policies is how they link up with and support the actions and efforts of other policy communities in both developed and developing countries. The more this can be done, the greater will be the effectiveness of development co-operation; the more that development co-operation has to work *against* the impacts of other policies or leave them aside, the lesser will be its impact.

An evident example illustrates this point. Total ODA to the developing countries in 2000 amounted to USD 50 billion. Developing countries' cumulative benefits from more open trade (from removal of barriers to access and from greater productivity), if realised, are estimated to be in the order of USD 500 billion.[3] And foreign direct investment to the developing countries totalled USD 120 billion in 2000, although very little of that goes to the poorer developing countries. But if the development, trade and investment policy communities can better link up their policies in mutually reinforcing ways, the contribution to development and to meeting the MDGs will be vastly superior. That contribution is not only related to the monetary value of increased external financing for development but equally to its impact on employment and income (which have concrete and direct impacts on poverty), the transfer of technology and

1. Towards a Sustainable Future – Communiqué of the OECD Council Meeting at Ministerial Level, May 2001.
2. See the special module at the end of Part II of this report for details.
3. See "The Development Dimensions of Trade" (OECD, 2001).

management skills and integration into global markets. Similarly, in developing countries, unless there are solid foundations for peace and for good governance, or when there is systemic corruption, the aid effort will be devalued or even negated.

What do we mean by better linking up policies to promote policy coherence for development? Particularly with an eye on aid effectiveness, policy coherence means different policy communities working together in ways that result in more powerful tools and products *for all concerned*. It means looking for synergies and complementarities, and filling gaps, between different policy areas to meet *common and shared objectives*. If efforts to promote policy coherence are seen by other policy communities as "interference" in or diversion of their own policy objectives and agendas, the needed "buy-in" as equal partners won't happen and *mutually reinforcing approaches* and *cumulative value added* won't materialise. All policy communities will generally recognise poverty as a "global public bad" because of its implications for political instability, environmental degradation, disruptive migrations and other dysfunctions and disorders. But this is not at all tantamount to them accepting poverty reduction as their overriding policy objective.

While some OECD Members have been able to make important strides in this direction, it must be recognised that this is not seen by others as the most appropriate or feasible approach. A pragmatic view of policy coherence is therefore likely to be one of a *two-way street* between different policy communities. In this view, coherence goes beyond integrating the development dimension into the work of other policy communities to look at integrating the findings of those communities into development co-operation policies. This approach therefore looks to identify and exploit synergies and complementarities that are advantageous to all concerned and where the policies and outputs are mutually reinforcing.

Policy incoherence (contradictory policies) does exist and it can have substantial negative impacts on what any given policy seeks to achieve. There are many obvious examples in the trade, agriculture, conflict, environment and other areas. An obvious example is where countries spend important amounts of ODA to strengthen trade capacities in developing countries while at the same time restricting access to their markets. However, such forms of policy incoherence are often long-standing and politically difficult to resolve in ways that are mutually satisfactory to all stakeholders. They are generally dealt with through policy prioritisation. Where there is obvious policy incoherence, perhaps the most that can be done, at least in the short run, is to ensure that policy priorities are set with full awareness of their implications for other policy areas.

A more pragmatic, productive and operational approach to policy coherence is thus one that looks to *exploit convergent interests*. For example, in the trade area, aid agencies' efforts to work with trade ministries to improve the broader environment in which such negotiations take place are likely to be more fruitful. An obvious example here would be to strengthen the tools and support for trade capacity building (in areas such as negotiating skills and supply-side responses) to improve the likelihood that potential benefits from more open trade are actually realised (see Section 2 below). Trade capacity building will be particularly important in the post-Doha period as developing countries will require assistance in implementing the agreements reached in the context of national development and poverty reduction strategies.

Policy coherence has many dimensions, both in terms of substantive policy areas and the stakeholders involved. It is an issue in all areas of public policy. For development co-operation, it is relevant for the ways in which donors (bilateral and multilateral) work with each other and with partner countries for shared objectives, for how individual aid agencies work with other policy communities in capitals, and for how it is promoted in the DAC and in the other policy communities in the OECD.

The remainder of this chapter discusses some of these key dimensions – specific examples of what policy coherence means in practice for some key areas such as poverty reduction, trade and aid untying (Section 2), and how it is being applied in the OECD to guide and strengthen the development dimension in OECD work (Section 3).

2. Policy coherence at work

This section sets out some specific examples of how the DAC, working with Member countries and with other policy communities in the OECD, is trying to promote policy coherence to enhance the effectiveness of ODA.

a) Policy coherence and the Millennium Development Goals

The concept of coherence across the spectrum of policy areas has received attention in OECD work over many years. Its linkage with development goals has come more recently, with widespread political acceptance and support of the poverty reduction objective at the highest levels of the international community. In 1996, the DAC established the International Development Goals, including that of reducing the incidence of extreme poverty by half by 2015. The IMF, the World Bank and the United Nations have since adopted the goals as a common frame of reference. The goals have now been updated and repackaged as the Millennium Development Goals (MDGs), taken from the Millennium Declaration by the UN General Assembly and including a range of multidimensional poverty reduction indicators.

OECD political leaders have recognised poverty as a global public "bad", not only on economic and humanitarian grounds but also as a source of dysfunction and disorder in developing societies and in the world generally. The resulting political instability, environmental degradation, disruptive migrations and similar phenomena pose threats to the interests of OECD Member countries.

Critics of globalisation, both within and outside the OECD area, see poverty in the midst of plenty as the most prominent manifestation of globalisation's uneven effects. Many of its proponents, too, are well aware that rapid economic change on a global scale can produce both winners and losers. When asymmetrical economic growth generates income inequality, it can marginalise both the poorest countries and substantial proportions of populations in middle-income developing countries. When such effects occur, they imperil globalisation and its manifold benefits.

Policy coherence has an important contribution to play if globalisation is to work for all. Coherent policies can overcome the asymmetries that creep into the globalisation process, often because of policy incoherence in both developed and developing countries. With its profound benefits of growth and economic integration, globalisation, managed properly, is a friend, not an enemy of poverty reduction. In promoting policy coherence for poverty reduction, developed countries aim to generate broader confidence and support for globalisation as a process that increases welfare in the world at large.

A wide range of policies of developed countries bears directly on developing countries. If coherent, they can help to reduce poverty. It is axiomatic that coherent policies are more effective than incoherent ones, but the challenge is not a small one. Most governments do not systematically promote coherence in policy formulation across ministerial or departmental lines. Officials and institutions, unless driven by inescapable instructions from centres of government and held accountable for coherent results, guard their territories reflexively.

Strengthening policy coherence for development has proven complex and difficult for two essential reasons. First, and until recently, the objective itself has not had a very high political profile, and few arms of government other than aid agencies in most OECD Member countries perceived that they had much, if any, stake in it. The specific issues most often involve domestic interest groups and government agencies with primary goals other than global poverty reduction. Disagreement may occur between efforts to meet the demands of domestic interests and international commitments such as the Millennium Declaration. Generally, policy coherence for poverty reduction abroad tends to correlate with its domestic political support or lack of it. Second, development agencies often hold weak positions compared with other government entities and public or private interests associated with issues like trade, investment, agriculture and national security, on which coherence efforts could be productive.

For those directly responsible for poverty reduction, the test of coherence lies in the impact of any set of policies on the MDGs. Assessing progress requires criteria and knowledge about the mechanisms that link a particular policy to international poverty. It needs careful analysis of each policy's role, its impact on poverty and where within governments it can be changed to enhance coherence. Such analysis requires adequate resources in both aid agencies and other policy communities. Its results should form part of the brief to policy makers engaged in inter-ministerial deliberations and international negotiations.

The ensuing policy adjustments for greater coherence – some but not all of which may be fairly easy to accomplish once an effort is made and incoherence comes into focus – will likely emerge from a political process. Easy or not, however, the key task is to make the case for them. That demands solid analysis, serious efforts to transmit the necessary knowledge to policy makers and stakeholders, and attention to providing reliable information to the media and civil society, who play a major role in informing and educating the public.

b) Trade and development

Bringing developing countries more fully into the multilateral trading system is a shared objective for both the trade and the development policy communities. From a trade perspective, it is recognised that the multilateral trade system needs to better address developing concerns in areas such as market access and capacity building (both at institutional and supply side levels).[4] From a development perspective, trade will play a central role in reducing poverty through its growth, employment and income generation effects as well as in mobilising the required financing to underpin the MDGs and the Heavily-Indebted Poor Countries (HIPC) process.

In a broad development context, trade policy alone is not enough. Trade policy needs to be accompanied by a range of other policies – be they, for example, in respect of policies that foster education and aim to achieve macroeconomic stability, good governance or sound environmental practice. The role of development co-operation in fostering capacity building within the poorest countries is also a vital component of efforts to improve market access (see Box II-1). Moreover, trade liberalisation requires the adoption of complementary policies that reinforce social cohesion by minimising adjustment costs of trade liberalisation. This includes, *inter alia*, providing hard and soft infrastructure, and social safety nets, and fostering the emergence of conflict resolution practices.

Trade liberalisation holds great promise for stimulating growth in developing countries. But there is still much to do to turn the potential benefits of trade into concrete actions that have a real impact on development and poverty reduction, as the following examples illustrate:

- *Tariff reform*: Ample room still exists for additional tariff reform, despite decades of successive reductions that have brought average tariffs in the OECD area to historically low levels. At issue, mainly, are two kinds of anomalies that signal developed country protection against poor country exports. They have developed over time because earlier trade rounds focused more on tariff bargaining among OECD countries. They consist of high individual *tariff peaks* on specific agricultural and industrial goods, and *tariff escalation*, under which higher rates apply to finished products than to raw or semi-finished materials.

- *Non-Tariff Barriers* (NTBs): These embrace most of the other so-called "market access" issues in trade negotiations. Some developing nations have expressed particular concern with the existing rules (*e.g.* anti-dumping, countervailing duties, safeguards, and technical barriers to trade) and contemplated rules (*e.g.* in respect of trade and environment). In some cases, concerns are expressed about the inadequacy of provisions to safeguard the interests of developing countries. Opportunities for trade and investment liberalisation abound in fields such as product standards, domestic regulation and government procurement, including overcoming these barriers through stronger international co-operation in areas such as standards setting and recognition of certificates. Existing rules of origin may hinder the developmentally beneficial process whereby goods and services are brought together over geographically spread locations. Rules hindering developing country benefits of this feature of globalisation should therefore be revisited.

- *Agriculture*: The Uruguay Round agricultural negotiations dealt with a large range of market-opening problems, given the number and prevalence of

4. See, for example, the report of the OECD Trade Committee, *The Development Dimensions of Trade* (OECD, 2001).

Box II-1.

Trade capacity building

Helping developing countries gain greater access to markets for their goods and services is high on the policy coherence agenda and essential to help developing countries integrate into the global economy. However, in addition to market access, developing countries must pursue efforts at domestic policy reform, and they must have international support in building their capacity to trade. This is one of the important messages that has come out of the recent WTO Ministerial meeting in Doha where the need for strengthening trade capacity is reflected throughout the Ministerial Declaration.

The 2001 DAC High Level Meeting endorsed the *Guidelines on Strengthening Trade Capacity for Development*. The Guidelines provide a common reference point for the international community on ways to help developing countries increase their trade performance and participation in international rule-making and institutional processes.

Developing countries want to join in the globalisation process. But despite major efforts at policy reform, many of the poorest countries have not yet been able to integrate successfully into global markets, and hence to participate in the growth-inducing and poverty-reducing benefits of trade. Governments and the private sector have to overcome enormous new challenges with limited institutional and human resource capacities as they seek to manage their integration into the global economy. Implementation of the WTO agreements and obligations is far more demanding of the institutional and human capacities of developing countries than is tariff liberalisation. Access to key export markets can be constrained due to lack of information on import requirements and inadequate technical and financial resources to comply with them.

The breadth, complexity and continuing evolution of trade development challenges have led towards a consensus that a key objective of trade capacity building is to help developing countries put in place a participatory trade policy framework and sustainable consultation processes. Building viable trade policy frameworks will require action in multiple areas, involving multiple stakeholders. And comprehensive approaches will ensure that initiatives in one area do not fail because of a lack of complementary action elsewhere.

An important first step for developing countries is to integrate their trade strategies into the broader framework of national development and poverty reduction strategies. The priority that each country accords to trade depends on the conditions specific to the economy and should come about through a national dialogue on development priorities and appropriate responses. Such a participatory approach will help strengthen local capacities, as stakeholders "learn by doing" and learn from each other. By helping developing countries build such a process, donors will take a major step towards ensuring that development co-operation initiatives are locally owned and driven by demand.

Two promising initiatives which aim at comprehensive and integrated approaches to trade capacity building include the *Integrated Framework for Trade-Related Technical Assistance for Least Developed Countries* (IF) and the *Joint Integrated Technical Assistance Programme* (JITAP). The IF was originally established in 1996 by WTO, UNCTAD, ITC, World Bank, IMF and UNDP to increase the effectiveness and efficiency of trade-related technical assistance, in part by strengthening the co-ordination of participating agencies and ensuring that each agency can provide assistance in its particular area of expertise. The complexity of the agenda demands a significant measure of donor agreement on objectives, sequencing of activities, a division of labour and sharing of information. JITAP is a model of how to bring

(continued on next page)

Box II-1. *(cont.)*
Trade capacity building

together key stakeholders through donor support. A principal component of this programme is the development of national networks of persons having substantive knowledge of the issues of the multilateral trading system. It is managed jointly by WTO, ITC and UNCTAD. The success of these programmes will, however, depend on a sustained commitment of all its stakeholders including bilateral and multilateral donors.

NTBs, high tariffs, tariff peaks and tariff escalation. The Agreement on Agriculture settled on the positive step of tariffication, namely converting all border measures like quotas and variable levies into tariffs. However, this has sometimes resulted in tariff-rate quota systems with opaque allocation mechanisms, limited in-quota access and prohibitive out-of-quota tariffs. Domestic and export subsidies in developed countries remain a major issue to be tackled.

- *Implementation issues*: These are often cited with respect to agreements on trade-related investment measures (TRIMs) and trade-related intellectual property rights (TRIPs). For example, some non-OECD countries have cited the TRIMs Agreement as having an inadequate transitional period for phasing out such investment measures and have called for extension of compliance deadlines. They have argued that intellectual property protection under the TRIPs Agreement is largely oriented towards areas of interest to developed countries, leaving aside areas that particularly interest other countries, like indigenous knowledge or geographical indications for traditional handicrafts. Some countries point out that compliance with the TRIPs Agreement is particularly difficult for developing countries, given that most of them had to start work on intellectual property rights from scratch and lacked the necessary human resources and expertise.

- *Preferential Trading Arrangements*: These present many problems and complications, although most OECD countries have recently taken steps to enhance preferential access for least developed country exports, for example through "everything but arms" initiatives. Preferences accord temporary economic advantages to developing countries, but with two shortcomings. First, beneficiaries may specialise excessively in activities where they have no natural comparative advantage and when economic diversification is badly needed. Second, preferences, especially if they are trade-diverting, create vested interests opposed to multilateral trade liberalisation in beneficiary countries.

To address these and other issues, the *Doha Ministerial* represents a major step forward in integrating the development dimension squarely into the realm of trade and trade policy. The interests, concerns and special needs of developing countries are reflected prominently in the Doha Declaration, from market access for goods and services to TRIPs, trade facilitation, rules (including anti-dumping) and Special and Differential Treatment. There is an explicit recognition of the special problems facing least developed countries and a new group called "Small Economies".

Finally, there are commitments on technical co-operation and capacity building throughout, and a special section devoted to ensuring that these commitments meet with an effective and co-ordinated response by bilateral and multilateral donors.

The decisions on Agriculture and TRIPs are of particular significance for developing countries. The Declaration calls for phasing out export subsidies and making substantial reductions in trade-distorting domestic support "without prejudging the outcome of the negotiations". The TRIPs Agreement is important in that it does not and should not prevent Members from taking measures to protect public health, which ultimately ensures greater access to lower cost medicine for AIDS and other prevalent diseases. It also reaffirms the commitment of developed country Members to provide incentives to their enterprises and institutions to promote and encourage technology transfer to the least developed country Members.

The eigth MDG is to create a global partnership for development, which includes the objective of developing further an open and rules-based trading system and which is associated with market access indicators to measure progress. Behind this goal is the idea that countries (developed and developing) and policy communities work together to pursue common objectives and show their mutual responsibility and accountability for progress. Perhaps particularly in the trade area, policy coherence must start in capitals, but efforts in the OECD can match or promote such efforts.

These examples illustrate how the OECD is intensifying its ongoing collaborative work in the area of trade and development with the objective of better joining up analytical work with policy advice to OECD Members. To date, this has included work in the areas of trade and development issues in non-OECD countries, trade capacity building, and the integration of trade policy into growth and poverty reduction strategies. Further efforts in these directions will be examined post Doha. For example, the Trade Committee and the DAC will meet in February 2002 to undertake a common reading of the Doha outcome with a view to identifying possible areas of work for the Organisation. Another initiative bringing trade and development communities together, and aimed more specifically at identifying trade capacity building strategies in the context of the Doha mandate, is the informal joint meeting of the DAC and Integrated Framework Inter-Agency Working Group in January 2002.

In these ways, the trade and development communities in the OECD will continue their analysis of trade and development issues and contribute to strengthening the environment in which trade policies by both developed and developing countries can make their full contribution to an inclusive globalisation process and to reducing poverty.

c) Aid untying

Since its creation in 1961, the DAC has discussed ways to improve the effectiveness of the aid effort. A long-standing issue is whether aid should be freely available to purchase goods and services from substantially all countries, *i.e. untied*, or whether it should be restricted to procurement in certain countries, *i.e. tied*.

Increasingly the practice of tying is seen as incoherent with the new thinking on development, as set out in the

1996 DAC strategy *Shaping the 21st Century: The Contribution of Development Co-operation*. The strategy commits donors to work with developing countries towards internationally agreed development goals. Developing countries have identified the issue of untying as a key test of the coherence and credibility of donors' policies towards them. Tying practices are seen as incompatible with effective partnerships. Liberalising aid procurement would be a tangible step towards increased involvement of developing countries in the selection, design and implementation of aid programs and projects.

The business community, as represented by the Business and Industry Advisory Committee to the OECD (BIAC) has also expressed considerable interest in untying in a multilateral framework with credible provisions for transparency and monitoring. Competitive firms will benefit more from access to a combined pool of untied aid than from reserved access to more limited national tied aid funds. Moreover, untying in a multilateral context will align the aid business with the free trade principles of the WTO Agreement on Government Procurement. As such, it would constitute an important step towards creating a level playing field for aid procurement. Also, the NGO community has long been an active advocate for aid untying. In fact, a coalition of over 900 NGOs based in Europe has urged the European Commission to abolish the tied aid programs under the responsibility of the Commission as well as those of individual EU Member states.

Tied aid

The pressures for tying aid to procurement in donor countries arise both at economic and political levels. From a macroeconomic perspective, aid is a financial outflow from the donor country. Governments concerned with their balance of payments may seek to balance these outflows by payments for exports, (although this is now anachronistic given the changes in the international monetary and financial system and the pattern of financial flows since the 1960s). At the enterprise level, firms in donor countries lobby their governments to gain commercial advantages. Tying aid to export orders implies a price subsidy, which helps to win contracts. From a political perspective, some donor governments have argued that tying aid strengthens public and business support for the aid effort and that untying aid could jeopardise the already squeezed aid budgets. Furthermore, it is argued, development assistance extends beyond a mere economic exchange, expressing donors' values and willingness to co-operate on a personal level with the people in developing countries. To emphasise these links, donors often want their aid effort to be clearly visible.

Untied aid

It is generally argued that untied aid is a more efficient way to deliver assistance, although further research is needed about the relation between the tying status of aid and its quality. It has been estimated that tied aid raises the cost of many goods and services by between 15 to 30%. In addition, tied aid increases the administrative burdens on both recipients and donors. Tied aid hinders donor co-ordination by encouraging competition among donors for export orders. Moreover, tied aid tends to favour projects that require capital intensive imports or donor-based technical expertise over smaller and more poverty-focused programs. This bias could also lead to the provision of goods, technology and advice that do not conform to the priorities and specifications of the recipient. In short, tied aid represents a costly way of subsidising jobs in donor countries; a form of protectionism that runs counter to the overall OECD commitment to open markets. According to the OECD Secretary-General in his speech to the 1999 WTO Seattle Conference: "*Untying aid, by restoring choice to impoverished recipient countries would increase the value of aid, remove a distortion to world commerce and enhance the dignity of the aid process that has been sullied by the mercantilist attitudes of some in the developed world.*"

The Mandate

Having reached agreement in 1992 on a set of disciplines to guide the use of *tied aid*, the attention of the DAC subsequently returned to explore ways to liberalise aid procurement regimes. Following a detailed investigation of options and targets for a possible initiative, the DAC's 1998 High Level Meeting mandated work on a Recommendation to untie ODA to the least developed countries. The initiative was targeted on the poorest developing countries because of their relatively greater dependence on aid. Since the least developed countries need to progress the most towards the Millennium Development Goals, they can ill afford to bear the additional costs and inefficiencies associated with tied aid. Furthermore, the commercial interests of companies based in donor countries are relatively less pronounced for the least developed countries compared to middle and higher-income developing countries.

The Recommendation

Following a period of intensive discussions, the DAC High Level Meeting in May 2001 reached agreement on a Recommendation to Untie ODA to the Least Developed Countries (the full text of the Recommendation is provided at the end of this chapter). The objectives of the Recommendation are to:

- Untie ODA to the least developed countries to the greatest extent possible.
- Promote and ensure adequate ODA flows, in particular to the least developed countries.
- Achieve balanced efforts among DAC Members in untying aid.

The Recommendation also recognises that reinforcing partner country responsibility for procurement and the ability of their private sector to compete for aid-funded contracts are required in order for the Recommendation to deliver its full benefits.

As a direct result of the Recommendation, ODA to the least developed countries will be untied, by 1 January 2002, in the following areas: *i*) balance of payments and structural adjustment support; *ii*) debt forgiveness; *iii*) sector and multisector program assistance; *iv*) investment project aid; *v*) import and commodity support; *vi*) commercial services contracts, and *vii*) ODA to NGOs for procurement related activities. On this basis, it is expected that some USD 5.5 billion or three quarters of all bilateral ODA to the least developed countries will be untied as of 1 January 2002.

The Recommendation acknowledges that different approaches are required for different categories of ODA and that actions to implement the Recommendation might vary between donors in terms of coverage and timing. Put simply, there are some activities (notably *investment related technical co-operation* and *food aid*) where it is recognised that untying will be more difficult for some donors than for others. The Recommendation therefore strikes a balance between maintaining a sense of national involvement in donor countries' development co-operation policies alongside the objective to procure more goods and services through international competition. Thus, with respect to *investment related technical co-operation and food aid*, donors may opt to keep their programmes tied. Also for reasons of "national involvement", free-standing technical co-operation is excluded from the coverage of the Recommendation, although some donors provide this as untied aid and have indicated they will continue to do so.

Effort sharing

Promoting a reasonable balance among Members in their efforts to implement the untying initiative is an integral part of the Recommendation. The issue of balanced effort sharing arises from the interplay of two factors – the coverage of the Recommendation and differences in the volume, structure and geographical orientations of Members' aid programs. As a result, the implementation of the Recommendation will produce important differences between individual donors, both in the amount of aid that is covered by the Recommendation and the overall volume and share of their aid that is untied. Therefore, the Recommendation acknowledges that achieving a balance in effort sharing is a legitimate and important concern for governments, Parliaments and the public at large. In that respect, Members have agreed to do their utmost to untie their aid to the greatest extent possible and regularly review progress towards more balanced effort sharing. Furthermore, they have expressed the intention that their aid to the least developed countries will not decline over time as a result of the implementation of the Recommendation.

Implementation

The Recommendation sets out strong transparency, implementation and review procedures to provide and maintain a level playing field, to monitor compliance with the Recommendation and to assess its effectiveness. For example, to promote transparency and competition, donors will notify the OECD Secretariat, prior to the opening of the bidding procedure, of untied aid offers covered by the Recommendation. These notifications will be made publicly available to alert companies in donor and recipient countries to the possibilities to bid for the contract.[5] In general, procurement will take place in accordance with the 1986 DAC Good Procurement Practices for ODA, which provide guidance on effective and competitive procurement. Donors will also provide information concerning the company that has been awarded the contract. In addition, an electronic information exchange system will permit Members to ask each other for additional information or to clarify any ambiguities concerning notifications.

3. Promoting policy coherence for development in the OECD

a) Strategic orientations

Policy coherence is a long-standing theme of OECD work. The multidisciplinary character of OECD work, focusing

5. The DAC Untied Aid Website can be accessed through the OECD website at *www.oecd.org* (theme – development; sub-theme – development partnerships).

on the interlinkages between political, economic and social issues, gives it a particular value added in integrating its activities and capacities to manage and achieve results on increasingly complex and cross-cutting issues. In parallel, and to support such work, the OECD process for preparing its programme of work and budget has in recent years undertaken a strategic shift towards a "thematic" approach to foster the core message of the importance of multidisciplinary work. Recent OECD work on themes such as employment, growth and sustainable development illustrate this approach, while policy coherence in the development area has also been the subject of recent publications.[6]

"Development" is one of the eight priority areas around which current OECD work is organised. OECD Ministerial Council Meetings are also paying greater attention to the importance of policy coherence for development. As indicated by the quotation introducing this chapter, the 2001 meeting focused on shaping globalisation to the benefit of all and ensuring that the poorest are not left behind, highlighting the importance of policy coherence for this objective. More specifically, Ministers encouraged the Organisation to deepen its work on policy coherence and development and to promote greater coherence between trade and development co-operation policies, inviting proposals and progress reports on these matters.

b) The OECD "Development Group"

A further development in this direction was the establishment, in January 2001, of a "Development Group" by the OECD Council. The Development Group was given a one-year mandate with the immediate task of "preparing proposals for the reinforcement of the coherence and horizontal work on development issues in the OECD". The two key objectives of the work of the Development Group were:

- To promote policy coherence by engaging OECD Committees (representatives of OECD Member countries) and Directorates (the OECD Secretariat) in co-ordinating efforts to integrate and strengthen the development dimension across the range of OECD work.
- To reinforce co-ordination and raise the impact and visibility of work undertaken in the "core development units" (the Development Co-operation Directorate, the Development Centre, the Centre for Co-operation with non-Members, and the Sahel and West African Club).

The thrust of the Development Group's attention was thus to strengthen the culture and reinforce horizontal work within the OECD on development issues and to build supportive institutional arrangements and translate them into operational practices. The substantive work on development issues and dimensions will continue to be carried within and between the development and other substantive Directorates of the OECD (*e.g.* Fiscal, Financial and Enterprise Affairs, Trade, Agriculture, Environment, etc.) and their relevant Committees.

The report of the Development Group presented proposals to promote

6. See *Policy Coherence Matters* (OECD, 1999), which looked at the links between trade, investment and development and the OECD role in promoting greater policy coherence, and its companion publication, *The Benefits of Trade and Investment Liberalisation* (OECD, 1998), which presented the results of a multidisciplinary study on this topic.

policy coherence and to strengthen the development dimension of OECD work:

- An OECD mission statement on development, to guide future work on development.

- A possible declaration on the OECD and development by OECD Ministers, reaffirming their commitment to and accountability for the MDGs and the OECD's role in this quest.

- A programme of horizontal work across different OECD policy communities to strengthen and review policy coherence in key policy areas to foster competitiveness in pursuit of the MDGs.

- More systematic analysis of the implications of OECD work on non-member countries and the means of joining this up with work on development co-operation issues.

- Developing "best practices" to facilitate more systematic co-ordination, maximise synergies and complementarities in work in order to reinforce co-ordination among the relevant parts of the Organisation.

The work of the Development Group did not, of course, "start from scratch". But it built on, and reinforced, the already significant work undertaken throughout the Organisation on development, both in the core development units as well as with other policy areas such as investment, finance, trade, environment and agriculture. While its objective is to support and strengthen work in these and other areas, the Development Group considered that priority work should focus initially on a few key areas, such as trade and sustainable development, where there is both an evident need and a likely deliverable. Other areas, such as health, migration, agriculture, fiscal affairs, money laundering, access to financial markets and science and technology, may also merit early attention. Across this broad range of policy areas relevant to the related themes of globalisation, interdependence, integration and development, the Development Group encourages all relevant policy communities within the OECD to strengthen their collaboration in order to provide Members with more effective strategies and tools to promote the MDGs, and in order to match or stimulate similar reflections in capitals.

Annex II-1

The DAC Recommendation on Untying ODA to the Least Developed Countries

I. Objectives and principles

1. Members of the OECD's Development Assistance Committee (DAC) agree to the objective of untying their bilateral official development assistance (ODA) to the least developed countries as a means to:

- Foster co-ordinated, efficient and effective partnerships with developing countries.
- Strengthen the ownership and responsibility of partner countries in the development process.
- Demonstrate responsiveness to the requests from partner countries and others to increase the use of untied aid in order to promote aid effectiveness.
- And contribute to broader efforts with partner countries to promote their integration into the global economy.

2. This Recommendation reflects the results of discussions in the DAC to respond to the Mandate provided at its 1998 High Level Meeting (see Annex III) and the shared intentions of DAC Members to:

- Untie their ODA to the least developed countries to the greatest extent possible.
- Promote and sustain adequate flows of ODA in terms of quality, volume and direction, in particular to the least developed countries, and ensure that ODA to the least developed countries will not decline over time as a result of the implementation of this Recommendation.
- Achieve balanced efforts among DAC Members.

3. This initiative is targeted on the least developed countries because of their relative dependence on aid and their relatively greater need for accelerated progress towards the International Development Goals, as set out in the report *Shaping the 21st Century: the Contribution of Development Co-operation*. This initiative aims to capture, for these countries, the benefits of open procurement markets.

4. In promoting the above objectives, DAC Members consider that reinforcing partner country responsibility for procurement, with appropriate guarantees for effectiveness, accountability, probity and transparency, is intrinsic to this initiative. Similarly, promoting local and regional procurement in partner countries is a shared goal. DAC Members will work with partner countries to identify needs and to support efforts in both areas.

5. This Recommendation does not restrict the prerogative of DAC Members to untie ODA to a greater extent than set out herein. DAC Members are invited to continue to provide untied ODA in areas not covered by the Recommendation when they already do so, and to study the possibilities of extending untied aid in such areas. Neither does this Recommendation pre-empt positions that DAC Members may take in discussions on related issues in other fora.

6. Promoting effort sharing among Members is an integral part of this Recommendation. Variations in the structures and geographical orientations of Members' aid programmes, together with the coverage provisions of this Recommendation, can result in sizeable differences in the extent to which their ODA to the least developed countries is presently untied, and in respect of their aid performance in the least developed countries more generally.

II. Implementation

a) Coverage

7. Untying is a complex process. Different approaches are required for different categories of ODA, and actions by Members to implement the Recommendation will vary in coverage and timing. Bearing this in mind, DAC Members will untie their ODA to the least developed countries to the greatest extent possible and in accordance with the criteria and procedures set out in this Recommendation:

- DAC Members agree to untie, by 1 January 2002, ODA to the least developed countries in the following areas: balance of payments and structural adjustment support; debt forgiveness; sector and multi-sector programme assistance; investment project aid; import and commodity support; commercial services contracts, and ODA to Non-Governmental Organisations for procurement related activities.

• In respect of investment-related technical co-operation and free standing technical co-operation, it is recognised that DAC Members' policies may be guided by the importance of maintaining a basic sense of national involvement in donor countries alongside the objective of calling upon partner countries' expertise, bearing in mind the objectives and principles of this Recommendation. Free-standing technical co-operation is excluded from the coverage of the Recommendation.

• In respect of food aid, it is recognised that DAC Members' policies may be guided by the discussions and agreements in other international fora governing the provision of food aid, bearing in mind the objectives and principles of this Recommendation.

8. This Recommendation does not apply to activities with a value of less than SDR 700 000 (SDR 130 000 in the case of investment-related technical co-operation).

b) Effort sharing

9. Promoting a more balanced effort sharing among Members is a necessary process. Pursuant to paragraphs 2, 5, and 6 of this Recommendation, Members agree to undertake their best endeavours to identify and implement supplementary effort sharing actions in accordance with the mechanism set out below.

Mechanism

10. To this end, Members should apply the following reference indicators matrix and procedures:

Reference indicators matrix

11. The situations of Members and their evolution over time with respect to initial positions and reference points will be set out in a reference indicators matrix (see Annex I). The elements of this matrix will be used in conjunction with Member performance profiles (see below) to monitor and assess the progress made by DAC Members towards more balanced effort sharing.

Member performance profiles

12. Members will prepare annual country profiles setting out their positions in respect of the reference indicators matrix and, on that basis, identify initial and medium-term supplementary actions to promote effort sharing. Peer review of these profiles by the DAC will be used to help Members identify and undertake supplementary actions in furtherance of a more balanced effort sharing in respect of the reference indicators matrix.

13. The implementation of this part of the Recommendation will be assessed as part of the annual reports covering all aspects of this Recommendation. These reports will be considered by the DAC High Level Meeting, which may recommend further actions, as well as in the peer reviews of individual Member's development co-operation policies. An overall review of the effort sharing mechanism and procedures will be conducted in 2009. On the basis of the DAC's assessment of the progress of Members towards a more balanced effort sharing, this part of the Recommendation will be open to review with the objective of improving Members' performance towards a more balanced effort sharing.

c) Procurement regime

14. The procurement of goods and services covered by this Recommendation should follow the DAC's Good Procurement Practices.

15. In conducting procurement of aid-supported goods and services, and in partnership with developing countries, DAC Members should apply relevant commitments and guidance such as:

• The 1996 DAC Recommendation on Anti-Corruption Proposals for Aid-Funded Procurement.

• The 1997 OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

d) Transparency

16. For untied aid offers covered by this Recommendation, DAC Members should, and in collaboration with developing country partners as appropriate, provide or ensure *ex ante* notification.

17. DAC Members should respond promptly and fully to requests by other Members for further information on, or clarification concerning untied aid offers covered by this Recommendation.

18. DAC Members should ensure that the DAC will be provided with information on

contract awards pertaining to the untied aid offers covered by this Recommendation.

e) *Derogation*

19. For individual aid offers, DAC Members may, in exceptional circumstances, take measures inconsistent with the terms of this Recommendation, in situations where they believe it to be justified on the basis of overriding, non-trade related, development interests. Derogations are to be justified in a letter to the Secretary-General of the OECD and to the DAC Chair and will be followed up in review procedures.

f) *Monitoring and evaluation*

20. The DAC will monitor all aspects of this Recommendation through a combination of different mechanisms:

- Annual reports covering all aspects of the Recommendation, as well as the experience in delivering its objectives. These reports, which will be reviewed by the DAC in time for its annual High Level Meeting, will, *inter alia*:

  – Assess the impact of the Recommendation on the volume, quality and directions of ODA flows.

  – Set out Members' policies in respect of investment-related technical co-operation and food aid.

  – Review the implementation of this Recommendation with respect to promoting effort sharing among Members in accordance with the mechanism set out in Section II*b* above.

  – Review DAC Members' procurement practices and patterns for untied aid offers.

  – Assess progress towards strengthening partner countries' local procurement capacities and improving the access of partner countries' enterprises to aid-funded procurement.

  – Address, in addition to the provisions for bilateral consultations set out above, specific concerns that may be raised by individual DAC Members in respect of the Recommendation.

- The annual reports will also provide input for the peer reviews of individual DAC Member's development co-operation programmes.

- A comprehensive evaluation of its implementation and impact will be carried out by the High Level Meeting in 2009. This evaluation will also pay particular attention to the implementation of this Recommendation with respect to achieving a balance of efforts among DAC Members and promoting and sustaining ODA flows to the least developed countries.

21. DAC Members will work with stakeholders, particularly developing country partners, to ensure the Recommendation delivers its objectives.

Annex II-1 – Appendix 1

Operational Procedures and Understandings

1. This Annex forms an integral part of the Recommendation on Untying ODA to the least developed countries. It details, where necessary, provisions concerning operational procedures and understandings related to the coverage and implementation of this Recommendation.

I. Definitions and coverage

2. Untied ODA refers to loans or grants which are freely and fully available to finance procurement from substantially all aid recipient countries and from OECD countries. Members which have rules of origin, or minimum national content rules, should take any steps necessary to ensure that ODA untied in accordance with this Recommendation is both *de jure* and *de facto* untied.

3. This Recommendation applies to DAC Members' bilateral ODA to the least developed countries. The list of least developed countries (as may be periodically modified by the United Nations) is set out in Annex II.

4. Definitions of the ODA categories addressed in this Recommendation are as set out in the DAC's Statistical Reporting Directives [DCD/DAC(2000)10]. Further work will be undertaken as a matter of priority to operationalise the definitions of investment-related technical co-operation (including its component activities) and food aid to ensure an effective implementation of the Recommendation.

Commercial services contracts

5. For the purposes of this Recommendation, commercial services contracts are defined as contracts let on a commercial basis to a company for the running or management of a utility or distribution network.

ODA *provided for* NGOs

6. ODA provided for NGO activities is covered by this Recommendation only to the extent that NGOs are involved in procurement-related activities included in its coverage. Grants for the core support of development NGOs or their programmes are excluded.

Management services arrangements

7. Management services arrangements (*i.e.* "technical co-operation" provided by donors primarily for the purpose of carrying out the administration of their own aid projects and programmes) are excluded from the coverage of this Recommendation.

II. Transparency

8. DAC Members recognise that efforts to promote partner country responsibility for procurement are intrinsic to this untying initiative. In situations where partner countries have responsibility for conducting procurement, some of the information requirements set out below may be available in the first instance from partner countries or their procurement agents. Members should report in a timely manner the information required by the following provisions, or should work effectively with partner countries to do so.

i) Ex ante *notification*

9. Untied aid offers covered by this Recommendation are to be notified *ex ante*. These notifications should include the following information:

- Notifying Member, agency and contact point.
- Recipient country.
- Project description.
- Sector/activity and DAC purpose code.
- Project value (in donor currency and SDR).
- Bidding period (start and closing dates).
- Procurement regime (if not International Competitive Bidding, state regime and justification).
- Details of agency responsible for procurement and from which further information or details (*e.g.* bidding periods, procurement regime, bidding documentation) can be requested.
- And all other information that the Member deems appropriate.

10. Notifications should be made to the Secretariat not less than 30 calendar days prior to the opening of the bidding period.

11. Bidding periods should ensure sufficient time to all suppliers to prepare and submit bids, while taking account of the circumstances of the procurement agent. Bearing this in mind, bidding periods should normally be not less than 45 calendar days, except for large projects (with a value of, or exceeding, SDR 50 million), where bidding periods should normally be not less than 90 calendar days.

12. Notifications should be made available to DAC Members and to potential suppliers through the DAC's Internet bulletin board. DAC Members may also, in addition, wish to use their own facilities to publicise the aid offers contained in notifications.

ii) Exchange of information procedures

13. DAC Members which have received an enquiry from another Member concerning individual untied aid offers covered by this Recommendation should respond promptly (*i.e.* within 14 calendar days) and fully, providing all information relevant to the request, including information concerning donor financing of services related to the design and implementation of the notified project. Such enquiries and responses should use electronic means of communication. The DAC Members concerned should, together, take all possible steps to clarify or resolve issues arising.

14. Where the latter is not possible, a DAC Member may, if it so wishes, broaden the initial bilateral exchange of information to other DAC Members, in order to solicit views on issues pertaining to the implementation of the Recommendation.

15. The periodic reviews of the implementation of the Recommendation will also address experience with these procedures.

iii) Information on contract awards

16. DAC Members should provide the Secretariat with information on contract awards pertaining to individual *ex ante* notifications. This information should include the name, address and country of incorporation of the firm awarded the contract (or the prime contractor, where a syndicate of firms is concerned). The above information should be provided on an annual basis and be reviewed in the context of the overall review procedures.

III. Reference Indicators Matrix

	Members' positions[a]	Reference point	Index[b]
I. Bilateral LLDC ODA untying ratio		0.60	
II. Effort sharing composite indicator[c]		0.04	

a) 5 year average.
b) Members' positions as ratios of reference points.
c) Calculated according to standing DAC practices, pending future work on the definition of multilateral ODA and its tying status, as follows: (bilateral LLDC ODA/GNP times bilateral LLDC untying ratio) + multilateral LLDC ODA/GNP. The presentation of the composite indicator, and the reference indicators matrix more generally, will set out in full their component elements.

Annex II-1 – Appendix 2

Least Developed Countries (as at 1 May 2001)

Afghanistan	Madagascar
Angola	Malawi
Bangladesh	Maldives
Benin	Mali
Bhutan	Mauritania
Burkina Faso	Mozambique
Burundi	Myanmar
Cambodia	Nepal
Cape Verde	Niger
Central African Republic	Rwanda
Chad	Samoa
Comoros	São Tomé and Principe
Congo, Dem. Rep.	Senegal
Djibouti	Sierra Leone
Equatorial Guinea	Solomon Islands
Eritrea	Somalia
Ethiopia	Sudan
Gambia	Tanzania
Guinea	Togo
Guinea-Bissau	Tuvalu
Haiti	Uganda
Kiribati	Vanuatu
Laos	Yemen
Lesotho	Zambia
Liberia	

Annex II-1 – *Appendix* 3

Aid Procurement Liberalisation: 1998 DAC HLM Mandate

1. HLM participants mandate the Working Party on Financial Aspects to work on a Recommendation on Untying ODA to the least developed countries (LLDCs), including the relevant implementation issues, with a view to presenting a proposed text to the HLM in 1999. A status report should be presented to the Senior Level Meeting (SLM) of the DAC in December 1998.

2. Participants recognised that in order to arrive at an agreed text, the following issues, in particular, will have to be satisfactorily addressed:

- The need for effective donor co-ordination and partnerships with developing countries that reflect responsiveness, efficiency and effectiveness of development co-operation.
- Assessment of potential effects on the quality, volume and direction of ODA flows.
- Helping develop the capacities of the private sector and procurement systems in partner countries.
- The importance of maintaining a basic sense of national involvement in donor countries (especially in certain forms of technical co-operation) alongside the objective of calling upon partner countries' expertise.
- The need to take into account differences in the structures and starting points of Members' programmes with respect to volume, ODA/GNP ratio, distribution and existing untying of aid.
- Initiatives to enlist the understanding and involvement of the business community in Member countries and promote wide public information and support.
- The impact of further procurement liberalisation on regional arrangements such as the Lomé Convention.
- Thorough examination of the modalities involved in the untying initiative, including:
  - Appropriate procurement modalities (including safeguards against corruption).
  - Manageable thresholds, coverage and exclusions (including with respect to technical co-operation and promotion of procurement from local and regional sources in developing partner countries).
  - Definitions and reporting arrangements on the tying status of ODA.
  - Mechanisms for confidence building and transparency, including provision of relevant statistical information.
  - Monitoring and peer review.

Glossary of Key Terms and Concepts

(Cross-references are given in CAPITALS)

AID: The words "aid" and "assistance" in this publication refer only to flows which qualify as OFFICIAL DEVELOPMENT ASSISTANCE (ODA) or OFFICIAL AID (OA).

AMORTIZATION: Repayments of principal on a loan. Does not include interest payments.

ASSOCIATED FINANCING: The combination of Official Development Assistance, whether grants or loans, with any other funding to form finance packages. Associated Financing packages are subject to the same criteria of concessionality, developmental relevance and recipient country eligibility as TIED AID CREDITS.

BILATERAL: See TOTAL RECEIPTS.

CLAIM: The entitlement of a creditor to repayment of a LOAN; by extension, the loan itself or the outstanding amount thereof.

COMMITMENT: A firm obligation, expressed in writing and backed by the necessary funds, undertaken by an official donor to provide specified assistance to a recipient country or a multilateral organisation. Bilateral commitments are recorded in the full amount of expected transfer, irrespective of the time required for the completion of disbursements. Commitments to multilateral organisations are reported as the sum of *i*) any disbursements in the year in question which have not previously been notified as commitments and *ii*) expected disbursements in the following year.

CONCESSIONALITY LEVEL: A measure of the "softness" of a credit reflecting the benefit to the borrower compared to a loan at market rate (*cf.* GRANT ELEMENT). Technically, it is calculated as the difference between the nominal value of a TIED AID CREDIT and the present value of the debt service as of the date of disbursement, calculated at a discount rate applicable to the currency of the transaction and expressed as a percentage of the nominal value.

DAC (DEVELOPMENT ASSISTANCE COMMITTEE): The Committee of the OECD which deals with development co-operation matters. A description of its aims and a list of its Members are given at the front of this volume.

DAC LIST: See RECIPIENT COUNTRIES AND TERRITORIES.

DEBT REORGANISATION (also: **RESTRUCTURING**)**:** Any action officially agreed between creditor and debtor that alters the terms previously established for repayment. This may include **forgiveness** (extinction of the loan), or **rescheduling** which can be implemented either by revising the repayment schedule or extending a new **refinancing** loan. See also "Notes on Definitions and Measurement" below.

DISBURSEMENT: The release of funds to, or the purchase of goods or services for a recipient; by extension, the amount thus spent. Disbursements record the actual international transfer of financial resources, or of goods or services valued at the cost to the donor. In the case of activities carried out in donor countries, such as training, administration or public awareness programmes, disbursement is taken to have occurred when the funds have been transferred to the service provider or the recipient. They may be recorded **gross** (the total amount disbursed over a given accounting period) or **net** (the gross amount less any repayments of loan principal or recoveries on grants received during the same period).

EXPORT CREDITS: Loans for the purpose of trade and which are not represented by a negotiable instrument. They may be extended by the official or the private sector. If extended by the private sector, they may be supported by official guarantees.

GRACE PERIOD: See GRANT ELEMENT.

GRANTS: Transfers made in cash, goods or services for which no repayment is required.

GRANT ELEMENT: Reflects the **financial terms** of a commitment: interest rate, MATURITY and grace period (interval to first repayment of capital). It measures the concessionality of a loan, expressed as the percentage by which the present value of the expected stream of repayments falls short of the repayments that would have been generated at a given reference rate of interest. The reference rate is 10% in DAC statistics. This rate was selected as a proxy for the marginal efficiency of domestic investment, *i.e.* an indication of the opportunity cost to the donor of making the the funds available. Thus, the grant element is nil for a loan carrying an interest rate of 10%; it is 100% for a grant; and it lies between these two limits for a loan at less than 10% interest. If the face value of a loan is multiplied by its grant element, the result is referred to as the **grant equivalent** of that loan (*cf.* CONCESSIONALITY LEVEL). (Note: the grant element concept is not applied to the non-concessional ("hard window") operations of the multilateral development banks.)

GRANT-LIKE FLOW: A transaction in which the donor country retains formal title to repayment but has expressed its intention in the commitment to hold the proceeds of repayment in the borrowing country for the benefit of that country.

LOANS: Transfers for which repayment is required. Only loans with maturities of over one year are included in DAC statistics. Data on net loans include deductions for repayments of principal (but not payment of interest) on earlier loans. This means that when a loan has been fully repaid, its effect on total net flows over the life of the loan is zero.

LONG-TERM: Used of loans with an original or extended maturity of more than one year.

MATURITY: The date at which the final repayment of a loan is due; by extension, the duration of the loan.

MULTILATERAL AGENCIES: In DAC statistics, those international institutions with governmental membership which conduct all or a significant part of their activities in favour of development and aid recipient countries. They include multilateral development banks (*e.g.* World Bank, regional development banks), United Nations agencies, and regional groupings (*e.g.* certain European Community and Arab agencies). A contribution by a DAC Member to such an agency is deemed to be multilateral if it is pooled with other contributions and disbursed at the discretion of the agency. Unless otherwise indicated, capital subscriptions to multilateral development banks are presented on a **deposit** basis, *i.e.* in the amount and as at the date of lodgement of the relevant letter of credit or other negotiable instrument. Limited data are available on an encashment basis, *i.e.* at the date and in the amount of each drawing made by the agency on letters or other instruments.

NET FLOW: The total amount disbursed over a given accounting period, less repayments of loan principal during the same period, no account being taken of interest.

NET TRANSFER: In DAC statistics, net flow minus payments of interest.

OFFICIAL AID: Flows which meet the conditions of eligibility for inclusion in OFFICIAL DEVELOPMENT ASSISTANCE, except that the recipients are on Part II of the DAC List of Aid Recipients (see RECIPIENT COUNTRIES AND TERRITORIES).

OFFICIAL DEVELOPMENT ASSISTANCE: Grants or loans to countries and territories on Part I of the DAC List of Aid Recipients (developing countries) which are:

- Undertaken by the official sector.
- With promotion of economic development and welfare as the main objective.
- At concessional financial terms (if a loan, having a GRANT ELEMENT of at least 25%).

In addition to financial flows, TECHNICAL CO-OPERATION is included in aid. Grants, loans and credits for military purposes are excluded. For the treatment of the forgiveness of loans originally extended for military purposes, see "Notes on Definitions and Measurement" below.

OFFICIAL DEVELOPMENT FINANCE (ODF): Used in measuring the inflow of resources to recipient countries: includes *a*) bilateral ODA, *b*) grants and concessional and non-concessional development lending by multilateral financial institutions, and *c*) those Other Official Flows which are considered developmental (including refinancing loans) but which have too low a GRANT ELEMENT to qualify as ODA.

OFFSHORE BANKING CENTRES: Countries or territories whose financial institutions deal primarily with non-residents.

OTHER OFFICIAL FLOWS (OOF): Transactions by the official sector with countries on the List of Aid Recipients which do not meet the conditions for eligibility as Official Development Assistance or Official Aid, either because they are not primarily aimed at development, or because they have a grant element of less than 25%.

PARTIALLY UNTIED AID: Official Development Assistance (or Official Aid) for which the associated goods and services must be procured in the donor country or among a restricted group of other countries, which must however include substantially all recipient countries. Partially untied aid is subject to the same disciplines as TIED AID CREDITS and ASSOCIATED FINANCING.

PRIVATE FLOWS: Consist of flows at market terms financed out of private sector resources (*i.e.* changes in holdings of private long-term assets held by residents of the reporting country) and private grants (*i.e.* grants by **non-governmental organisations**, net of subsidies received from the official sector). In presentations focusing on the receipts of recipient countries, flows at market terms are shown as follows:

• **Direct investment:** Investment made to acquire or add to a lasting interest in an enterprise in a country on the DAC List of Aid Recipients (see RECIPIENT COUNTRIES AND TERRITORIES). “Lasting interest” implies a long-term relationship where the direct investor has a significant influence on the management of the enterprise, reflected by ownership of at least 10% of the shares, or equivalent voting power or other means of control. In practice it is recorded as the change in the net worth of a subsidiary in a recipient country to the parent company, as shown in the books of the latter.

• **International bank lending:** Net lending to countries on the List of Aid Recipients by commercial banks in the Bank of International Settlements reporting area, *i.e.* most OECD countries and most offshore financial centres (Bahamas, Bahrain, Cayman Islands, Hong Kong, Netherlands Antilles and Singapore), net of lending to banks in the same offshore financial centres. Loans from central monetary authorities are excluded. Guaranteed bank loans and bonds are included under OTHER PRIVATE or BOND LENDING (see below) in these presentations.

• **Bond lending:** Net completed international bonds issued by countries on the DAC List of Aid Recipients.

• **Other private:** Mainly reported holdings of equities issued by firms in aid recipient countries.

In data presentations which focus on the outflow of funds from donors, private flows other than direct investment are restricted to credits with a maturity of greater than one year and are usually divided into:

• **Private export credits:** See EXPORT CREDITS.

• **Securities of multilateral agencies:** This covers the transactions of the private non-bank and bank sector in bonds, debentures, etc., issued by multilateral institutions.

• **Bilateral portfolio investment and other:** Includes bank lending and the purchase of shares, bonds and real estate.

RECIPIENT COUNTRIES AND TERRITORIES: The DAC List of Aid Recipients used to compile the statistics in this volume is shown separately at the end of this publication. Some details about recent changes in the List are given in the “Notes on Definitions and Measurement” below. From 1 January 2000, Part I of the List is presented in the following categories (the word “countries” includes territories):

• **LLDCs:** Least Developed Countries. Group established by the United Nations. To be classified as an LLDC, countries must fall below thresholds established for income, economic diversification and social development. The DAC List is updated immediately to reflect any change in the LLDC group.

• ***Other* LICs:** Other Low-Income Countries. Includes all non-LLDC countries with per capita GNP $760 or less in 1998 (World Bank Atlas basis).

• **LMICs:** Lower Middle-Income Countries, *i.e.* with GNP per capita (Atlas basis) between $761 and $3 030 in 1998. LLDCs which are also LMICs are only shown as LLDCs – not as LMICs.

• **UMICs:** Upper Middle-Income Countries, *i.e.* with GNP per capita (Atlas basis) between $3 031 and $9 360 in 1998.

- **HICs:** High-Income Countries, *i.e.* with GNP per capita (Atlas basis) more than $9 360 in 1998.

Part II of the List comprises "Countries in Transition". These comprise *i*) more advanced Central and Eastern European Countries and New Independent States of the former Soviet Union; and *ii*) more advanced developing countries. See also OFFICIAL AID.

SHORT-TERM: Used of loans with a maturity of one year or less.

TECHNICAL CO-OPERATION: Includes both *a*) grants to nationals of aid recipient countries receiving education or training at home or abroad, and *b*) payments to consultants, advisers and similar personnel as well as teachers and administrators serving in recipient countries (including the cost of associated equipment). Assistance of this kind provided specifically to facilitate the implementation of a capital project is included indistinguishably among bilateral project and programme expenditures, and is omitted from technical co-operation in statistics of aggregate flows.

TIED AID CREDITS: Official or officially supported LOANS, credits or ASSOCIATED FINANCING packages where procurement of the goods or services involved is limited to the donor country or to a group of countries which does not include substantially all aid recipient countries. Tied aid credits are subject to certain disciplines concerning their concessionality levels, the countries to which they may be directed, and their developmental relevance so as to avoid using aid funds on projects that would be commercially viable with market finance, and to ensure that recipient countries receive good value. Details are given in the Development Co-operation Reports for 1987 (pp. 177-181) and 1992 (pp. 10-11).

TOTAL RECEIPTS: The inflow of resources to aid recipient countries (see Table 1 of the Statistical Annex) includes, in addition to ODF, official and private EXPORT CREDITS, and long and short-term private transactions (see PRIVATE FLOWS). Total receipts are measured net of amortization payments and repatriation of capital by private investors. **Bilateral** flows are provided directly by a donor country to an aid recipient country. **Multilateral** flows are channelled *via* an international organisation active in development (*e.g.* World Bank, UNDP). In tables showing total receipts of recipient countries, the outflows of multilateral agencies to those countries is shown, not the contributions which the agencies received from donors.

UNDISBURSED: Describes amounts committed but not yet spent. See also COMMITMENT, DISBURSEMENT.

UNTIED AID: Official Development Assistance for which the associated goods and services may be fully and freely procured in substantially all countries.

VOLUME (real terms): The flow data in this publication are expressed in US dollars. To give a truer idea of the volume of flows over time, some data are presented in constant prices and exchange rates, with a reference year specified. This means that adjustment has been made to cover both inflation in the donors' currency between the year in question and the reference year, and changes in the exchange rate between that currency and the United States dollar over the same period. A table of combined conversion factors (deflators) is provided in the Statistical Annex (Table 36) which allows any figure in the Report in current United States dollars to be converted to dollars of the reference year ("constant prices").

Notes on Definitions and Measurement

The coverage of the data presented in this Report has changed in recent years. The main points are:

Changes in the ODA concept and the coverage of GNP/GNI

While the definition of Official Development Assistance has not changed for over 25 years, some changes in interpretation have tended to broaden the scope of the concept. The main ones are the recording of administrative costs as ODA (from 1979), the imputation as ODA of the share of subsidies to educational systems representing the cost of educating students from aid recipient countries (first specifically identified in 1984), and the inclusion of assistance provided by donor countries in the first year after the arrival of a refugee from an aid recipient country (eligible to be reported from the early 1980s but widely used only since 1991).

Precise quantification of the effects of these changes is difficult because changes in data collection methodology and coverage are often not directly apparent from Members' statistical returns. The amounts involved can, however, be substantial. For example, reporting by Canada in 1993 included for the first time a figure for in-Canada refugee support. The amount involved ($184m.) represented almost 8% of total Canadian ODA. Aid flows reported by Australia in the late 1980s, it has been estimated, were some 12% higher than had they been calculated according to the rules and procedures applying fifteen years earlier.*

The coverage of the national income has also been expanding through the inclusion of new areas of economic activity and the improvement of collection methods. In particular, the new System of National Accounts (SNA) co-sponsored by the OECD and other major international organisations broadens the coverage of GNP, now renamed GNI – Gross National Income. This tends to depress donors' ODA/GNI ratios. Norway's and Denmark's ODA/GNI ratios declined by 6 to 8% as a result of moving to the new SNA in the mid-1990s. Finland and Australia later showed smaller falls of 2 to 4%. All DAC Members are now using the new SNA.

Recipient country coverage

Since 1990, the following entities have been added to the list of ODA recipients at the dates shown: the Black Communities of South Africa (1991 – now simply South Africa); Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan (1992); Armenia, Georgia and Azerbaijan (1993); Palestinian Administered Areas (1994); Moldova (1997). Eritrea, formerly part of Ethiopia, has been treated as a separate country from 1993. The former United States Trust Territory of the Pacific Islands has been progressively replaced by its independent successor States, *viz*. Federated States of Micronesia and Marshall Islands (1992);

* S. Scott, "Some Aspects of the 1988/89 Aid Budget", in *Quarterly Aid Round-up*, No. 6, AIDAB, Canberra, 1989, pp. 11-18.

Northern Marianas and Palau Islands (1994).

Over the same period, the following countries and territories have been removed from the ODA recipient list: Portugal (1991); French Guyana, Guadeloupe, Martinique, Réunion and St Pierre and Miquelon (1992), Greece (1994).

From 1993, several CEEC/NIS countries in transition have been included on Part II of a new List of Aid Recipients (the List is given at the end of this volume). Aid to countries on Part II of the List is recorded as "Official Aid", not as ODA. To avoid overlap, Part II of the new List does not include those CEEC/NIS countries which have been classified as ODA recipients.

From 1996, the following High-Income Countries were transferred from Part I to Part II of the List: Bahamas, Brunei, Kuwait, Qatar, Singapore and United Arab Emirates. From 1997, seven further High-Income Countries were transferred to Part II: Bermuda, Cayman Islands, Chinese Taipei, Cyprus, Falkland Islands, Hong Kong (China), and Israel. From 1 January 2000, Aruba, the British Virgin Islands, French Polynesia, Gibraltar, Korea, Libya, Macao, Netherlands Antilles, New Caledonia and the Northern Marianas progressed to Part II. The List will be modified in 2001 to reflect the fact that Senegal transferred to the group of LLDCs, and will be reviewed again in 2002.

Data on total aid to Part I countries (ODA) and total aid to Part II countries (OA) follow the recipient list for the year in question. However, when a country is added to or removed from an income group in Part I, totals for the groups affected are adjusted retroactively to maximise comparability over time with reference to the current list.

Donor country coverage

Spain and Portugal joined the DAC in 1991, Luxembourg joined in 1992 and Greece joined in 1999. Their assistance is now counted within the DAC total. ODA flows from these countries before they joined the DAC have been added to earlier years' data where available. The accession of new Members has added to total DAC ODA, but has usually reduced the overall ODA/GNP ratio, since their programmes are often smaller in relation to GNP than those of the longer-established donors.

Treatment of debt forgiveness

The treatment of the **forgiveness of loans not originally reported as ODA** varied in earlier years. Up to and including 1992, where forgiveness of non-ODA debt met the tests of ODA, it was reportable as ODA. From 1990 to 1992 inclusive it remained reportable as part of a country's ODA, but was excluded from the DAC total. From 1993, forgiveness of debt originally intended for **military** purposes has been reportable as "Other Official Flows", whereas forgiveness of other non-ODA loans (mainly **export credits**) recorded as ODA is included both in country data and in total DAC ODA in the same way as it was until 1989.

The effect of these decisions on ODA figures can be summarised as follows:

a) **Countries' ODA:** Forgiveness of all non-ODA debt reportable as ODA through 1992. From 1993, forgiveness of military debt may only be reported as OOF.

b) **DAC total ODA:** Equals the total of countries' reported ODA, except for the exclusion of the following:

- 1990: $1.2 billion of forgiven United States military debt and $334 million of various countries' forgiven claims in respect of export credit and structural adjustment lending.
- 1991: $1.9 billion of forgiven United States military debt and $28 million of various countries' forgiven export credit debt.
- 1992: $894 million of forgiven United States military debt and $975 million of various countries' forgiven export credit debt.

The **forgiveness of outstanding loan principal originally reported as ODA** does not give rise to a new net disbursement of ODA. Statistically, the benefit is reflected in the fact that because the cancelled repayments will not take place, net ODA disbursements will not be reduced.

Reporting year

All data in this publication refer to calendar years, unless otherwise stated.

DAC List of Aid Recipients – As at 1 January 2000

Part I: Developing Countries and Territories (Official Development Assistance)					Part II: Countries and Territories in Transition (Official Aid)	
LLDCs	**Other LICs** (*per capita* GNP < $760 in 1998)	**LMICs** (*per capita* GNP $761-$3 030 in 1998)	**UMICs** (*per capita* GNP $3031-$9 360 in 1998)	**HICs** (*per capita* GNP > $9 360 in 1998)[1]	**CEECs/NIS**	**More Advanced Developing Countries and Territories**
Afghanistan	❊ Armenia	❊ Albania	Botswana	Malta[1]	❊ Belarus	● Aruba
Angola	❊ Azerbaijan	Algeria	Brazil	Slovenia[1]	❊ Bulgaria	Bahamas
Bangladesh	Cameroon	Belize	Chile		❊ Czech Republic	● Bermuda
Benin	China	Bolivia	Cook Islands		❊ Estonia	Brunei
Bhutan	Congo, Rep.	Bosnia and Herzegovina	Croatia		❊ Hungary	● Cayman Islands
Burkina Faso	Côte d'Ivoire	Colombia	Gabon		❊ Latvia	Chinese Taipei
Burundi	● East Timor	Costa Rica	Grenada		❊ Lithuania	Cyprus
Cambodia	Ghana	Cuba	Lebanon		❊ Poland	● Falkland Islands
Cape Verde	Honduras	Dominica	Malaysia		❊ Romania	● French Polynesia
Central African Republic	India	Dominican Republic	Mauritius		❊ Russia	● Gibraltar
Chad	Indonesia	Ecuador	● Mayotte		❊ Slovak Republic	● Hong Kong, China
Comoros	Kenya	Egypt	Mexico		❊ Ukraine	Israel
Congo, Dem. Rep.	Korea, Democratic Republic	El Salvador	Nauru			Korea
Djibouti	❊ Kyrgyz Rep.	Fiji	Palau Islands			Kuwait
Equatorial Guinea	❊ Moldova	❊ Georgia	Panama			Libya
Eritrea	Mongolia	Guatemala	● St Helena			● Macao
Ethiopia	Nicaragua	Guyana	St Lucia			● Netherlands Antilles
Gambia	Nigeria	Iran	Trinidad and Tobago			● New Caledonia
Guinea	Pakistan	Iraq	Turkey			Northern Marianas
Guinea-Bissau	Senegal[2]	Jamaica	Uruguay			Qatar
Haiti	❊ Tajikistan	Jordan	Venezuela			Singapore
Kiribati	❊ Turkmenistan	❊ Kazakhstan	**Threshold for World Bank Loan Eligibility ($5 280 in 1998)**			United Arab Emirates
Laos	Viet Nam	Macedonia (former Yugoslav Republic)	● Anguilla			● Virgin Islands (UK)
Lesotho	Zimbabwe	Marshall Islands	Antigua and Barbuda			
Liberia		Micronesia, Federated States	Argentina			
Madagascar		Morocco	Bahrain			
Malawi		Namibia	Barbados			
Maldives		Niue	● Montserrat			
Mali		Palestinian Administered Areas	Oman			
Mauritania		Papua New Guinea	Saudi Arabia			
Mozambique		Paraguay	Seychelles			
Myanmar		Peru	St Kitts and Nevis			
Nepal		Philippines	● Turks and Caicos Islands			
Niger		South Africa				
Rwanda		Sri Lanka				
Samoa		St Vincent and Grenadines				
Sao Tome and Principe		Suriname				
Sierra Leone		Swaziland				
Solomon Islands		Syria				
Somalia		Thailand				
Sudan		● Tokelau				
Tanzania		Tonga				
Togo		Tunisia				
Tuvalu		❊ Uzbekistan				
Uganda		● Wallis and Futuna				
Vanuatu		Yugoslavia, Federal Republic				
Yemen						
Zambia						

❊ Central and Eastern European Countries and New Independent States of the former Soviet Union (CEECs/NIS).
● Territory.
1. These countries and territories will transfer to Part II on 1 January 2003 unless an exception is agreed.
2. Senegal became an LLDC in 2001.

The Heavily Indebted Poor Countries (HIPCs) are: Angola, Benin, Bolivia, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Comoros, Congo (Rep.), Congo (Dem. Rep.), Côte d'Ivoire, Ethiopia, Gambia, Ghana, Guinea, Guinea-Bissau, Guyana, Honduras, Kenya, Laos, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Myanmar, Nicaragua, Niger, Rwanda, São Tomé and Príncipe, Senegal, Sierra Leone, Somalia, Sudan, Tanzania, Togo, Uganda, Viet Nam and Zambia.

List of acronyms[1]

ACP	AFRICAN, CARIBBEAN AND PACIFIC COUNTRIES
ADR	AMERICAN DEPOSITORY RECEIPT
AERA	ACCELERATED ECONOMIC RECOVERY IN ASIA
AfDB	AFRICAN DEVELOPMENT BANK
AfDF	AFRICAN DEVELOPMENT FUND
AsDB	ASIAN DEVELOPMENT BANK
AsDF	ASIAN DEVELOPMENT FUND
ASEAN	ASSOCIATION OF SOUTH-EAST ASIAN NATIONS
BIS	BANK FOR INTERNATIONAL SETTLEMENTS
BHN	BASIC HUMAN NEEDS
BSS	BASIC SOCIAL SERVICES
CCA	COMMON COUNTRY ASSESSMENT
CDE	CAPACITY DEVELOPMENT IN ENVIRONMENT
CDF	COMPREHENSIVE DEVELOPMENT FRAMEWORK
CEC	COMMISSION OF THE EUROPEAN COMMUNITIES
CEDAW	CONVENTION ON THE ELIMINATION OF DISCRIMINATION AGAINST WOMEN
CEECs	CENTRAL AND EASTERN EUROPEAN COUNTRIES
CFA[2]	AFRICAN FINANCIAL COMMUNITY
CIS	COMMONWEALTH OF INDEPENDENT STATES
CMH	COMMISSION ON MACROECONOMICS AND HEALTH (WHO)
CPE	COUNTRY PROGRAMME EVALUATION
CPIA	COUNTRY POLICY AND INSTITUTIONAL ASSESSMENT
CRS	CREDITOR REPORTING SYSTEM (of the DAC)
CSO	CIVIL SOCIETY ORGANISATION
DAC	DEVELOPMENT ASSISTANCE COMMITTEE
DOI	DIGITAL OPPORTUNITY INTIATIVE (REPORT)
DOT Force	DIGITAL OPPORTUNITIES TASK FORCE
EBRD	EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT
EC	EUROPEAN COMMUNITY
ECHO	EUROPEAN COMMUNITY HUMANITARIAN OFFICE
ECOSOC	THE UNITED NATIONS ECONOMIC AND SOCIAL COUNCIL
EDCPM	EUROPEAN CENTRE FOR DEVELOPMENT POLICY MANAGEMENT
EDF	EUROPEAN DEVELOPMENT FUND
EFA	EDUCATION FOR ALL
EU	EUROPEAN UNION
FDI	FOREIGN DIRECT INVESTMENT
FfD	FINANCING FOR DEVELOPMENT
FSAP	FINANCIAL SECTOR ASSESSMENT PROGRAMME (of the IMF/World Bank)
GSP	GENERALISED SYSTEM OF PREFERENCES
GNI	GROSS NATIONAL INCOME
HICs	HIGH-INCOME COUNTRIES
HIPCs	HEAVILY-INDEBTED POOR COUNTRIES (see DAC List of Aid Recipients in this annex)
HPI	HUMAN POVERTY INDEX

IBRD	INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
ICB	INTERNATIONAL COMPETITIVE BIDDING
ICT	INFORMATION AND COMMUNICATION TECHNOLOGY
IDA	INTERNATIONAL DEVELOPMENT ASSOCIATION
IDAI	INTEGRATED DEVELOPMENT ACTIVITY INFORMATION
IDB	INTER-AMERICAN DEVELOPMENT BANK
IDGs	INTERNATIONAL DEVELOPMENT GOALS
IECDF	INTERNATIONAL ECONOMIC CO-OPERATION DEVELOPMENT FUND
IF	INTEGRATED FRAMEWORK FOR TRADE-RELATED TECHNICAL ASSISTANCE FOR LEAST DEVELOPED COUNTRIES
IFAD	INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
IFC	INTERNATIONAL FINANCE CORPORATION
ILO	INTERNATIONAL LABOUR ORGANISATION
IMF	INTERNATIONAL MONETARY FUND
IMSG	INFORMAL MULTILATERAL SECRETARIATS GROUP
ITC	INTERNATIONAL TRADE CENTRE
JBIC	JAPAN BANK FOR INTERNATIONAL CO-OPERATION
JITAP	JOINT INTEGRATED TECHNICAL ASSISTANCE PROGRAMME
KfW[2]	BANK FOR RECONSTRUCTION AND DEVELOPMENT (Germany)
LDCs	DEVELOPING COUNTRIES
LICs	LOW-INCOME COUNTRIES
LLDCs	LEAST DEVELOPED COUNTRIES
LMICs	LOWER MIDDLE-INCOME COUNTRIES
MDBs	MULTILATERAL DEVELOPMENT BANKS
MDGs	MILLENNIUM DEVELOPMENT GOALS
NEPAD	NEW PARTNERSHIP FOR AFRICA'S DEVELOPMENT
NGO	NON-GOVERNMENTAL ORGANISATION
NIS	NEW INDEPENDENT STATES (of the former Soviet Union)
NSSDs	NATIONAL STRATEGIES FOR SUSTAINABLE DEVELOPMENT
NTBs	NON-TARIFF BARRIERS
ODA	OFFICIAL DEVELOPMENT ASSISTANCE
ODF	OFFICIAL DEVELOPMENT FINANCE
OECD	ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT
OLICs	OTHER LOW-INCOME COUNTRIES
OOF	OTHER OFFICIAL FLOWS
PDGG	PARTICIPATORY DEVELOPMENT AND GOOD GOVERNANCE
PRGF	POVERTY REDUCTION AND GROWTH FACILITY
PRSPs	POVERTY REDUCTION STRATEGY PAPERS
RBM	RESULTS-BASED MANAGEMENT
S-21	21st CENTURY STRATEGY
SAF	STRUCTURAL ADJUSTMENT FACILITY
SDR	SPECIAL DRAWING RIGHT

SNA	SYSTEM OF NATIONAL ACCOUNTS
SPA	STRATEGIC PARTNERSHIP WITH AFRICA (formerly Special Programme of Assistance for Africa)
SPS	SECTOR PROGRAMME SUPPORT
SSA	SUB-SAHARAN AFRICA
SWAps	SECTOR-WIDE APPROACHES
TC	TECHNICAL CO-OPERATION
TRIMs	TRADE-RELATED INVESTMENT MEASURES
TRIPs	TRADE-RELATED INTELLECTUAL PROPERTY RIGHTS
UMICs	UPPER MIDDLE-INCOME COUNTRIES
UN	UNITED NATIONS
UNCED	UNITED NATIONS CONFERENCE ON ENVIRONMENT AND DEVELOPMENT (Rio de Janeiro, 1992)
UNCTAD	UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
UNDAF	UNITED NATIONS DEVELOPMENT ASSISTANCE FRAMEWORK
UNDP	UNITED NATIONS DEVELOPMENT PROGRAMME
UNEP	UNITED NATIONS ENVIRONMENT PROGRAMME
UNESCO	UNITED NATIONS EDUCATIONAL, SCIENTIFIC AND CULTURAL ORGANISATION
UNFCCC	UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE
UNFPA	UNITED NATIONS FUND FOR POPULATION ACTIVITIES
UNHCR	UNITED NATIONS HIGH COMMISSIONER FOR REFUGEES
UNICEF	UNITED NATIONS CHILDREN'S FUND
WFP	WORLD FOOD PROGRAMME
WHO	WORLD HEALTH ORGANISATION
WID	WOMEN IN DEVELOPMENT
WSSD	WORLD SUMMIT FOR SOCIAL DEVELOPMENT (Copenhagen, 1995)
WTO	WORLD TRADE ORGANISATION

1. This list is not exhaustive. It provides the most common development co-operation related acronyms, including those referred to in this report. Acronyms for country Ministries and Aid Agencies are provided in Chapter IV.
2. Denotes acronym in the original language.

DAC GUIDELINES

The OECD Development Assistance Committee (DAC) adopts policy guidance for Members in the conduct of their development co-operation programmes. These guidelines reflect the views and experience of the Members and benefit from input by multilateral institutions and individual experts, including experts from developing countries.

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

Approved by the DAC High Level Meeting of 1996, *Shaping the 21st Century* sets forth strategic orientations for development co-operation into the 21st century. The report recalls the importance of development for people everywhere and the impressive record of human progress during the past 50 years. It suggests a set of basic goals based on UN Conference outcomes – for economic well-being, social development and environmental sustainability – as a vision for the future, and proposes strategies for attaining that vision through partnership in support of self-help efforts, improved co-ordination and consistent policies. These goals, and the partnership approach, have since been widely adopted in the international development system.

In this context, DAC Members have developed a series of guidelines for attaining the ambitious goals set out in *Shaping the 21st Century*.

The DAC Guidelines (2001):

- Poverty Reduction.
- Strategies for Sustainable Development.
- Strengthening Trade Capacity for Development.
- Helping Prevent Violent Conflict.

Previously Published DAC Guidelines

- DAC Guidelines for Gender Equality and Women's Empowerment in Development Co-operation.
- Support of Private Sector Development.
- Participatory Development and Good Governance.
- Donor Assistance to Capacity Development in Environment.
- Guidelines on Aid and Environment:

  No. 1: Good Practices for Environmental Impact Assessment of Development Projects.

  No. 2: Good Practices for Country Environmental Surveys and Strategies.

  No. 3: Guidelines for Aid Agencies on Involuntary Displacement and Resettlement in Developing Countries.

  No. 4: Guidelines for Aid Agencies on Global Environmental Problems.

  No. 5: Guidelines for Aid Agencies on Chemicals Management.

  No. 6: Guidelines for Aid Agencies on Pest and Pesticide Management.

  No. 7: Guidelines for Aid Agencies on Disaster Mitigation.

  No. 8: Guidelines for Aid Agencies on Global and Regional Aspects of the Development and Protection of the Marine and Coastal Environment.

  No. 9: Guidelines for Aid Agencies for Improved Conservation and Sustainable Use of Tropical and Sub-Tropical Wetlands.

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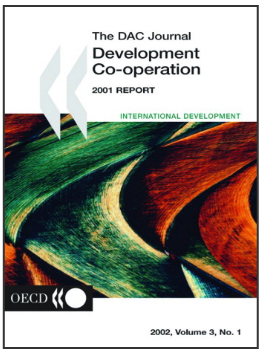

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